



CITY OF ESCALON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES  
AND TRANSIT ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2023

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

Focused  
on YOU



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

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

For the Year Ended June 30, 2023

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

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

For the Year Ended June 30, 2023

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## INDEPENDENT AUDITORS' REPORT

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

To the Members of the City Council  
City of Escalon  
Escalon, 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 (the "Funds") of the City of Escalon, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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 City 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 described in Note 2 to the financial statements, these financial statements present only the Funds of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States.

#### ***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 Members of the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

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

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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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, as it relates 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 schedules for the Funds, 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.



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

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

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Summarized Comparative Information***

We have previously audited the financial statements of the Funds of the City’s 2022 financial statements for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated January 31, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 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  
May 15, 2025

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

	Transportation Development Act Fund	Measure K Fund	Totals	
			2023	2022
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,697,896	\$ 1,728,107	\$ 3,426,003	\$ 3,102,515
Interest receivable	7,071	7,335	14,406	3,082
Accounts Receivable	-	119,458	119,458	-
Due from other agencies	-	75,000	75,000	549,200
<b>Total Assets</b>	<b>\$ 1,704,967</b>	<b>\$ 1,929,900</b>	<b>\$ 3,634,867</b>	<b>\$ 3,654,797</b>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ -	\$ 17,453	\$ 17,453	\$ 8,390
Total Liabilities	-	17,453	17,453	8,390
Fund Balances:				
Restricted	1,704,967	1,912,447	3,617,414	3,646,407
Total Fund Balances	1,704,967	1,912,447	3,617,414	3,646,407
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,704,967</b>	<b>\$ 1,929,900</b>	<b>\$ 3,634,867</b>	<b>\$ 3,654,797</b>

See Notes to Financial Statements.

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

	Transportation Development Act Fund	Measure K Fund	Totals	
			2023	2022
<b>Revenues:</b>				
Local Transportation Fund:				
Streets and roads	\$ -	\$ -	\$ -	\$ 466,699
Pedestrian and bicycle	-	-	-	7,501
Measure K Fund:				
Local street repair	-	300,000	300,000	300,000
Pedestrian and bicycle	-	88,528	88,528	-
Smart growth	-	26,730	26,730	1,919
Investment earnings	19,888	21,748	41,636	(66,248)
Other revenue	-	4,200	4,200	-
<b>Total Revenues</b>	<b>19,888</b>	<b>441,206</b>	<b>461,094</b>	<b>709,871</b>
<b>Expenditures:</b>				
Local street repair	-	490,087	490,087	230,254
<b>Total Expenditures</b>	<b>-</b>	<b>490,087</b>	<b>490,087</b>	<b>230,254</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,888	(48,881)	(28,993)	479,617
<b>Fund Balances:</b>				
Beginning of Year	1,685,079	1,961,328	3,646,407	3,166,790
<b>Fund Balances, End of Year</b>	<b>\$ 1,704,967</b>	<b>\$ 1,912,447</b>	<b>\$ 3,617,414</b>	<b>\$ 3,646,407</b>

See Notes to Financial Statements.

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

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	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current Assets:		
Accounts receivable	\$ -	\$ 1,832
Accrued interest receivable	-	4
Due from other agencies	97,471	174,957
Total Current Assets	<u>97,471</u>	<u>176,793</u>
Capital assets, net	121,243	158,017
<b>Total Assets</b>	<b><u>\$ 218,714</u></b>	<b><u>\$ 334,810</u></b>
<b>Liabilities and Net Position:</b>		
Liabilities:		
Accounts payable	\$ 26,039	\$ 37,693
Unearned revenues	2,798	1,950
Due to other funds	89,355	14,453
Total Liabilities	<u>118,192</u>	<u>54,096</u>
Net Position:		
Net investment in capital assets	121,243	158,017
Restricted net position	-	122,697
Unrestricted net position	<u>(20,721)</u>	<u>-</u>
Total Net Position	<u>100,522</u>	<u>280,714</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 218,714</u></b>	<b><u>\$ 334,810</u></b>

See Notes to Financial Statements.

