



CITY OF MANTECA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT
AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
AND TRANSIT ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT, FUND FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION, AND COMPLIANCE REPORT

Focused
on YOU



**CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds
Non-Transit Purposes
and Transit Enterprise Fund**

**Independent Auditors' Report, Fund Financial Statements,
Required Supplementary Information,
and Compliance Report**

For the Year Ended June 30, 2023

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund

Independent Auditors' Report, Fund Financial Statements,
Required Supplementary Information,
and Compliance Report

For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Manteca
Manteca, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund (collectively "the Funds") of the City of Manteca (the "City"), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Funds basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the City's auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City, which were relied upon for assurance over the cash balances and related interfund activity with other City funds, represented within the Funds as of June 30, 2023. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for cash balances and City wide interfund activity, are based solely on the report of the other auditors.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows 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.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Manteca
Manteca, California

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.

Auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 City's internal control in relation to the Funds. 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.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and required pension schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

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City of Manteca
Manteca, California

for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Summarized Comparative Information

We have previously audited the financial statements of the Funds for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated July 2, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025 on our consideration of the City's internal control over financial reporting, as it relates to the Funds, 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 City's internal control over financial reporting or on compliance, as it relates to the Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance as it relates to the Funds.

LSL, LLP

Sacramento, California
October 1, 2025

CITY OF MANTECA, CALIFORNIA
Transportation Development Act and Measure K Funds
Non-Transit Purposes
Balance Sheet
June 30, 2023, with Comparative Totals

			Totals	
	Transportation Development Act Fund	Measure K Fund	2023	2022
ASSETS				
Cash and cash equivalents	\$ 4,735	\$ 10,726,537	\$ 10,731,272	\$ 10,829,475
Accounts receivable	5,126,702	678,257	5,804,959	5,641,620
Total assets	\$ 5,131,437	\$ 11,404,794	\$ 16,536,231	\$ 16,471,095
LIABILITIES				
Accounts payable	\$ 8,929	\$ 409,290	\$ 418,219	\$ 89,261
Retainage payable	-	-	-	23,032
Total liabilities	8,929	409,290	418,219	112,293
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	5,126,702	189,926	5,316,628	5,126,702
Total deferred inflows of resources	5,126,702	189,926	5,316,628	5,126,702
FUND BALANCES				
Restricted for street and road projects	-	10,805,578	10,805,578	10,010,393
Restricted for pedestrian and bicycle facilities	-	-	-	1,221,707
Unassigned	(4,194)		(4,194)	-
Total fund balances	(4,194)	10,805,578	10,801,384	11,232,100
Total liabilities, deferred inflows of resources and fund balances	\$ 5,131,437	\$ 11,404,794	\$ 16,536,231	\$ 16,471,095

The accompanying notes are an integral part of these financial statements.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act and Measure K Funds
Non-Transit Purposes
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023, with Comparative Totals

			Totals	
	Transportation Development Act Fund	Measure K Fund	2023	2022
REVENUES				
Local Transportation Fund:				
Streets and roads	\$ -	\$ -	\$ -	\$ 659,536
Pedestrian and bicycle	-	-	-	76,270
Measure K Fund:				
Local street repair	-	1,730,922	1,730,922	1,852,058
Congestion relief	-	-	-	1,826,646
Roadway safety	-	281,778	281,778	301,498
Investment earnings (loss)	56,837	107,883	164,720	(191,613)
Total revenues	56,837	2,120,583	2,177,420	4,524,395
EXPENDITURES				
Capital projects - local street repair	1,282,738	1,325,398	2,608,136	4,327,225
Total expenditures	1,282,738	1,325,398	2,608,136	4,327,225
Net Change in Fund Balances	(1,225,901)	795,185	(430,716)	197,170
Beginning of Year, As Restated	1,221,707	10,010,393	11,232,100	11,034,930
Fund balances-ending	\$ (4,194)	\$ 10,805,578	\$ 10,801,384	\$ 11,232,100

The accompanying notes are an integral part of these financial statements.

CITY OF MANTECA, CALIFORNIA
Transit Enterprise Fund
Statement of Net Position
June 30, 2023, with Comparative Totals

