

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L – STANISLAUS REGIONAL TRANSIT AUTHORITY**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Policy Board
Stanislaus Council of Governments

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Measure L Fund of the Stanislaus Regional Transit Authority (the Measure L Fund) pertaining to certain provisions of Measure L: Local Road First Transportation Funding Measure (the Measure L Program), issued by the Stanislaus Council of Governments acting as the Stanislaus County Transportation Authority as of and for the year ended June 30, 2023, the budgetary comparison statement for the special revenue fund and the related notes to the financial statements, which collectively comprise the 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 governmental activities and major fund of the Measure L Fund, as of June 30, 2023, the respective changes in financial position, and the budgetary comparison for the special revenue fund 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 Measure L Fund 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-Matters

As discussed in Note 1 to the financial statements, the financial statements present only the Measure L Fund referred to above and are not intended to present the financial position of the Stanislaus Regional Transit Authority (the Authority) as a whole and the respective changes in financial position, or where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Measure L Fund'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 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 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 Measure L Fund'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 Measure L Fund'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Management has omitted such information. Such 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure L Fund’s basic financial statements. The accompanying schedule of expenditures by project (supplemental schedule), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2024, on our consideration of the Measure L Fund’s internal control over financial reporting 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 Measure L Fund’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure L Fund’s internal control over financial reporting and compliance.

HENDERSON CPAs, INC.

A handwritten signature in black ink that reads "Henderson CPAs". The letters are cursive and somewhat stylized, with the "H" and "C" being particularly prominent.

Fresno, California
July 25, 2024

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
 STATEMENT OF NET POSITION
 JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and investments	\$ 848,074
Accounts receivable	199,047
Total Assets	1,047,121
 LIABILITIES	
Accounts payable	561,055
Unearned revenues	414,479
Total Liabilities	975,534
 NET POSITION	
Restricted	\$ 71,587
Total Net Position	\$ 71,587

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

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Public ways and facilities	\$ 2,046,441	\$ 2,118,028	\$ 71,587
Totals	\$ 2,046,441	\$ 2,118,028	\$ 71,587
Change in Net Position			\$ 71,587
Net Position, Beginning of Year			-
Net Position, End of Year			\$ 71,587

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

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
 BALANCE SHEET
 GOVERNMENTAL FUND
 JUNE 30, 2023**

ASSETS

Cash and investments	\$	848,074
Accounts receivable		199,047
Total Assets	\$	1,047,121

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$	561,055
Unearned revenue		414,479
Total Liabilities		975,534
Fund Balance		
Restricted		71,587
Total Fund Balance		71,587
Total Liabilities and Fund Balance	\$	1,047,121

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$	71,587
Adjustments to the Balance Sheet of the Governmental Fund to reconcile with the Statement of Net Position:		-
Total Net Position - Governmental Activities	\$	71,587

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

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023**

REVENUES	
Measure L	<u>\$ 2,118,028</u>
Total Revenues	<u>2,118,028</u>
 EXPENDITURES	
Transit	<u>2,046,441</u>
Total Expenditures	<u>2,046,441</u>
Net Change in Fund Balance	71,587
Fund Balance, Beginning of Year	<u>-</u>
Fund Balance, End of Year	<u><u>71,587</u></u>
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities:	
Net change in Fund Balance - Governmental Fund	\$ 71,587
Adjustments to the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to reconcile with the Statement of Activities:	<u>\$ -</u>
Change in Net Position - Governmental Activities	<u><u>\$ 71,587</u></u>

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

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
RESOURCES (INFLOWS)				
Measure L funds	\$ 1,484,546	\$ 1,484,546	\$ 2,118,028	\$ 633,482
Total Resources (Inflows)	1,484,546	1,484,546	2,118,028	633,482
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Transit	2,460,837	2,460,837	2,046,441	414,396
Total Charges to Appropriations (Outflows)	2,460,837	2,460,837	2,046,441	414,396
Net Change in Fund Balance	<u>\$ (976,291)</u>	<u>\$ (976,291)</u>	71,587	<u>\$ 1,047,878</u>
Fund Balance, Beginning of Year			-	
Fund Balance, End of Year			<u>71,587</u>	

