



CITY OF LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND  
MEASUREMENT K FUNDS NON-TRANSIT  
PURPOSES AND TRANSIT ENTERPRISE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Focused  
on YOU



CITY OF LATHROP  
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NON-TRANSIT PURPOSES  
AND TRANSIT ENTERPRISE FUND

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FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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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 Lathrop  
Lathrop, California

### **Report on 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 of the City of Lathrop, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop's 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 Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop, California, as of June 30, 2022, 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 (GAAS) 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 Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop, California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, these financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City as a whole, as of June 30, 2022, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.



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

To the City Council  
City of Lathrop  
Lathrop, California

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop's ability to continue as a going concern for twelve months beyond the date of the financial statements.

### ***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 opinion. 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 the GAAS 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 GAAS 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 Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop, California's internal control. 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop, California's ability to continue as a going concern for a reasonable period of time.

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.



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

To the City Council  
City of Lathrop  
Lathrop, California

### ***Other Reporting Responsibilities***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

#### *Prior Year Comparative Information*

The financial statements include prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2021, from which such partial information was derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the City's internal control over financial reporting, as it relates to the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund, 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 Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund. 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 Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund.

A handwritten signature in cursive script that reads "Lance, Solt &amp; Loughard, LLP".

Sacramento, California  
December 30, 2022

**CITY OF LATHROP**  
**TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS**  
**NON-TRANSIT PURPOSES**

**BALANCE SHEETS**  
**JUNE 30, 2022, WITH COMPARATIVE TOTALS**

	Transportation Development Act Fund	Measure K Fund	Totals	
			2022	2021
<b>Assets:</b>				
Cash and investments	\$ 146,382	\$ 463,338	\$ 609,720	\$ 476,383
Interest receivable	-	214	214	309
Intergovernmental receivable	1,180,261	168,081	1,348,342	1,125,933
<b>Total Assets</b>	<b>\$ 1,326,643</b>	<b>\$ 631,633</b>	<b>\$ 1,958,276</b>	<b>\$ 1,602,625</b>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Due to other Funds	\$ -	\$ -	\$ -	\$ 788,440
Total Liabilities	-	-	-	788,440
Fund Balances:				
Restricted	1,326,643	631,633	1,958,276	814,185
Total Fund Balances	1,326,643	631,633	1,958,276	814,185
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,326,643</b>	<b>\$ 631,633</b>	<b>\$ 1,958,276</b>	<b>\$ 1,602,625</b>

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

CITY OF LATHROP

TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS

	Transportation Development Act Fund	Measure K Fund	Totals	
			2022	2021
<b>Revenues:</b>				
Local Transportation Fund:				
Streets and roads	\$ 1,150,000	\$ -	\$ 1,150,000	\$ 948,262
Pedestrian and bicycle	30,161	-	30,161	27,301
Measure K Fund:				
Local street repair	-	702,972	702,972	1,011,055
Congestion relief	-	17,616	17,616	-
Investment earnings	600	1,647	2,247	7,420
<b>Total Revenues</b>	<b>1,180,761</b>	<b>722,235</b>	<b>1,902,996</b>	<b>1,994,038</b>
<b>Expenditures:</b>				
Street and road maintenance	41,289	717,616	758,905	2,415,614
<b>Total Expenditures</b>	<b>41,289</b>	<b>717,616</b>	<b>758,905</b>	<b>2,415,614</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,139,472	4,619	1,144,091	(421,576)
Net Change in Fund Balances	1,139,472	4,619	1,144,091	(421,576)
Fund Balances, Beginning of Year	187,171	627,014	814,185	1,235,761
<b>Fund Balances, End of Year</b>	<b>\$ 1,326,643</b>	<b>\$ 631,633</b>	<b>\$ 1,958,276</b>	<b>\$ 814,185</b>

