



CITY OF MANTECA
TRANSPORTATION DEVELOPMENT ACT AND
MEASURE K FUNDS
NON-TRANSIT PURPOSES AND
TRANSIT ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2025

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, 2025

ATTACHMENT 1

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, 2025

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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, 2025, 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, 2025, 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 investment income, and interfund activity with other City funds, represented within the Funds as of June 30, 2025. 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 Auditors' 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, 2025, 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.

Auditors' 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

To the City Council
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, 2024, and expressed an unmodified audit opinion on those financial statements in our report dated January 23, 2026. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, 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 March 30, 2026 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
March 30, 2026

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
Transportation Development Act and Measure K Funds
Non-Transit Purposes
Balance Sheet
June 30, 2025, with Comparative Totals

	Transportation Development Act Fund	Measure K Fund	Totals	
			2025	2024
ASSETS				
Cash and cash equivalents	\$ 1,636,806	\$ 11,547,027	\$ 13,183,833	\$ 10,113,948
Accounts receivable	1,529,030	2,161,865	3,690,895	6,517,148
Total assets	\$ 3,165,836	\$ 13,708,892	\$ 16,874,728	\$ 16,631,096
LIABILITIES				
Accounts payable	\$ 76,314	\$ 416,995	\$ 493,309	\$ 832,399
Total liabilities	76,314	416,995	493,309	832,399
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,529,030	-	1,529,030	6,030,373
Total deferred inflows of resources	1,529,030	-	1,529,030	6,030,373
FUND BALANCES				
Restricted for street and road projects	-	13,291,897	13,291,897	6,259,700
Restricted for pedestrian and bicycle facilities	1,560,492	-	1,560,492	3,508,624
Total fund balances	1,560,492	13,291,897	14,852,389	9,768,324
Total liabilities, deferred inflows of resources and fund balances	\$ 3,165,836	\$ 13,708,892	\$ 16,874,728	\$ 16,631,096

See Notes to Financial Statements.

ATTACHMENT 1

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, 2025, with Comparative Totals

	Transportation Development Act Fund	Measure K Fund	Totals	
			2025	2024
REVENUES				
Local Transportation Fund:				
Streets and roads	\$ -	\$ -	\$ -	\$ 5,118,220
Pedestrian and bicycle	8,482	-	8,482	8,482
Measure K Fund:				
Local street repair	-	4,585,402	4,585,402	1,800,946
Congestion relief	-	-	-	189,926
Roadway safety	-	5,827,923	5,827,923	293,177
Renewal	-	213,574	213,574	232,877
Investment earnings (loss)	-	626,333	626,333	327,351
Other revenues	-	2,000	2,000	13,623
Total revenues	8,482	11,255,232	11,263,714	7,984,602
EXPENDITURES				
Capital projects - local street repair	1,956,614	4,223,035	6,179,649	8,744,076
Total expenditures	1,956,614	4,223,035	6,179,649	8,744,076
Excess (deficiency) of revenues over (under) expenditures	(1,948,132)	7,032,197	5,084,065	(759,474)
Other Financing Uses:				
Transfers to other City of Manteca funds	-	-	-	(273,586)
Total Other Financing Uses	-	-	-	(273,586)
Net Change in Fund Balances	(1,948,132)	7,032,197	5,084,065	(1,033,060)
Fund balances-beginning, as restated	3,508,624	6,259,700	9,768,324	10,801,384
Fund balances-ending	\$ 1,560,492	\$ 13,291,897	\$ 14,852,389	\$ 9,768,324

See Notes to Financial Statements.

