



CITY OF MANTECA
TRANSPORTATION DEVELOPMENT ACT AND
MEASURE K FUNDS
NON-TRANSIT PURPOSES AND
TRANSIT ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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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, 2021, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2021, 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.

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 TDA Fund, Measure K, and Transit Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2021, 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.

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.



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

To the City Council
City of Manteca
Manteca, California

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, 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 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.



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

To the City Council
City of Manteca
Manteca, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 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
March 18, 2025

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
Balance Sheet
June 30, 2021, with Comparative Totals

			Totals	
	Transportation Development Act Fund	Measure K Fund	2021	2020
ASSETS				
Cash and cash equivalents	\$ 4,392,130	\$ 6,707,901	\$ 11,100,031	\$ 12,249,957
Accounts receivable	5,862,508	829,212	6,691,720	1,042,575
Total assets	\$ 10,254,638	\$ 7,537,113	\$ 17,791,751	\$ 13,292,532
LIABILITIES				
Accounts payable	\$ 301,315	\$ 560,373	\$ 861,688	\$ 346,587
Total liabilities	301,315	560,373	861,688	346,587
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	5,862,508	-	5,862,508	735,806
Total deferred inflows of resources	5,862,508	-	5,862,508	735,806
FUND BALANCES				
Restricted for street and road projects	-	6,976,740	6,976,740	6,392,779
Restricted for pedestrian and bicycle facilities	4,090,815	-	4,090,815	5,817,360
Total fund balances	4,090,815	6,976,740	11,067,555	12,210,139
Total liabilities, deferred inflows of resources and fund balances	\$ 10,254,638	\$ 7,537,113	\$ 17,791,751	\$ 13,292,532

The accompanying notes are an integral part of these 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, 2021, with Comparative Totals

			Totals	
	Transportation Development Act Fund	Measure K Fund	2021	2020
REVENUES				
Measure K Fund:				
Local street repair	\$ -	\$ 1,776,660.00	\$ 1,776,660.00	\$ 1,250,271.00
Congestion relief	-	4,113,354	4,113,354	-
Roadway safety	-	354,000	354,000	203,533
Investment earnings (loss)	(17,284)	59,212	41,928	296,599
Total revenues	(17,284)	6,303,226	6,285,942	1,750,403
EXPENDITURES				
Capital projects - local street repair	1,709,261	5,719,265	7,428,526	4,847,508
Total expenditures	1,709,261	5,719,265	7,428,526	4,847,508
Excess (deficiency) of revenues over (under) expenditures	(1,726,545)	583,961	(1,142,584)	(3,097,105)
Fund balances-beginning	5,817,360	6,392,779	12,210,139	15,307,244
Fund balances-ending	\$ 4,090,815	\$ 6,976,740	\$ 11,067,555	\$ 12,210,139

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

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
TRANSIT ENTERPRISE FUND
Statement of Net Position
June 30, 2021, with Comparative Totals

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 1,154,338
Accounts receivable	3,176,574	1,810,613
Due from other funds	133,700	133,700
Total Current Assets	<u>3,310,274</u>	<u>3,098,651</u>
Noncurrent Assets:		
Capital assets, not being depreciated	350,252	25,244
Capital assets, net of accumulated depreciation	<u>7,498,466</u>	<u>8,155,794</u>
Total Noncurrent Assets	<u>7,848,718</u>	<u>8,181,038</u>
Total assets	<u>\$ 11,158,992</u>	<u>\$ 11,279,689</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 286,332	\$ 207,286
Refundable deposits	3,300	3,210
Unearned revenues - TDA advances	133,700	133,700
Due to other funds	<u>286,579</u>	<u>-</u>
Total Liabilities	<u>709,911</u>	<u>344,196</u>
Net Position:		
Invested in capital assets	7,848,718	8,181,038
Restricted	<u>2,600,363</u>	<u>2,754,455</u>
Total Net Position	<u>10,449,081</u>	<u>10,935,493</u>
Total Liabilities and Net Position	<u>\$ 11,158,992</u>	<u>\$ 11,279,689</u>

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

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
TRANSIT ENTERPRISE FUND
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021, with Comparative Totals