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,313	\$ 105,409
Accounts receivable	5,251,155	3,577,791
Due from other funds	133,700	133,700
Total Current Assets	<u>5,388,168</u>	<u>3,816,900</u>
Noncurrent Assets:		
Capital assets, not being depreciated	565,983	565,983
Capital assets, net of accumulated depreciation	6,848,325	7,431,785
Total Noncurrent Assets	<u>7,414,308</u>	<u>7,997,768</u>
Total Assets	<u>12,802,476</u>	<u>11,814,668</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	188,258	76,207
Total Deferred Outflows of Resources	<u>188,258</u>	<u>76,207</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	290,327	116,342
Refundable deposits	10,990	2,250
Unearned revenues - TDA advances	133,700	133,700
Due to other funds	2,288,995	1,097,456
Total Current Liabilities	<u>2,724,012</u>	<u>1,349,748</u>
Noncurrent Liabilities:		
Net pension liability	579,026	302,494
Total Noncurrent Liabilities	<u>579,026</u>	<u>302,494</u>
Total Liabilities	<u>3,303,038</u>	<u>1,652,242</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	-	110,993
Total Deferred Inflow of Resources	<u>-</u>	<u>110,993</u>
NET POSITION		
Invested in capital assets	7,414,308	7,997,768
Restricted	2,273,388	2,129,872
Total Net Position	<u>\$ 9,687,696</u>	<u>\$ 10,127,640</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANTECA, CALIFORNIA
Transit Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023, with Comparative Totals

	2023	2022
OPERATING REVENUES		
Fares	\$ 30,710	\$ 26,256
Coupon sales	19,565	9,457
Other	55,546	13,112
Total operating revenues	105,821	48,825
OPERATING EXPENSES		
Operations and administration	2,130,379	2,335,038
Personnel services	374,588	286,334
Vehicle maintenance	-	10,210
Depreciation expense	775,457	657,327
Total operating expenses	3,280,424	3,288,909
Operating income (loss)	(3,174,603)	(3,240,084)
NONOPERATING REVENUES (EXPENSES)		
Local transportation funds -Transit operating	956,320	1,392,737
Federal transit assistance funds	1,429,477	1,664,024
Proposition 1B (PTMISEA)	191,997	26,863
State of Good Repair (SGR)	31,426	97,182
Low Carbon Transit Operations Program (LCTOP)	25,171	50,728
Interest	100,268	24,389
Total nonoperating revenues (expenses)	2,734,659	3,255,923
Change in net position	(439,944)	15,839
Net position-beginning	10,127,640	10,449,081
Prior Period Adjustment - Change in Accounting Estimate	-	(337,280)
Net position-ending	\$ 9,687,696	\$ 10,127,640

The accompanying notes are an integral part of these financial statements.

CITY OF MANTECA, CALIFORNIA
Transit Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2023, with Comparative Totals

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ (1,567,543)	\$ 2,888,707
Cash payments to suppliers for goods and services	(1,947,654)	(2,516,288)
Cash payments to employees for services	(321,100)	(286,334)
Net cash provided by (used for) operating activities	(3,836,297)	86,085
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal transit assistance funds	1,429,477	(1,577,075)
Local transportation funds - transit operating	956,320	1,392,737
Proposition 1B - PTMISEA	191,997	26,863
State of Good Repair (SGR)	31,426	97,182
Low Carbon Transit Operations Program (LCTOP)	25,171	50,728
Payments from other funds	1,191,539	810,877
Net cash provided by (used for) noncapital financing activities	3,825,930	801,312
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(191,997)	(806,377)
Net cash provided by (used for) capital and related financing activities	(191,997)	(806,377)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	100,268	24,389
Net cash provided by (used for) investing activities	100,268	24,389
Net increase (decrease) in cash and cash equivalents	(102,096)	105,409
Cash and cash equivalents-beginning	105,409	-
Cash and cash equivalents-ending	\$ 3,313	\$ 105,409
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (3,174,603)	\$ (3,240,084)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	775,457	657,327
GASB 68 pension adjustment	53,488	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,673,364)	2,839,882
Increase (decrease) in refundable deposits	8,740	(1,050)
Increase (decrease) in accounts payable	173,985	(169,990)
Total Adjustments	(661,694)	3,326,169
Net cash provided by (used for) operating activities	\$ (3,836,297)	\$ 86,085

The accompanying notes are an integral part of these financial statements.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 1: ORGANIZATION

The City of Manteca (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the San Joaquin County Local Transportation Fund (LTF) under Article 8, Section 99400(c). The City's Article 8 LTF funds are for the support of public transportation systems as defined in the TDA. The City's State Transit Assistance Bus Fund is used to account for TDA funds received by the City for public transportation, which is reflected in these financial statements of the City's Transit Enterprise Fund.

The City receives funds under the provisions of the TDA from the San Joaquin County LTF under Article 8, Section 99400(a) for local streets and roads projects, and Article 3, Section 99234 for pedestrian and bicycle facilities. The funds provided under Article 8 represent amounts available after the determination by the San Joaquin Council of Governments (SJCOG), the transportation planning agency administering TDA funds, of amounts needed for local streets and roads of the City. The funds provided under Article 3, Section 99234 represent amounts set aside to be allocated for pedestrian and bicycle facilities within the jurisdictions of San Joaquin County and represent up to 2% of the available funds countywide. The City's TDA Fund is used to account for these funds received by the City for non-transit purposes, which is reflected in these financial statements of the TDA Fund allocated for non-transit purposes.