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

CITY OF LATHROP  
TRANSIT ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2022, WITH COMPARATIVE TOTALS

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	2022	2021
<b>Assets:</b>		
Current Assets:		
Accounts receivable	\$ 201,578	\$ -
Accrued interest receivable	-	6
Total Current Assets	201,578	6
Capital assets, net	4,659	6,704
<b>Total Assets</b>	<b>206,237</b>	<b>6,710</b>
<b>Liabilities:</b>		
Accrued Liabilities	-	6
<b>Total Liabilities</b>	-	<b>6</b>
<b>Net Position:</b>		
Net investment in capital assets	4,659	6,704
Restricted net position	201,578	-
<b>Total Net Position</b>	<b>\$ 206,237</b>	<b>\$ 6,704</b>

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

CITY OF LATHROP

TRANSIT ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS

	<u>2022</u>	<u>2021</u>
<b>Operating Expenses:</b>		
Depreciation	\$ 2,045	\$ 2,045
<b>Total Operating Expenses</b>	<u>2,045</u>	<u>2,045</u>
Operating Income (Loss)	(2,045)	(2,045)
<b>Nonoperating Revenues:</b>		
Local transportation funds	201,578	20,147
Interest	-	147
<b>Total Nonoperating Revenues</b>	<u>201,578</u>	<u>20,294</u>
<b>Nonoperating Expenses:</b>		
Transfers Out	-	21,210
<b>Total Nonoperating Expenses</b>	<u>-</u>	<u>21,210</u>
Change in Net Position	199,533	(2,961)
Net Position, Beginning of Year	6,704	9,665
<b>Net Position, End of Year</b>	<u><u>\$ 206,237</u></u>	<u><u>\$ 6,704</u></u>

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

CITY OF LATHROP  
TRANSIT ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS

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	2022	2021
<b>Cash Flows from Non Capital Financing Activities</b>		
Short-Term borrowings from City	\$ (6)	\$ 6
Transfers to other funds	-	(21,210)
	(6)	(21,210)
<b>Net Cash Used by Non-Capital Financing Activities</b>	<b>(6)</b>	<b>(21,210)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	6	166
	6	166
<b>Net Cash Provided by Investing Activities</b>	<b>6</b>	<b>166</b>
Net Decrease in Cash and Cash Equivalents	-	(21,038)
Cash and Cash Equivalents, Beginning of Year	-	21,038
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</b>		
Operating loss	\$ (2,045)	\$ (2,045)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	2,045	2,045
Total Adjustments	2,045	2,045
<b>Net Cash Provided (Used) for Operating Activities</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Noncash Items:</b>		
Recognition of prior year TDA Advances	\$ -	\$ 20,147

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

**CITY OF LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Note 1: Organization**

The City of Lathrop (City) receives funds under the provisions of the TDA (TDA) from the San Joaquin County Local Transportation Fund (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 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. The 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 active transportation, passenger rail, and bus services as alternatives to travel by automobile. The City's Measure K Fund is used to account for these funds, which is reflected in these financial statements of the Measure K Fund.

The City provides streets and road services, which is reflected in these financial statements of the Transit Enterprise Fund.

**Note 2: Summary of Significant Accounting Policies**

**a. Basis of Presentation**

The financial statements of the TDA and Measure K Funds, allocated for non-transit purposes, and Transit Enterprise Fund (collectively, the Funds) of the City have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government 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 Funds of the City and are not intended to present fairly the financial position of the City and the changes in its financial position and 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 LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Note 2: Summary of Significant Accounting Policies (Continued)**

The TDA and Measure K Funds 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 the 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 classified as an enterprise fund 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 unearned revenue on its statement of net position as TDA advances. 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 TDA 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 statements of cash flows, all enterprise fund cash on hand and in the pool is considered cash and cash equivalents.

CITY OF LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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**Note 2: Summary of Significant Accounting Policies (Continued)**

**f. 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. The estimated useful life of the bus shelter is 25 years.

**g. Net Position/Fund Balance**

The financial statements of the enterprise fund utilize a net position presentation. At June 30, 2022, net position is categorized as follows:

- *Net Investment 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. As such, 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. At June 30, 2022, fund balance is categorized as follows:

- *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 constitutional provisions or enabling legislation.