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

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	<u>2023</u>	<u>2022</u>
<b>Operating Revenues:</b>		
Fares	\$ 56	\$ 1,217
<b>Total Operating Revenues</b>	<u>56</u>	<u>1,217</u>
<b>Operating Expenses:</b>		
Operations	348,550	206,691
Administration	15,624	24,509
Depreciation	36,774	24,235
<b>Total Operating Expenses</b>	<u>400,948</u>	<u>255,435</u>
Operating Loss	(400,892)	(254,218)
<b>Nonoperating Revenues:</b>		
Federal Transit Administration funds - operating	47,040	190,648
State Transit Assistance	-	3,049
Proposition 1B (PTMISEA)	76,593	7,529
Measure K	52,214	153,714
State of Good Repair (SGR)	11,196	31,710
Low Carbon Transit Operations Program (LCTOP)	-	3,914
Other revenues	33,657	10,713
<b>Total Nonoperating Revenues</b>	<u>220,700</u>	<u>401,277</u>
Change in Net Position	(180,192)	147,059
Net Position, Beginning of Year	280,714	133,655
<b>Net Position, End of Year</b>	<u>\$ 100,522</u>	<u>\$ 280,714</u>

See Notes to Financial Statements.

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

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Cash receipts from customers	\$ 56	\$ 1,217
Cash payments to suppliers for goods and services	(373,996)	(154,204)
<b>Net Cash Used for Operating Activities</b>	<b>(373,940)</b>	<b>(152,987)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Local transportation fund	848	1,037
Federal Transit Administration funds	124,526	67,218
State Transit Assistance	-	3,049
Proposition 1B (PTMISEA)	76,593	7,529
Measure K	52,214	153,714
State of Good Repair (SGR)	11,196	31,710
Low Carbon Transit Operations Program (LCTOP)	-	3,914
Other revenues	33,657	10,713
Cash received (repaid) from short-term interfund borrowing	74,902	(63,201)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>373,936</b>	<b>215,683</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Payments for the acquisition of capital assets	-	(62,692)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>-</b>	<b>(62,692)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	4	(4)
<b>Net Cash Provided by Investing Activities</b>	<b>4</b>	<b>(4)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating loss	\$ (400,892)	\$ (254,218)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	36,774	24,235
Increase (decrease) in accounts receivable	1,832	39,713
(Decrease) increase in accounts payable	(11,654)	37,283
Total Adjustments	26,952	101,231
<b>Net Cash Used for Operating Activities</b>	<b>\$ (373,940)</b>	<b>\$ (152,987)</b>

See Notes to Financial Statements.

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

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**NOTE 1: ORGANIZATION**

The City of Escalon (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 (STA) 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 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, and the transportation planning agency administering TDA funds, that there are no unmet transit needs that are reasonable to meet. 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. The San Joaquin Council of Governments, 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, bike and pedestrian, and safe routes to schools projects. 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 contracts with MTM Transit, LLC (since February 2023) for operation of eTrans, the City's public transit service. The City Transit Enterprise Fund is used to account for these transactions, which is correct in the financial statements of the Transit Enterprise Fund.

**NOTE 2: SUMMARY OF SIGNIFICANT 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 conformity 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 are intended to present the financial position, results of operations, and cash flows of only transactions recorded in the Funds of the City and are not intended to present fairly in the financial position of the City and changes in its financial position and its cash flow in accordance with accounting principles generally accepted in the United States of America.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**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.

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 because fees are charged to external users for services provided.

**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 classified as an enterprise fund using the flow of economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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 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 are considered cash and cash equivalents.

**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 sheets.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**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. The estimated useful life of equipment (bus) is 7 years based on chassis of bus and minivan is 4 years and the estimated useful life of leasehold improvements is 20 years.

**H. NET POSITION/FUND BALANCE**

The financial statements of the enterprise fund utilize a net position presentation. Net position at June 30, 2023 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*. 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, 2023, 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.