The City also receives funds from an ordinance (Measure K) passed by San Joaquin County voters resulting in a sales tax increase of one-half of one percent for transportation improvements. SJCOG, acting as the Local Transportation Authority, oversees the collection and distribution of the sales tax in accordance with the twenty-year transportation expenditure plan. The plan calls for street repairs, safety and operational improvements on streets and roads, projects to reduce street and highway congestion, and the promotion of passenger rail and bus services as an alternative to travel by automobile. The City's Measure K Fund is used to account for these funds, which is reflected in the financial statements of the Measure K Fund.

The City provides transit service for senior and handicapped citizens of the City through both fixed-route and Dial-A-Ride transit services, which is reflected in the Transit Enterprise Fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the TDA Fund, Measure K Fund, and Transit Enterprise Fund of the City have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The financial statements present only the TDA Fund, Measure K Fund, and Transit Enterprise Fund of the City and are not intended to present fairly the financial position of the City and the changes in its financial position or its cash flows in accordance with accounting principles generally accepted in the United States of America.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The TDA Fund and Measure K Fund are governmental funds specifically categorized as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Transit Enterprise Fund is a proprietary fund specifically categorized as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector. The City uses an enterprise fund to account for its transit operations.

D. Measurement Focus and Basis of Accounting

The TDA Fund and Measure K Fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available and expenditures are recognized when the fund liabilities are incurred. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City uses an availability period of 60 days. Revenues that are susceptible to accrual include LTF allocations and interest income.

The Transit Enterprise Fund is presented in the City's Annual Comprehensive Financial Report (ACFR) as the Federal Transit Management Fund, a special revenue fund which is reported under the modified accrual basis of accounting, whereby revenues are recognized when they become measurable and available and expenditures are recognized when the fund liabilities are incurred. In accordance with Section 6667(b) of the TDA Statutes and California Codes of Regulations, Transit Funds should be classified as enterprise funds using the flow of economic resources management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Transit Enterprise Fund reports grant advances on its statement of net position. Grant advances for this fund arise when potential revenue, designated for a specific purpose, has been received prior to the eligibility requirements being met. In subsequent periods, when the eligibility requirements have been met, the liability for grant advances is removed from the statement of net position and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Transit Enterprise Fund are passenger fares. Operating expenses include the cost of vehicle maintenance, administrative expenses, and depreciation on capital assets and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

E. Cash and Cash Equivalents

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty. Therefore, for purposes of the statement of cash flows, all enterprise fund cash on hand and in the pool is considered cash and cash equivalents.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Transit Fund has deferred outflows of resources related to pension as discussed in Note 9, respectively.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for funding purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Capital Assets

All purchased capital assets are valued at cost where historical cost records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all capital assets in the Transit Enterprise Fund is computed using the straight-line method over their estimated useful lives. Estimated useful lives of vehicles are 5 years.

I. Net Position/Fund Balance

The financial statements of the enterprise fund utilize a net position presentation. Net position is categorized as follows:

- Invested in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents amounts with external restrictions imposed by creditors, granters, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The City follows the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Accordingly, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent. As of June 30, 2023 the City reported the following:

- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitution provisions or enabling legislation.

**CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City does not have a minimum fund balance policy.

J. Grants

Grant revenues and receivables are recorded when eligibility requirements which have been imposed by the provider have been met. Grant sources include the Federal Transit Administration (FTA), State Transit Assistance (STA), and Local Transportation Fund (LTF). The LTF and STA were created by the State Legislature under the TDA

K. Risk Management

The City participates in various risk management programs, some of which relate to the TDA Fund and the Transit Enterprise Fund and are reported in the financial statements of the City. The risk management allocation is based on a percentage of each invoice from the Municipal Pooling Authority, based on a weighted allocation.

L. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

M. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City TDA Fund and Measure K Fund, allocated for non-transit purposes, and Transit Enterprise Fund. Also, certain accounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

N. Contingencies

The City receives funding for specific purposes that is subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The City is a party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the funds.

O. Reclassification

Certain reclassifications have been made to prior year balances to conform with current year presentation.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances for the City's TDA Fund, Measure K Fund, and Transit Enterprise Fund are held in the City's cash and investment pool. The City maintains a cash and investment pool in order to facilitate the management of cash. Interest is allocated to its various funds based upon average cash balances. Investments held in the City's cash management pool are available on demand to the City TDA Fund, Measure K Fund, and Transit Enterprise Fund and are stated at fair value. Information regarding categorization of investments can be found in the City's financial statements.