	2021	2020
OPERATING REVENUES		
Fares	\$ 16,632	\$ 20,410
Coupon sales	5,987	15,494
Other	6,717	50,196
Total operating revenues	29,336	86,100
OPERATING EXPENSES		
Operations and administration	2,378,473	2,217,382
Depreciation expense	657,328	657,328
Total operating expenses	3,035,801	2,874,710
Operating income (loss)	(3,006,465)	(2,788,610)
NONOPERATING REVENUES (EXPENSES)		
Local transportation funds -Transit capital	-	1,203,647
Local transportation funds -Transit operating	1,283,585	-
Federal transit assistance funds	989,000	2,094,115
Proposition 1B (PTMISEA)	114,101	145,477
State of Good Repair (SGR)	106,069	32,764
Low Carbon Transit Operations Program (LCTOP)	18,915	18,321
Interest	8,383	10,308
Total nonoperating revenues (expenses)	2,520,053	3,504,632
Change in net position	(486,412)	716,022
Net position-beginning	10,935,493	8,705,381
Prior Period Adjustment	-	1,514,090
Net position-ending	\$ 10,449,081	\$ 10,935,493

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

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
TRANSIT ENTERPRISE FUND
Statement of Cash Flows
For the Year Ended June 30, 2021, with Comparative Totals

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,904,474	\$ 160,718
Cash payments to suppliers for goods and services	(2,299,337)	(2,260,618)
Net cash provided by (used for) operating activities	(394,863)	(2,099,900)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal transit assistance funds	(2,252,099)	509,952
Local transportation funds - transit operating	1,283,585	-
Proposition 1B - PTMISEA	114,101	145,477
State of Good Repair (SGR)	106,069	32,764
Low Carbon Transit Operations Program (LCTOP)	18,915	18,321
Payments from other funds	286,579	-
Net cash provided by (used for) noncapital financing activities	(442,850)	706,514
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(325,008)	(52,061)
Net cash provided by (used for) capital and related financing activities	(325,008)	(52,061)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,383	13,399
Net cash provided by (used for) investing activities	8,383	13,399
Net increase (decrease) in cash and cash equivalents	(1,154,338)	(1,432,048)
Cash and cash equivalents-beginning	1,154,338	2,586,386
Cash and cash equivalents-ending	\$ -	\$ 1,154,338
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (3,006,465)	\$ (2,788,610)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	657,328	657,328
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,875,138	74,618
Increase (decrease) in refundable deposits	90	(6,400)
Increase (decrease) in accounts payable	79,046	(36,836)
Total Adjustments	2,611,602	688,710
Net cash provided by (used for) operating activities	\$ (394,863)	\$ (2,099,900)

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, 2021**

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, 2021**

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 Comprehensive Annual Financial Report (CAFR) 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, 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. 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.

H. 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.
- Unrestricted Net Position – This category represents net position of the City not restricted for any project or other purpose.

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, 2021, 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.

The City does not have a minimum fund balance policy.

I. 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.

**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, 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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.

L. 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.

M. 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.

N. Reclassification

Comparative data from the prior year has been presented in the selected sections and may have been reclassified. Such reclassifications had no effect on the previously reported net position.

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.

**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, 2021**

NOTE 4: CAPITAL ASSETS

Capital assets and accumulated depreciation at June 30, 2021, are as follows:

	Balances June 30, 2020	Acquisitions	Dispositions	Balances June 30, 2021
Capital assets, not being depreciated				
Construction in progress	\$ 25,244	\$ 325,008	\$ -	\$ 350,252
Total capital assets, not being depreciated	25,244	325,008	-	350,252
Capital assets being depreciated				
Transit vehicles	2,054,274	-	-	2,054,274
Building and improvements	9,191,139	-	-	9,191,139
Total capital assets, being depreciated	11,245,413	-	-	11,245,413
Less: accumulated depreciation	(3,089,619)	(657,328)	-	(3,746,947)
Capital assets, net of accumulated depreciation	8,155,794	(657,328)	-	7,498,466
Total capital assets	\$ 8,181,038	\$ (332,320)	\$ -	\$ 7,848,718

Depreciation expense was \$657,328 for the fiscal year ended June 30, 2021.

NOTE 5: GRANT ADVANCES

Transit Enterprise Fund	2021
TDA advances, beginning of year	\$ 133,700
TDA advances, end of year	\$ 133,700

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.