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
Transit Enterprise Fund
Statement of Net Position
June 30, 2025, with Comparative Totals

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Accounts receivable	\$ 3,434,861	\$ 4,981,058
Due from other funds	133,700	133,700
Total Current Assets	<u>3,568,561</u>	<u>5,114,758</u>
Noncurrent Assets:		
Capital assets, not being depreciated	576,726	565,983
Capital assets, net of accumulated depreciation	7,864,345	6,455,103
Total Noncurrent Assets	<u>8,441,071</u>	<u>7,021,086</u>
Total Assets	<u>12,009,632</u>	<u>12,135,844</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	108,542	187,864
Total Deferred Outflows of Resources	<u>108,542</u>	<u>187,864</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	213,144	234,596
Refundable deposits	15,891	12,890
Unearned revenues - TDA advances	133,700	133,700
Due to other funds	1,781,307	2,165,730
Compensated absences - due within one year	1,980	25,318
Total Current Liabilities	<u>2,146,022</u>	<u>2,572,234</u>
Noncurrent Liabilities:		
Compensated absences - due in more than one year	57,908	16,879
Net pension liability	467,108	621,795
Total Noncurrent Liabilities	<u>525,016</u>	<u>638,674</u>
Total Liabilities	<u>2,671,038</u>	<u>3,210,908</u>
NET POSITION		
Invested in capital assets	8,441,071	7,021,086
Restricted	1,006,065	2,091,714
Total Net Position	<u>\$ 9,447,136</u>	<u>\$ 9,112,800</u>

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
Transit Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025, with Comparative Totals

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Fares	\$ 34,641	\$ 31,495
Coupon sales	29,951	23,662
Other	69,659	66,076
Total operating revenues	<u>134,251</u>	<u>121,233</u>
OPERATING EXPENSES		
Operations and administration	3,464,657	3,420,454
Personnel services	313,907	407,959
Depreciation expense	471,823	480,676
Total operating expenses	<u>4,250,387</u>	<u>4,309,089</u>
Operating income (loss)	<u>(4,116,136)</u>	<u>(4,187,856)</u>
NONOPERATING REVENUES (EXPENSES)		
Local transportation funds -Transit operating	-	754,483
Federal transit assistance funds	4,154,699	2,814,154
State of Good Repair (SGR)	323,582	37,365
Low Carbon Transit Operations Program (LCTOP)	40,140	32,116
Investment Earnings (loss)	(67,949)	-
Total nonoperating revenues (expenses)	<u>4,450,472</u>	<u>3,638,118</u>
Change in net position	334,336	(549,738)
Net position-beginning	9,112,800	9,654,449
Restatement - Error Corrections	-	8,089
Net position-ending	<u><u>\$ 9,447,136</u></u>	<u><u>\$ 9,112,800</u></u>

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
Transit Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2025, with Comparative Totals

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,680,448	\$ 391,330
Cash payments to suppliers for goods and services	(3,483,108)	(3,474,285)
Cash payments to employees for services	(371,581)	(355,846)
Net cash provided by (used for) operating activities	<u>(2,174,241)</u>	<u>(3,438,801)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal transit assistance funds	4,154,699	2,814,154
Local transportation funds - transit operating	-	754,483
State of Good Repair (SGR)	323,582	37,365
Low Carbon Transit Operations Program (LCTOP)	40,140	32,116
Payments from other funds	(384,423)	(123,265)
Net cash provided by (used for) noncapital financing activities	<u>4,133,998</u>	<u>3,514,853</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,891,808)	(79,365)
Net cash provided by (used for) capital and related financing activities	<u>(1,891,808)</u>	<u>(79,365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	(67,949)	-
Net cash provided by (used for) investing activities	<u>(67,949)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	(3,313)
Cash and cash equivalents-beginning	-	3,313
Cash and cash equivalents-ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (4,116,136)	\$ (4,187,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	471,823	480,676
GASB 68 pension adjustment	(75,365)	43,163
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,546,197	270,097
Increase (decrease) in refundable deposits	3,001	1,900
Increase (decrease) in accounts payable	(21,452)	(55,731)
Increase (decrease) in accrued compensated absences	17,691	8,950
Total Adjustments	1,941,895	749,055
Net cash provided by (used for) operating activities	<u><u>\$ (2,174,241)</u></u>	<u><u>\$ (3,438,801)</u></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, 2025**

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, 2025**

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, 2025**

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, grantors, 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, 2025 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, 2025**

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, 2025**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncement was effective for and implemented for the fiscal year ended June 30, 2025:

1. *GASB Statement No. 101, Compensated Absences*

The requirements of this Statement will improve financial reporting by implementing a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Establishing the unified model will result in consistent application to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This Statement will also result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

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 for the Transit Fund at June 30, 2025, are as follows:

	Balances June 30, 2024	Additions	Deletions	Balances June 30, 2025
Capital assets, not being depreciated				
Land	\$ 565,983	\$ -	\$ -	\$ 565,983
Construction in progress	-	10,743	-	10,743
Total capital assets, not being depreciated	<u>565,983</u>	<u>10,743</u>	<u>-</u>	<u>576,726</u>
Capital assets being depreciated				
Building and improvements	9,278,593	34,853	-	9,313,446
Machinery and equipment	307,387	57,001	-	364,388
Transit vehicles	2,229,051	1,789,211	-	4,018,262
Total capital assets, being depreciated	<u>11,815,031</u>	<u>1,881,065</u>	<u>-</u>	<u>13,696,096</u>
Less: accumulated depreciation	<u>(5,359,928)</u>	<u>(471,823)</u>	<u>-</u>	<u>(5,831,751)</u>
Capital assets, net of accumulated depreciation	<u>6,455,103</u>	<u>1,409,242</u>	<u>-</u>	<u>7,864,345</u>
Total capital assets	<u>\$ 7,021,086</u>	<u>\$ 1,419,985</u>	<u>\$ -</u>	<u>\$ 8,441,071</u>

Depreciation expense was \$471,823 for the fiscal year ended June 30, 2025.

**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, 2025**

NOTE 5: GRANT ADVANCES

Revenues received from this granting agency are deferred for transit services and are considered earned when they are properly spent for operations of capital assets by the City for its transit system. The changes in grant advances are as follows for the year ended June 30, 2025:

Transit Enterprise Fund	2025
TDA advances, beginning of year	<u>\$ 133,700</u>
TDA advances, end of year	<u>\$ 133,700</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, 2025, are composed of the following:

	TDA Fund
Balance available for draw - beginning of the year	<u>\$ 448,676 *</u>
Revenue:	
SGR funds received	152,131
Interest	13,677
Expenses:	
Expenses	<u>(323,582)</u>
Balance available for draw - end of the year	<u>\$ 290,902</u>

* Beginning balance was adjusted from the prior year to reflect updated information regarding SGR funds available for draw.

**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, 2025**

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, 2025 is composed of the following:

	<u>Amount</u>
Balance available for draw - beginning of the year	\$ 97,952
Revenue:	
LCTOP funds received	40,140
Expenses:	
Expenses	<u>(20,079)</u>
Balance available for draw - end of the year	<u>\$ 118,013</u>

NOTE 9: COMPENSATED ABSENCES

Changes to compensated absences for the year ended June 30, 2025 were as follows:

	<u>Balance July 1, 2024</u>	<u>Net Changes</u>	<u>Balance June 30, 2025</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated absences	\$ 42,197	\$ 17,691	\$ 59,888	\$ 1,980	\$ 57,908

NOTE 10: 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.

**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, 2025**

NOTE 10: PENSION PLAN (CONTINUED)

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.

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 January
Hire Date	April 3, 2012	April 3, 2012	1, 2013
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%	7.75%
Required Employer Contribution Rates (NormalCost)	12.360%	12.360%	12.360%
Required Unfunded Accrued Liability Contribution (Monthly Basis)		\$39,793	

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, 2024 measurement period, the Transit Fund's share of contributions to the Plan were \$78,914, 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, 2024, using an annual actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024 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, 2025**

NOTE 10: 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, 2023	\$ 1,563,153	\$ 1,070,005	\$ 493,148
Changes recognized for the measurement period:			
Service cost	32,051	-	32,051
Interest on total pension liability	107,339	-	107,339
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	14,876		14,876
Contributions-employer	-	62,648	(62,648)
Contributions-employee	-	14,852	(14,852)
Net investment income	-	103,677	(103,677)
Benefit payments, including refunds of employee contributions	(76,842)	(76,842)	-
Administrative expense	-	(871)	871
Net changes	77,424	103,465	(26,041)
Balance at June 30, 2024	\$ 1,640,577	\$ 1,173,469	\$ 467,108