NOTE 4: CAPITAL ASSETS

Capital assets and accumulated depreciation at June 30, 2023, are as follows:

	Balances June 30, 2022	Adjustments	Acquisitions	Dispositions	Balances June 30, 2023
Capital assets, not being depreciated					
Land*	\$ 565,983	\$ -	\$ -	\$ -	\$ 565,983
Total capital assets, not being depreciated	565,983	-	-	-	565,983
Capital assets being depreciated					
Transit vehicles	9,230,027	(38,888)	-	-	9,191,139
Machinery and equipment	-	102,980	191,997	-	294,977
Building and improvements	2,606,032	(64,092)	-	-	2,541,940
Total capital assets, being depreciated	11,836,059	-	191,997	-	12,028,056
Less: accumulated depreciation	(4,404,274)	-	(775,457)	-	(5,179,731)
Capital assets, net of accumulated depreciation	7,431,785	-	(583,460)	-	6,848,325
Total capital assets	\$ 7,997,768	\$ -	\$ (583,460)	\$ -	\$ 7,414,308

*The Construction in Progress balance was reclassified to Land, as it was incorrectly presented in the prior year.
Depreciation expense was \$775,457 for the fiscal year ended June 30, 2023.

NOTE 5: GRANT ADVANCES

Transit Enterprise Fund	2023
TDA advances, beginning of year	\$ 133,700
TDA advances, end of year	\$ 133,700

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

**NOTE 6: PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE
ENHANCEMENT ACCOUNT (PTMISEA)**

PTMISEA

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligations bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

Balance remaining at June 30, 2023 is composed of the following:

	<u>Amount</u>
Balance available for draw - beginning of the year	\$ 226,555
Revenue:	
Interest earned on PTMISEA deposits through June 30, 2023	3,790
Expenses:	
Expenses	<u>(191,997)</u>
Balance available for draw - end of the year	<u>\$ 38,348</u>

NOTE 7: STATE OF GOOD REPAIR (SGR)

The State of Good Repair & Accountability Act of 2017 was established to provide funds annually for aging infrastructure, investments in congested commute and freight corridors and to improve transit service. Caltrans is legislated to manage and administer the State of Good Repair (SGR) program. The State Controller's Office publishes annually estimated funding according to population and farebox revenues. The State Controller's Office issues quarterly payment to the San Joaquin Council of Governments who in turn pays the Regional Transit Authority for allocation to the jurisdictions. The 99313 portion of the allocations is allocated based on a Board approved allocation formula for the fiscal year. The 99314 portion is allocated based on the SCO formula. The funds are held with the County Treasurer, and jurisdictions are allowed to draw down from available funds on a reimbursement basis. Caltrans requests that the jurisdictions fully expend the SGR funds within a seven-year period.

Amounts held by the City and available for draw as of June 30, 2023, are composed of the following:

	<u>TDA Fund</u>
Balance available for draw - beginning of the year	\$ 239,218
Revenue:	
SGR funds received	624,059
Expenses:	
Expenses	<u>(31,426)</u>
Balance available for draw - end of the year	<u>\$ 831,851</u>

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 8: LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP)

Annual audits of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, must include verification of receipt and appropriate expenditure of funds. Lead Agencies receiving LCTOP funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by December 31st, six months after the close of the fiscal year (closes June 30) Caltrans will make the audits available to the Legislature and the State Controller's Office (SCO) as needed. Lead agencies may request a 90-day extension from the December 31st deadline to March 31st. They must notify Caltrans in writing via e-mail. Project leads who fail to submit an expanded TDA audit documenting all LCTOP funding allocated to date will not receive future LCTOP allocations until the required document(s) have been submitted to Caltrans.

Balance remaining at June 30, 2023 is composed of the following:

	<u>Amount</u>
Balance available for draw - beginning of the year	\$ 79,036
Revenue:	
LCTOP funds received	25,171
Expenses:	
Expenses	<u>(22,860)</u>
Balance available for draw - end of the year	<u>\$ 81,347</u>

NOTE 9: PENSION PLAN

A. General Information

Plan Descriptions

All qualified regular and probationary employees are eligible to participate in the City's Miscellaneous plan (Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits for the Miscellaneous Plan. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect as of the measurement date, are summarized as follows:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to	After	On or After
	April 3, 2012	April 3, 2012	January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50 - 55	50 - 63	52 - 67
Monthly Benefits, as a % of eligible compensation	2.0% - 2.7%	1.092% - 2.418%	1.0% - 2.5%
Required Employee Contribution Rates	8.00%	7.00%	6.75%
Required Employer Contribution Rates (NormalCost)	11.090%	11.090%	11.090%
Required Unfunded Accrued Liability Contribution (Monthly Basis)		\$48,960	

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for each Plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are either billed on a monthly basis or may be paid in a lump sum at discount. During the measurement period, the City's required UAL contributions were made under the lump sum option.

During the June 30, 2022 measurement period, the Transit Fund's share of contributions to the Plan were \$48,960, which were recognized as reductions to the net pension liability.