**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, 2021**

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

Balance remaining at June 30, 2021 is composed of the following:

	<u>Amount</u>
Balance available for draw - beginning of the year	\$ 364,617
Revenue:	
Interest earned on PTMISEA deposits through June 30, 2021	1,881
Expenses:	
Expenses	<u>(114,101)</u>
Balance available for draw - end of the year	<u><u>\$ 252,397</u></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, 2021, are composed of the following:

	<u>TDA Fund</u>
Balance available for draw - beginning of the year	\$ 223,196
Revenue:	
SGR funds received	102,817
Expenses:	
Expenses	<u>(106,070)</u>
Balance available for draw - end of the year	<u><u>\$ 219,943</u></u>

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.

**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, 2021**

NOTE 8: LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) (CONTINUED)

Balance remaining at June 30, 2021 is composed of the following:

	<u>Amount</u>
Balance available for draw - beginning of the year	\$ 18,321
Revenue:	
LCTOP funds received	18,915
Expenses:	
Expenses	<u>(2,521)</u>
Balance available for draw - end of the year	<u><u>\$ 34,715</u></u>

NOTE 9: PRIOR PERIOD ADJUSTMENT

During the 2021 audit there was a correction made to the June 30, 2020 Transit net position. The prior period adjustment to June 30, 2020 was made to update the unearned revenue balance reported and to recognize advanced monies received.

	June 30, 2020 As Previously Reported	Prior Period Adjustment As Previously Reported	(A) Correct Unearned Revenue	(B) Recognize Advances Received	June 30, 2020 As Restated
Transit Net Position	<u>\$ 9,421,403</u>	<u>\$ 80,924</u>	<u>\$ 1,299,466</u>	<u>\$ 133,700</u>	<u>\$ 10,935,493</u>

A. Correct Unearned Revenue

The City of Manteca records the Transit Fund as a special revenue fund, however, it is converted into a proprietary fund for appropriate reporting within the TDA financial statements. Due to this conversion, the unearned revenue balance in the Transit Fund was inappropriately including balances that were recognized as unavailable on the modified accrual basis, and not truly advances under the full accrual basis. To properly present the Transit Fund as a proprietary fund, and recognize revenue in the fiscal year earned, a correction was made to beginning equity for revenue that was from years prior.

B. Recognize Due from Other Funds

Through review of the unearned revenue balance, it was noted that advanced money received was not retained within the Transit fund, therefore, a correction was recorded to recognize due from other funds in the amount of advanced funding received by the Transit Fund.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 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

ATTACHMENT 1

CITY OF MANTECA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local Transportation Fund:				
Streets and roads	\$ 750,000	\$ 750,000	\$ -	\$ (750,000)
Pedestrian and bicycle	55,000	55,000	-	(55,000)
Investment earnings	26,000	26,000	(17,284)	(43,284)
Total Revenues	831,000	831,000	(17,284)	(848,284)
Expenditures:				
Capital projects - local street repair	2,504,256	6,899,452	1,709,261	5,190,191
Total Expenditures	2,504,256	6,899,452	1,709,261	5,190,191
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,673,256)</u>	<u>\$ (6,068,452)</u>	(1,726,545)	<u>\$ (6,038,475)</u>
Fund Balances, Beginning of Year			5,817,360	
Fund Balances, End of Year			\$ 4,090,815	

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local street repair	\$ 995,000	\$ 99,500	\$ 1,776,660	\$ 1,677,160
Congestion relief	3,751,305	5,965,000	4,113,354	(1,851,646)
Roadway safety	7,865,000	7,865,000	354,000	(7,511,000)
Investment earnings	29,400	29,400	59,212	29,812
Total Revenues	12,640,705	13,958,900	6,303,226	(7,655,674)
Expenditures:				
Capital projects - local street repair	-	14,806,058	5,719,265	9,086,793
Total Expenditures	-	14,806,058	5,719,265	9,086,793
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 12,640,705</u>	<u>\$ (847,158)</u>	583,961	<u>\$ (16,742,467)</u>
Fund Balances, Beginning of Year			<u>6,392,779</u>	
Fund Balances, End of Year			<u>\$ 6,976,740</u>	

See Notes to the Required Supplementary Information.

**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, 2021**

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* AND THE TRANSPORTATION DEVELOPMENT ACT

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, and the Transportation Development Act ("TDA") the 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, California (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 18, 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 2021-001, 2021-002, and 2021-003 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. Our audit was further made to determine that the City's TDA and Measure K Funds, allocated for non-transit purposes, and the Transit Enterprise Fund received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA, and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Sections 6666 and 6667 of Title 21 of the California Code of Regulations. 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 the TDA, which is described in the accompanying schedule of findings and responses as item 2021-003

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 18, 2025



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

2021-001 – Insufficient Internal Controls

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. Additionally, through testing performed over purchasing activity, we observed an invoice dated January 2021 that was not paid until October 2021. Lastly, during review of payroll-related controls, we evaluated the hours on an employee's timecard that did not agree with the payroll register reported.