Minimum Fund Balance:

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 Federal Transit Administration (FTA), STA, and LTF. The LTF and STA were created by the State Legislature under the TDA.

**J. 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.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**K. 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.

**L. 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 terms 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 EQUIVALENTS**

The cash and cash equivalents 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**

Capital asset balances as of fiscal year ended June 30, 2023 were as follows:

	Balances June 30, 2022	Transfers and Additions	Transfers and Deletions	Balances June 30, 2023
Capital assets				
Transit vehicles	\$ 285,331	\$ -	\$ -	\$ 285,331
Building	142,346	-	-	142,346
Improvements	10,971	-	-	10,971
Total capital assets	\$ 438,648	-	-	438,648
Less: accumulated depreciation	(280,631)	(36,774)	-	(317,405)
Total capital assets	\$ 158,017	\$ (36,774)	\$ -	\$ 121,243

Depreciation expense was \$36,774 for the year ended June 30, 2023.

**NOTE 5: PERFORMANCE OBJECTIVES**

The City has historically been required by the San Joaquin Council of Governments to maintain three performance objectives as a non-transit operator claimant for the fiscal year ended June 30, 2023, the cost per revenue hour, passenger per revenue hour, and subsidy per passenger. The cost per revenue hour and subsidy per passenger are not to exceed thresholds while the passenger per revenue hour is a minimum threshold. However, assembly Bill No. 90 issued on June 29, 2020 by the California Legislature waived the required fare revenue ratio requirement for fiscal years 2020-2021, 2021-2022 and 2022-2023. For the year ended June 30, 2023, no performance objectives were established by San Joaquin Council of Governments (SJCOG) due to COVID.

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

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**NOTE 6: STATE OF GOOD REPAIR (SGR)**

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

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

	<u>Transit Fund</u>
<b>Balance available for draw - beginning of the year</b>	\$ -
<b>Revenue :</b>	
SGR funds received	11,196
Interest earned on SGR deposits	638
<b>Expenses :</b>	
Expenses	(11,196)
<b>Balance available for draw - end of the year</b>	<u>\$ 638</u>

**NOTE 7: LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP)**

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

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

	<u>Amount</u>
<b>Unearned revenue - beginning of the year</b>	\$ 1,950
<b>Revenue :</b>	
LCTOP funds received and held by the city	848
<b>Expenses :</b>	
Expenses	-
<b>Unearned balance - end of the year</b>	<u>\$ 2,798</u>

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

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**NOTE 8: PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (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 statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

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

	<u>Amount</u>
<b>Balance available for draw - beginning of the year</b>	\$ 83,224
<b>Revenue :</b>	
PTMISEA funds received	76,189
Interest earned on PTMISEA deposits	1,137
<b>Expenses :</b>	
Expenses	(76,189)
<b>Balance available for draw - end of the year</b>	<u>\$ 84,361</u>

**NOTE 9: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 15, 2025, the date these financial statements were available to be issued. The City did not identify any subsequent events that require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF ESCALON, CALIFORNIA  
 Transportation Development Act Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2023

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 19,888	\$ 19,888
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>19,888</b>	<b>19,888</b>
<b>Expenditures:</b>				
Local street repair	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	19,888	\$ 19,888
Fund Balances, Beginning of Year			1,685,079	
<b>Fund Balances, End of Year</b>			<b>\$ 1,704,967</b>	

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

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local street repair	\$ -	\$ -	\$ 300,000	\$ 300,000
Pedestrian and bicycle	-	-	88,528	88,528
Smart growth	-	-	26,730	26,730
Investment earnings	-	-	21,748	21,748
Other revenue	-	-	4,200	4,200
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>441,206</b>	<b>441,206</b>
<b>Expenditures:</b>				
Local street repair	177,500	-	490,087	490,087
<b>Total Expenditures</b>	<b>177,500</b>	<b>-</b>	<b>490,087</b>	<b>490,087</b>
Excess of Revenues Over Expenditures	\$ (177,500)	\$ -	(48,881)	\$ (48,881)
Fund Balances, Beginning of Year			1,961,328	
<b>Fund Balances, End of Year</b>			<b>\$ 1,912,447</b>	

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

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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 Transportation Development Act Fund and the Measure K Fund. All appropriations lapse at year-end. The appropriate budget is prepared by department, function, and fund. The City Manager may make transfers of appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

## OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the City Council  
City of Escalon  
Escalon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund (the "Funds") of the City of Escalon, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated May 15, 2025.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as it relates to the Funds, as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control as it relates to the Funds. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.