Net Pension Liability

The Transit Fund's share of net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability

The changes in the Transit Fund's share of the Net Pension Liability for the Miscellaneous Plan follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021	\$ 1,669,816	\$ 1,331,023	\$ 338,793
Changes recognized for the measurement period:			
Service cost	36,142	-	36,142
Interest on total pension liability	118,004	-	118,004
Changes of assumptions	60,313	-	60,313
Differences between expected and actual experience	2,909		2,909
Contributions-employer	-	65,761	(65,761)
Contributions-employee	-	13,872	(13,872)
Net investment income	-	(101,668)	101,668
Benefit payments, including refunds of employee contributions	(81,809)	(81,809)	-
Administrative expense	-	(829)	829
Net changes	135,560	(104,673)	240,233
Balance at June 30, 2022	\$ 1,805,376	\$ 1,226,350	\$ 579,026

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Transit's Fund share for the Plan, calculated using the discount rate for the Plan, as well as what the Transit Fund's share of net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1 Percent (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 Percent (7.90%)
Transit Fund's share of net pension liability/(asset)	\$ 830,309	\$ 579,026	\$ 373,189

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Transit Fund recognized pension expense of \$390,769. At June 30, 2023, the Transit Fund reported deferred outflows of resources and deferred inflows of resources related to pensions for the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 71,920	\$ -
Changes of assumptions	44,441	-
Differences between expected and actual experience	10,241	-
Net difference between projected and actual earnings on pension plan investments	61,656	-
Total	\$ 188,258	\$ -

The Transit Funds share of Miscellaneous Plan reported \$71,920 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 33,051
2025	26,876
2026	17,743
2027	38,668
Total	\$ 116,338

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

Actuarial Assumptions

For the measurement period ended June 30, 2022, the total pension liabilities were determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Investment Rate of Return	2.80%
Mortality Rate	Derived from using CALPERS Membership Data for All
Healthcare Trend Rate	The lessser of contract COLA uo to 2.30% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.30% thereafter

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period 2001-2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{1, 2}
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study

Changes of Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Pension Plan Fiduciary Net Position

Detailed information about each pension plans fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 10: PRIOR PERIOD ADJUSTMENT

During the 2023 audit, a correction was made to the June 30, 2022 Transit Fund balance. The adjustment was necessary to recognize pension activity within the Transit Fund for related payroll activity.

	June 30, 2022 As Previously Reported	(A) Recognize Pension Activity	June 30, 2022 As Restated
Transit Fund Balance	<u>\$ 10,449,081</u>	<u>\$ (337,280)</u>	<u>\$ 10,111,801</u>

A. Recognize Pension Activity

In fiscal year 2023, the City of Manteca converted the Transit Fund from a Special Revenue Fund to a Proprietary Fund (historically presented as proprietary within the TDA financial statements). As a result of this conversion, pension activity was allocated to the Transit Fund for related payroll activity, and a prior period adjustment was recorded to establish the beginning pension balances.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 1, 2025, the date these financial statements were available to be issued. The City did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANTECA, CALIFORNIA
Transporation Development Act Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ 25,363	\$ 25,363	\$ 56,837	\$ 31,474
Total Revenues	25,363	25,363	56,837	31,474
Expenditures:				
Capital projects - local street repair	1,509,838	1,838,117	1,282,738	555,379
Total Expenditures	1,509,838	1,838,117	1,282,738	555,379
Net Change in Fund Balances	\$ (1,484,475)	\$ (1,812,754)	(1,225,901)	\$ (523,905)
Fund Balances, Beginning of Year			1,221,707	
Fund Balances, End of Year			\$ (4,194)	

See Notes to the Required Supplementary Information.

CITY OF MANTECA, CALIFORNIA
Measure K Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local street repair	\$ 3,106,000	\$ 3,106,000	\$ 1,730,922	\$ (1,375,078)
Congestion relief	1,500,000	1,500,000	-	(1,500,000)
Roadway safety	1,303,000	1,303,000	281,778	(1,021,222)
Investment earnings	17,461	17,461	107,883	90,422
Total Revenues	5,926,461	5,926,461	2,120,583	(3,805,878)
Expenditures:				
Capital projects - local street repair	2,011,418	9,685,600	1,325,398	8,360,202
Total Expenditures	2,011,418	9,685,600	1,325,398	8,360,202
Net Change in Fund Balances	\$ 3,915,043	\$ (3,759,139)	795,185	\$ (12,166,080)
Fund Balances, Beginning of Year			10,010,393	
Fund Balances, End of Year			\$ 10,805,578	

See Notes to the Required Supplementary Information.