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)	\$ 691,631	\$ 467,108	\$ 283,029

**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, 2025**

NOTE 10: PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2025, the Transit Fund recognized pension expense of \$75,365. At June 30, 2025, 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
Contributions subsequent to the measurement date	\$ 62,871
Changes of assumptions	10,430
Differences between expected and actual experience	19,857
Net difference between projected and actual earnings on pension plan investments	15,384
Total	<u>\$ 108,542</u>

The Transit Funds share of Miscellaneous Plan reported \$62,871 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, 2026. 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
2026	\$ 18,226
2027	34,972
2028	(1,549)
2029	(5,977)
Total	<u>\$ 45,671</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, 2025**

NOTE 10: PENSION PLAN (CONTINUED)***Actuarial Assumptions***

For the measurement period ended June 30, 2024, the total pension liabilities were determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2023 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Actuarial Assumptions</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Investment Rate of Return	6.90%
Mortality Rate	Derived from using CALPERS Membership Data for All
Healthcare Trend Rate	The lesser of contract COLA up to 2.30% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.30% thereafter

All other actuarial assumptions used in the June 30, 2023 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, 2025**

NOTE 10: 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 2022 Asset Liability Management study

Pension Plan Fiduciary Net Position

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

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2026, the date these financial statements were available to be issued. The City did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
Transportation Development Act Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Transportation Fund:				
Streets and roads	\$ 10,621,193	\$ 10,621,193	\$ -	\$ (10,621,193)
Pedestrian and bicycle	-	-	8,482	8,482
Total Revenues	10,621,193	10,621,193	8,482	(10,612,711)
Expenditures:				
Capital projects - local street repair	2,785,397	9,212,379	1,956,614	7,255,765
Total Expenditures	2,785,397	9,212,379	1,956,614	7,255,765
Net Change in Fund Balances	\$ 7,835,796	\$ 1,408,814	(1,948,132)	\$ (17,868,476)
Fund Balances, Beginning of Year			3,508,624	
Fund Balances, End of Year			\$ 1,560,492	

See Notes to the Required Supplementary Information.

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
Measure K Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Local street repair	\$ 1,800,000	\$ 4,800,000	\$ 4,585,402	\$ (214,598)
Roadway safety	300,000	300,000	5,827,923	5,527,923
Renewal	-	-	213,574	213,574
Investment earnings	50,000	50,000	626,333	576,333
Other revenues	-	-	2,000	2,000
Total Revenues	2,150,000	5,150,000	11,255,232	6,105,232
Expenditures:				
Capital projects - local street repair	702,353	7,627,318	4,223,035	3,404,283
Total Expenditures	702,353	7,627,318	4,223,035	3,404,283
Net Change in Fund Balances	\$ 1,447,647	\$ (2,477,318)	7,032,197	\$ 2,700,949
Fund Balances, Beginning of Year			6,259,700	
Fund Balances, End of Year			\$ 13,291,897	

See Notes to the Required Supplementary Information.