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, timely processing of invoices, and accurate recording of payroll hours. These standards aim to reduce the risk of fraud, errors, and inefficiencies by mandating adequate oversight and proper procedural checks.

Cause of Condition

The issues identified, including inadequate segregation of duties, insufficient oversight in accounts payable, and incomplete payroll record review, were a result of the high turnover within the City. These issues highlight ongoing challenges in the internal control environment.

Effect or Potential Effect of Condition

The deficiencies identified may result in several adverse effects including:

- Increased risk of fraud due to lack of segregation of duties.
- Delays in payment processing could affect vendor relationships and financial health.
- Inaccurate payroll recordings which could lead to financial discrepancies.

Recommendation

We recommend the following actions to address the internal control deficiencies:

- Implement segregation of duties by ensuring that journal entries are prepared, reviewed, and approved by different individuals.
- Establish procedures for timely processing of invoices to ensure payments are made within an acceptable timeframe.
- Enhance the review process for payroll to ensure timecards accurately reflect hours worked and match payroll register reports.

Management Response

The City agrees with the finding. Staff turnover has made this difficult; however, critical positions that were vacant within the department have been filled, which has helped alleviate some of these issues. Staff will establish procedures for journal entry approval and processing of accounts payable. The payroll staff is located within the Human Resources Department, finance staff will recommend procedures to ensure a review process is established for review of timecards and payroll processes.



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)

Reference Number

2021-002 – Missing Accounts Payable Accruals

Evaluation of Finding

Material Weakness

Condition

During our audit procedures, we identified a material weakness in the internal controls over financial reporting. Specifically, material expenses were improperly excluded from accounts payable as of the year-end, resulting in a material audit adjustment of \$124,161 to properly state accounts payable as of June 30, 2021.

Criteria

Government auditing standards require entities to establish and maintain internal controls to ensure that financial statements are accurate and complete. According to these standards, all expenses incurred should be recognized in the period in which they are incurred and properly recorded in the accounts payable at the year-end.

Cause of Condition

The deficiency was primarily caused by the City's high turnover, which led to inadequate procedures and oversight within the accounts payable. Specifically, there was insufficient review and reconciliation of invoices received near the year-end, resulting in the exclusion of material expenses from the accounts payable ledger.

Effect or Potential Effect of Condition

The improper exclusion of material expenses from accounts payable has several adverse effects:

- Financial statements do not accurately reflect the entity's financial position, resulting in misleading information to stakeholders.
- Increased risk of non-compliance with regulatory requirements and financial reporting standards.
- Potential financial discrepancies that could affect the entity's creditworthiness and relationships with vendors.

Recommendation

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

- Implement a robust review process to ensure all invoices received near the year-end are properly recorded in the accounts payable.
- Establish clear procedures for the timely reconciliation of accounts payable to ensure completeness and accuracy.
- Provide training to staff involved in the accounts payable process on the importance of accurate and timely recording of expenses.
- We believe that these measures will help in mitigating the risk of material misstatements and enhancing the reliability of financial reporting.

Management Response

City agrees with the finding. The City is working to establish a new approval process and documenting the approval process. This will be implemented during FY 25.



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)

Reference Number

2021-003 – Late 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

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.



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)

Management Response

Staff continues to evaluate processes and procedures to ensure a more timely and accurate close. Staff turnover has 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 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.

INDEPENDENT AUDITORS' REPORT ON 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 and Measure K Requirements

Opinion on Transportation Development Act and Measure K Compliance

We have audited the City of Manteca, California (the "City")'s compliance with Transportation Development Act ("TDA") and Measure K requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA and Measure K; 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, 2021.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the City for the year ended June 30, 2021.

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; and 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 audit opinion. 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 of laws, regulations, contracts, and grants applicable to the statutes, rules, and regulations of the TDA and Measure K.

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to express opinions on compliance with the requirements described in the Code of Regulations based on our audit. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Code of



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

To the City Council
City of Manteca
Manteca, California

Regulations, standards and the Code of Regulations require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the TDA and Measure K programs. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. 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 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 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 18, 2025