CITY OF MANTECA, CALIFORNIA
Schedule of Changes in Net Pension Liability and Related Ratios - Transit Fund
Miscellaneous Plan
As of June 30, for the Last Ten Fiscal Years¹

	2023	2022
Measurement Date	6/30/2022	6/30/2021
TOTAL PENSION LIABILITY		
Service cost	\$ 36,142	\$ 27,834
Interest on total pension liability	118,004	100,837
Changes of benefit terms	-	-
Changes of assumptions	60,313	-
Difference between expected and actual experience	2,909	6,651
Benefit payments, including refunds of employee contributions	(81,809)	(68,323)
Net change in total pension liability	135,560	66,999
Total pension liability-beginning	1,669,816	1,423,908
Total pension liability-ending (a)	1,805,376	1,490,907
PLAN FIDUCIARY NET POSITION		
Contributions-employer	65,761	52,203
Contributions-employee	13,872	11,504
Net investment income	(101,668)	222,053
Benefit payments, including refunds of employee contributions	(81,809)	(68,323)
Net plan to plan resource movement	-	(4)
Administrative expense	(829)	(971)
Other miscellaneous income/(expense)	-	-
Net change in fiduciary net position	(104,673)	216,462
Plan fiduciary net position-beginning	1,331,023	971,951
Plan fiduciary net position-ending (b)	1,226,350	1,188,413
Net pension liability/(asset) (a) - (b)	\$ 579,026	\$ 302,494
Plan fiduciary net position as a percentage of the total pension liability	67.9%	79.7%
Covered payroll	\$ 184,022	\$ 155,933
Plan net pension liability/(asset) as a percentage of covered payroll	314.6%	194.0%

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the measurement date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2020-2022. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2018, the discount rate was reduced from 7.65% to 7.15%. In 2017, there were no changes. In 2016, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2015, amounts reported were based on the 7.50% discount rate.

¹The City converted the Transit Fund from a Special Revenue Fund to a Proprietary Fund in Fiscal Year 2023. Accordingly, RSI pension information for the Transit Fund is presented beginning with Fiscal Year 2022.

CITY OF MANTECA, CALIFORNIA
Schedules of Plan Contributions - Transit Fund
As of June 30, for the Last Ten Fiscal Years ¹

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
<u>Miscellaneous Agent, Multiple-Employer Pension Plan</u>					
2022	65,761	71,920	(6,159)	184,022	39.1%
2021	52,203	48,960	3,243	155,933	31.4%

¹The City converted the Transit Fund from a Special Revenue Fund to a Proprietary Fund in Fiscal Year 2023. Accordingly, RSI pension information for the Transit Fund is presented beginning with Fiscal Year 2022.

**CITY OF MANTECA, CALIFORNIA
Transportation Development Act
and Measure K Funds Non-Transit Purposes
and Transit Enterprise Fund
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023**

NOTE 1: BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Transportation Development Act (TDA) Fund and the Measure K Fund. All appropriations lapse at year-end. The appropriate budget is prepared by department, function, and fund. The City Manager may make transfers of appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

OTHER REPORTS



INDEPENDENT AUDITORS' 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

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Manteca
Manteca, 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 ("TDA") Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund (collectively "the Funds") of the City of Manteca, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2025.

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 financial reporting (internal control), as it relates to the Funds, 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, as it relates to the Funds. 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003, and 2023-004 that we consider to be material weaknesses.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Manteca
Manteca, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-004.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, relating to the Funds, and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance relating to the Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance, as it relates to the Funds. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Sacramento, California
October 1, 2025



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the Members of the City Council
City of Manteca
Manteca, California

Report on Compliance with Transportation Development Act, Measure K, and Low Carbon Transit Operations Program Requirements

Opinion on Transportation Development Act, Measure K, and Low Carbon Transit Operations Program Compliance

We have audited the City of Manteca, California (the "City")'s compliance with Transportation Development Act ("TDA"), Measure K, and Low Carbon Transit Operations Program (LCTOP) requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations (Code of Regulations) during the year ending June 30, 2023.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act Fund (TDA), Measure K and LCTOP Funds, allocated for non-transit purposes, and the Transit Enterprise Fund (collectively the "Funds") of the City for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance 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; the applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of TDA, Measure K, and LCTOP requirements applicable to the City's Funds.



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To the City Council
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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS; *Government Auditing Standards*; the applicable statutes, rules, and regulations of the TDA, Measure K and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the TDA, Measure K, and LCTOP requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit, as it relates to the Funds, in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Code of Regulations, and which is described in the accompanying schedule of findings and questioned costs as item 2023-004.



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Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

LSL, LLP

Sacramento, California
October 1, 2025



To the Board of Directors
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SCHEDULE OF FINDINGS AND RESPONSES

Reference Number

2023-001 – Segregation of Duties

Evaluation of Finding

Material Weakness

Condition

Through performing an evaluation over internal controls related to manual journal entries, we noted that journal entries are prepared, reviewed, and approved by the same individual.

Criteria

Government auditing standards, as stipulated by the Generally Accepted Government Auditing Standards (GAGAS), require internal controls to be robust and designed to ensure segregation of duties. These standards aim to reduce the risk of fraud, errors, and inefficiencies by mandating adequate oversight and proper procedural checks.