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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

### **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 and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance, as it relates 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. Accordingly, this communication is not suitable for any other purpose.

**LSL, LLP**

Sacramento, California  
May 15, 2025



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

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

## SCHEDULE OF FINDINGS AND RESPONSES

### **Reference Number**

2023-001 - 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 delay in submitting the City's financial statements was due to turnover within the City's accounting department, which led to delays in providing supporting documentation necessary for timely completion of the audit.

### **Effect or Potential Effect of Condition**

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

- 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 during turnover.
- 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.

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.

### **Management Response**

The City is aware of the material weakness and intends to implement the recommendations as presented. The City has hired a Finance Director with extensive financial management experience and has been implementing the recommendations as presented to strength internal controls.



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

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

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

### **Reference Number**

2023-002 – Untimely Maintenance of Capital Asset Activity

### **Evaluation of Finding**

Material Weakness

### **Condition**

Through testing performed over capital assets and discussions with the City, it was noted the City did not maintain its capital assets in a timely manner within the transit fund. This includes delays in recording asset acquisitions, disposals, and depreciation, as well as not converting construction-in-progress (CIP) to depreciable assets in a timely manner, leading to inaccurate and incomplete financial reporting.

### **Criteria**

According to Government Auditing Standards, entities are required to maintain accurate and complete records of capital assets. The standards stipulate that timely accounting and reporting are essential for transparency and accountability in public sector financial management. Additionally, the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) provide regulations that outline the requirements for capital asset management and reporting.

### **Cause**

The primary cause of this condition is staff turnover within the City's accounting department, which impacts the continuity and oversight required for effective internal controls. Additionally, the frequent changes in personnel dedicated to the management of capital assets in the transit fund have contributed to delays and inaccuracies in asset recording.

### **Effect or Potential Effect of Condition**

The effect of this condition is multifaceted. Inaccurate and incomplete financial statements undermine the credibility of the City's financial reporting and can lead to misinformed decision-making by stakeholders. Furthermore, the lack of timely maintenance can result in the misallocation of resources and potential financial losses. From a regulatory standpoint, non-compliance with Government Auditing Standards and other relevant regulations may subject the City to sanctions or penalties.

### **Recommendation**

To address this material weakness, it is recommended that the City implement robust internal controls and procedures specifically for the management of capital assets. This includes:

- Assigning dedicated personnel to oversee the transit fund's capital asset records.
- Conducting regular training sessions for staff on the importance of timely and accurate asset management.
- Utilizing asset management software to streamline the recording and reporting processes.
- Implementing periodic audits to ensure compliance with Government Auditing Standards and GASB regulations.

These steps will enhance the accuracy and timeliness of the City's financial reporting, thereby improving transparency and accountability in managing public resources.

### **Management Response**

The City is aware of the material weakness and intends to implement the recommendations as presented. The City has hired a Finance Director with extensive financial management experience and has been implementing the recommendations as presented to strengthen internal controls.



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

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

### **Opinion 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 Escalon, California (the "City")'s compliance with the 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 during the year ended June 30, 2023.

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

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable statutes, rules, and regulations of the TDA 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. 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 the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of TDA and Measure K requirements applicable to the City's Funds.



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

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS; *Government Auditing Standards*; the applicable statutes, rules, and regulations of the TDA 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 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the TDA 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.

In performing an audit in accordance with GAAS; *Government Auditing Standards*; the 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit, as it relates to the Funds, in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the applicable statutes, rules, and regulations of the TDA 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, 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  
May 15, 2025