**h. Grants**

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

**CITY OF LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**i. Use of Estimates**

The preparation of financial statements in conformity 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.

**j. 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's Funds.

**k. Contingencies**

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

The City is 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.

**Note 3: Cash and Cash Equivalents**

The cash and investment balances for the City's Funds 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's Funds and are stated at fair value. Information regarding categorization of investments can be found in the City's financial statements.

**Note 4: Capital Assets**

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Bus Shelter	\$ 64,185	\$ -	\$ -	\$ 64,185
Less: Accumulated depreciation	(57,481)	(2,045)	-	(59,526)
	<u>\$ 6,704</u>	<u>\$ (2,045)</u>	<u>\$ -</u>	<u>\$ 4,659</u>

**CITY OF LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Note 5: Subsequent Events**

All subsequent events have been evaluated through December 30, 2022, the date these financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LATHROP**  
**TRANSPORTATION DEVELOPMENT ACT FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local Transportation Fund:				
Streets and roads	\$ 857,851	\$ 857,851	\$ 1,150,000	\$ 292,149
Pedestrian and bicycle	27,000	27,000	30,161	3,161
Investment earnings	-	-	600	600
<b>Total Revenues</b>	<b>884,851</b>	<b>884,851</b>	<b>1,180,761</b>	<b>295,910</b>
<b>Expenditures:</b>				
Street and road maintenance	191,174	1,299,157	41,289	1,257,868
<b>Total Expenditures</b>	<b>191,174</b>	<b>1,299,157</b>	<b>41,289</b>	<b>1,257,868</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	693,677	(414,306)	1,139,472	(961,958)
Net Change in Fund Balances	<u>\$ 693,677</u>	<u>\$ (414,306)</u>	1,139,472	<u>\$ (961,958)</u>
Fund Balances, Beginning of Year			187,171	
<b>Fund Balances, End of Year</b>			<b><u>\$ 1,326,643</u></b>	

CITY OF LATHROP

TRANSPORTATION DEVELOPMENT ACT FUND

BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Local Transportation Fund:				
Streets and roads	\$ 857,851	\$ 857,851	\$ 1,150,000	\$ 292,149
Pedestrian and bicycle	27,000	27,000	30,161	3,161
Investment earnings	-	-	600	600
<b>Total Revenues</b>	<b>884,851</b>	<b>884,851</b>	<b>1,180,761</b>	<b>295,910</b>
<b>Expenditures:</b>				
Street and road maintenance	191,174	1,299,157	41,289	1,257,868
<b>Total Expenditures</b>	<b>191,174</b>	<b>1,299,157</b>	<b>41,289</b>	<b>1,257,868</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	693,677	(414,306)	1,139,472	(961,958)
Net Change in Fund Balances	\$ 693,677	\$ (414,306)	1,139,472	\$ (961,958)
Fund Balances, Beginning of Year			187,171	
<b>Fund Balances, End of Year</b>			<b>\$ 1,326,643</b>	

**CITY OF LATHROP  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**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 TDA and Measure K Funds. 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 Lathrop  
Lathrop, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Transportation Development Act (TDA), the financial statements of the TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund of the City of Lathrop, California (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2022.

### 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) relating to the TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control as it relates to the TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

To the City Council  
City of Lathrop  
Lathrop, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the TDA.

### **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 TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance relating to the TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance relating to the TDA Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
December 30, 2022



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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

To the City Council  
City of Lathrop  
Lathrop, 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 Lathrop, 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, 2022.

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, 2022.

#### ***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



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

To the City Council  
City of Lathrop  
Lathrop, California

United States, and the Code of Regulations. Those 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.

A handwritten signature in black ink that reads "Lance, Soll &amp; Loughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
December 30, 2022