Cause of Condition

High turnover within the City led to inadequate segregation of duties, reflecting ongoing challenges in internal control.

Effect or Potential Effect of Condition

The identified deficiencies may lead to an increased risk of fraud due to inadequate segregation of duties.

Recommendation

To effectively address the identified internal control deficiencies, we suggest ensuring segregation of duties by assigning distinct individuals responsible for the preparation, review, and approval of journal entries.

Repeat Finding

Yes, City of Manteca's TDA fiscal year 2021-2022 report finding #2022-001.

Management Response

The City agrees with the finding. Staff turnover made this difficult; however, critical positions that were vacant within the department have been filled, which has helped alleviate some of these issues. Staff has since established procedures for journal entry approval. This has been corrected in fiscal year 2024.



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SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Reference Number

2023-002 – Balance Sheet Corrections

Evaluation of Finding

Material Weakness

Condition

During our audit procedures, we identified a material weakness in internal controls over financial reporting. Material balances were not properly accounted for in accounts payable, accounts receivable, and deferred inflows, which required significant audit adjustments to correct the balance sheet as of June 30, 2023. These adjustments related to the correction of expenses that were improperly excluded from accounts payable; activity related to TDA audit corrections noted in prior years for appropriate revenue recognition; and the removal of OPEB activity from the preliminary trial balance as management determined it no longer applied to the Transit Fund.

Accounts Payable:

- Transit Fund – (\$6,720)
- Measure K Fund – (\$396,667)
- TDA Fund – (\$2,981)

Accounts Receivable:

- Transit Fund – (\$927,089)
- Measure K Fund – \$189,926
- TDA Fund – (\$1,293,921)

Deferred Inflows:

- Transit Fund – \$1,293,921
- Measure K Fund – (\$189,926)
- TDA Fund – \$2,421,695

OPEB Activity

- Transit Fund - \$1,475,928

This resulted in a net impact of \$1,199,778 on balance sheet accounts provided to begin the audit, inclusive of equity impacts.

Criteria

Governmental Accounting Standards and generally accepted accounting principles (GAAP) require that transactions and balances be recorded in the proper period to ensure financial statements are fairly presented. Internal controls should provide reasonable assurance that revenues, expenses, receivables, payables, and related deferrals are complete, accurate, and recorded in the proper funds.

Cause of Condition

The deficiency was caused by gaps in the City's year-end closing and review process. High staff turnover and limited oversight contributed to incomplete reconciliations of accounts receivable, accounts payable, and deferred inflows across funds. As a result, significant balances were misstated at year-end.



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SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Effect or Potential Effect of Condition

The misstatement of accounts payable, accounts receivable, and deferred inflows had the following potential impacts:

- Financial statements initially did not reflect the City's financial position until corrected through audit adjustments.
- Users of the financial statements, including oversight bodies and the public, may have relied on incomplete or inaccurate information.
- Increased risk of noncompliance with GAAP and governmental reporting standards.
- Possible reduction in confidence from stakeholders, rating agencies, or funding sources due to weaknesses in financial oversight.

Recommendation

We recommend the City strengthen its year-end closing and review process by:

- Establishing documented procedures for reviewing and reconciling accounts payable, accounts receivable, and deferred inflows at year-end.
- Assigning responsibility for cross-fund reconciliations to ensure transactions are recorded in the proper fund.
- Implementing a secondary review of all material balances and adjustments before financial statements are finalized.
- Providing training to finance staff on the importance of timely cut-off procedures and proper year-end accruals/deferrals.

These measures will help ensure that balance sheet accounts are accurately reported and reduce the risk of future material misstatements.

Repeat Finding

Yes, related to accounts payable error on City of Manteca's TDA fiscal year 2021-2022 report finding #2022-002.

Management Response

The City agrees with the finding. Staff turnover made this difficult; however, critical positions that were vacant within the department have been filled, which has helped alleviate some of these issues. Current staff recognizes the importance of proper recording to ensure financial statements are reflecting an accurate presentation of the City's financial position. Staff acknowledges the importance of timely cut-off procedures and ensures expenses and revenues are recorded in the proper fiscal year to reduce the need for audit adjustments. Additionally, staff are working on implementing a variance analysis to compare current year financial statements to prior year financial statements to identify and review variances on a regular basis. This has been corrected in fiscal year 2025.



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SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Reference Number

2023-003 – Transit Fund Capital Asset Conversion Errors

Evaluation of Finding

Material Weakness

Condition

During our audit procedures, we identified a material weakness in the internal controls over financial reporting related to the conversion of the Transit Fund from a special revenue fund to an enterprise fund. Specifically, capital asset balances were not properly rolled forward upon conversion, resulting in a material audit adjustment of \$969,949 to correct beginning capital asset balances.