ATTACHMENT 1

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Measurement Date	6/30/2024	6/30/2023	6/30/2022	6/30/2021
TOTAL PENSION LIABILITY				
Service cost	\$ 32,051	\$ 39,665	\$ 36,142	\$ 27,834
Interest on total pension liability	107,339	128,880	118,004	100,837
Changes of benefit terms	-	2,017	-	-
Changes of assumptions	-	-	60,313	-
Difference between expected and actual experience	14,876	21,719	2,909	6,651
Benefit payments, including refunds of employee contributions	(76,842)	(91,203)	(81,809)	(68,323)
Net change in total pension liability	77,424	101,078	135,560	66,999
Total pension liability-beginning	1,563,153	1,869,854	1,669,816	1,423,908
Total pension liability-ending (a)	1,640,577	1,970,932	1,805,376	1,490,907
PLAN FIDUCIARY NET POSITION				
Contributions-employer	62,648	75,530	65,761	52,203
Contributions-employee	14,852	16,197	13,872	11,504
Net investment income	103,677	79,397	(101,668)	222,053
Benefit payments, including refunds of employee contributions	(76,842)	(91,203)	(81,809)	(68,323)
Net plan to plan resource movement	-	-	-	(4)
Administrative expense	(871)	(934)	(829)	(971)
Other miscellaneous income/(expense)	-	-	-	-
Net change in fiduciary net position	103,465	78,988	(104,673)	216,462
Plan fiduciary net position-beginning	1,070,005	1,270,148	1,331,023	971,951
Plan fiduciary net position-ending (b)	1,173,469	1,349,136	1,226,350	1,188,413
Net pension liability/(asset) (a) - (b)	\$ 467,108	\$ 621,795	\$ 579,026	\$ 302,494
Plan fiduciary net position as a percentage of the total pension liability	71.5%	68.5%	67.9%	79.7%
Covered payroll	\$ 228,045	\$ 208,400	\$ 171,170	\$ 154,636
Plan net pension liability/(asset) as a percentage of covered payroll	204.8%	298.4%	338.3%	195.6%

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.

ATTACHMENT 1

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

<u>Fiscal Year Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
<u>Miscellaneous Agent, Multiple-Employer Pension Plan</u>					
2025	\$ 62,871	\$ 62,871	\$ -	\$ 187,509	33.5%
2024	78,914	78,914	-	228,045	34.6%
2023	71,920	71,920	-	208,400	34.5%
2022	58,792	58,792	-	171,170	34.3%

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, 2025**

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, 2025, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2026.

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 2025-001 and 2025-002 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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
March 30, 2026



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

To the City Council
City of Manteca
Manteca, California

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number

2025-001 – 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, 2025. These adjustments related to the correction of expenses that were improperly excluded from accounts payable and activity related to TDA audit corrections noted in current and prior years for appropriate revenue recognition.

Accounts Payable:

- Measure K Fund – (\$240,765)

Accounts Receivable:

- Transit Fund – (\$1,391,179)
- TDA Fund – (\$50,087)

Deferred Inflows:

- Transit Fund – \$2,421,695
- TDA Fund – (\$1,529,030)

This resulted in a net impact of \$789,366 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.

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.



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

To the City Council
City of Manteca
Manteca, California

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

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, See City of Manteca’s TDA fiscal year 2023-2024 report finding #2024-001.

Management Response

The City agrees with the finding. 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 2026.

Reference Number

2025-002 – Transit Fund Capital Asset Reporting and Capitalization 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 capital asset reporting within the Transit Fund following its conversion 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 \$399,991 to correct beginning capital asset balances.
- Additionally, two capital assets acquired in FY25 were not capitalized in the Transit Funds financial records, resulting in a material audit adjustment of \$91,854.

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.



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

To the City Council
 City of Manteca
 Manteca, California

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

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—were not fully carried forward into the City’s enterprise fund reporting in FY24. In addition, controls over review of current-year capital asset additions were not operating effectively, resulting in two FY25 assets not being capitalized.

Effect or Potential Effect of Condition

The issues related to capital asset accounting during the Transit Fund’s conversion and in the current year 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.
- Capital asset additions in FY25 were understated due to unrecorded assets.
- 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.

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) 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, including current-year additions.
- 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

Yes, See City of Manteca’s TDA fiscal year 2023-2024 report finding #2024-002.

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 has been partially corrected in fiscal year 2025 and will be fully corrected in fiscal year 2026.



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, 2025.

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, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); and 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 as required by the Code of Regulations. Our responsibilities under those standards are further described in the Auditors' 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 the Code of Regulations requirements applicable to the City's Funds.



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

To the City Council
City of Manteca
Manteca, California

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, 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 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 Code of Regulations that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the Code of Regulations.

In performing an audit in accordance with GAAS; Government Auditing Standards; and 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 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 regulations of 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.

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
March 30, 2026