Additionally, depreciation expense and accumulated depreciation for the fiscal year were not recorded appropriately, resulting in a material audit adjustment of \$333,450 to correct depreciation as of June 30, 2023.

Criteria

Government auditing standards, as outlined in the Generally Accepted Government Auditing Standards (GAGAS), require entities to maintain effective internal controls to ensure financial statements are complete and reliable. Governmental accounting standards further require proper reporting and tracking of capital assets, particularly during fund conversions or changes in classification. Controls should ensure that asset balances, including depreciation, are appropriately carried forward, recorded in the correct reporting period, and properly recognized in the current year.

Cause of Condition

High turnover within the City's finance department during the fiscal year impacted continuity in financial reporting processes, particularly during the Transit Fund's conversion from a special revenue fund to an enterprise fund. This turnover contributed to gaps in procedures and oversight related to capital asset accounting. Although capital asset information had historically been provided for TDA reporting, certain components—such as the rollover of beginning balances and the calculation of depreciation—were not fully carried forward into the City's enterprise fund reporting in FY23, resulting in misstatements that required adjustment during the audit.

Effect or Potential Effect of Condition

The issues related to capital asset accounting during the Transit Fund's conversion led to the following impacts:

- The financial statements did not fully reflect the City's accurate net position for the Transit Fund, resulting in material misstatements.
- Depreciation expense and accumulated depreciation were understated, impacting the overall accuracy of the FY23 financial statements.
- There is an increased risk that similar misstatements could occur in future periods if reconciliation processes are not enhanced.
- Inaccurate financial information could affect the City's transparency and the confidence of oversight bodies and the public.



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SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Recommendation

To address this material weakness, we recommend the following actions:

- Develop and implement detailed procedures for fund conversions, ensuring all relevant balances (including capital assets and depreciation) are properly reviewed and rolled forward.
- Establish a secondary review process to verify the completeness and accuracy of capital asset schedules during periods of significant change.
- Provide training for accounting personnel on enterprise fund reporting requirements, including the treatment of capital assets and depreciation.
- Perform periodic reconciliations of capital asset records to ensure they align with financial reporting.

Repeat Finding

No

Management Response

Staff has found that capital assets were not being categorized correctly in our ERP system. Additionally, the full reconciliation process was not done accurately due to training of staff and a delay in completing audits. The City is actively working on improving the capital asset process to ensure balances are accurate. These efforts will improve accuracy and strengthen reconciliations. This will be corrected in fiscal year 2025.

Reference Number

2023-004 – Submission of City's TDA Financial Statements

Evaluation of Finding

Material Weakness and Material Noncompliance

Condition

The City did not submit its financial statements under the Transportation Development Act (TDA) by the required deadline of December 31st following the current fiscal year end, or no later than March 31st following the fiscal year end with an extension. The financial statements were submitted significantly past these deadlines.

Criteria

According to the Transportation Development Act, financial statements must be submitted:

- By December 31st following the end of the current fiscal year
- Or no later than March 31st following the end of the current fiscal year with an extension

These criteria ensure timely reporting and compliance with regulatory standards.

Cause of Condition

The late submission of the City's financial statements was due to high employee turnover and the absence of documented policies regarding financial reporting requirements. As new staff joined the City, the lack of clear guidelines and procedures led to delays in finalizing the financial statements.

Effect or Potential Effect of Condition

The late submission of financial statements can have several negative impacts, including:

- Misleading information being provided to stakeholders
- Increased risk of non-compliance with regulatory requirements and financial reporting standards
- Potential financial discrepancies affecting the City's relationships with vendors and granting agencies
- Loss of public trust and confidence in the City's financial management



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SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Recommendation

To address this material weakness and noncompliance, we recommend the following actions:

- Develop and implement comprehensive documented policies and procedures for financial reporting to provide clear guidelines for staff
- Ensure that all City positions involved in financial reporting are adequately staffed with qualified personnel
- Provide regular training for staff to familiarize them with the newly established policies and procedures
- Establish a robust review process to track adherence to documented policies and ensure timely and accurate submission of financial statements
- Regular monitoring and follow-up on the progress of financial statement preparation to ensure timely completion

We believe that these measures will help mitigate the risk of late submissions and enhance the reliability of the City's financial reporting under the Transportation Development Act.

Repeat Finding

Yes, See City of Manteca's TDA fiscal year 2021-2022 report finding #2022-003.

Management Response

Staff continues to evaluate processes and procedures to ensure a more timely and accurate close. Current staff ultimately understands the critical need for an annual year-end close schedule to ensure that closing entries are done in a timely manner. Staff has compiled a comprehensive and detailed year-end close schedule that assigns roles/responsibilities and timeframes for closing entries, annual filings, information gathering, etc. In addition, the audits have been scheduled and staff is working diligently to ensure these audits are completed on time.