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

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only the Stanislaus Regional Transit Authority's Measure L Fund and are not intended to present fairly the financial position, changes in financial position, or cash flows of Stanislaus Regional Transit Authority (the Authority) as a whole in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: The Authority's Measure L Fund (the Measure L Fund) is a special revenue fund of the Authority. Stanislaus Council of Governments (StanCOG) is the regional transportation planning agency and the metropolitan planning organization of Stanislaus County, which oversees the Measure L Initiative. Measure L provides for the implementation of the Expenditure Plan as approved and adopted by StanCOG, which provides funding for countywide local street and road improvements, arterial street widening, signalization, pedestrian, bicyclist, and driver safety improvements. These needed improvements are funded by Measure L, the one-half of one percent tax on retail transactions and use tax established for a twenty-five-year period, April 1, 2017 – March 31, 2042. The revenues will be deposited in a special fund, used solely for the transportation projects, improvements, and programs described in the Expenditure Plan which is considered a part of Measure L Initiative, and incorporated into Measure L Policies and Procedures.

The Authority provides the necessary services such as maintenance and accounting to the Measure L Fund based on applicable Measure L and transit payroll expenses.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the Measure L fund activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

- Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

- Governmental Fund Financial Statements

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned.

STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded only when payment is due. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Measure L Fund reports one major governmental fund:

The **Special Revenue Fund** is the primary operating fund and accounts for all financial resources of the Measure L Fund of the Authority.

The Measure L Fund adopts annual appropriated budgets for its special revenue fund, which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

Management's Use of Estimates: The preparation of the 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 expenses during the reporting period. Actual results could differ from these estimates.

Cash and Investments: In order to maximize the flexibility of its investment program and to aid in cash budgeting, the Authority pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the Authority's cash and investment pool, as the Authority places no restrictions on the deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

Accounts Receivable: The Measure L Fund utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2023, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Unearned Revenue: Unearned revenues consist of Community Connection funding that StanCOG allocated to the Measure L fund. StanCOG's Community Connection and Rail Services agreement specifies that any funding is required to be used on eligible projects and expenses, and at the end of the agreement period any excess funding must be returned to StanCOG. Due to these requirements Community Connections revenues are recognized as qualified expenses are incurred, and any excess funding is classified as Unearned Revenues. Additionally, any Measure L funding received from StanCOG in excess of expenses incurred in the current year are considered to be unearned revenues. The Measure L Fund unearned revenue balance is \$414,479 as of June 30, 2023.

STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: Net position represents the residual interest of all assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. The Measure L Fund's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance: In the fund financial statements, in accordance with 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 Measure L Fund is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact. The Measure L Fund did not have any nonspendable resources as of June 30, 2023.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The Measure L Fund considers all of its resources to be restricted.
- *Committed* – Amounts constrained to specific purposes by the Measure L Fund itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the Authority Council takes the same highest-level action to remove or change the constraint. The Measure L Fund did not have any committed resources as of June 30, 2023.
- *Assigned* – Amounts the Measure L Fund intends to use for a specific purpose. Intent can be expressed by the Measure L Fund or by an official or body to which the Authority Council delegates the authority. The Measure L Fund did not have any assigned resources as of June 30, 2023.
- *Unassigned* – Amounts that are available for any purpose. The Measure L Fund did not have any unassigned resources as of June 30, 2023.

The Measure L Fund establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the Measure L Fund through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

The Measure L Fund's policy is to first apply restricted, committed or assigned resources when an expense is incurred for purposes for which both restricted, committed or assigned and unassigned fund balance is available.

STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2023, the Measure L Fund implemented the following standards with no financial impact:

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through July 25, 2024, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 848,074
Total cash and investments	<u>\$ 848,074</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Summary of Deposits:

Cash and investments as of June 30, 2023 consist of the following:

Deposits with StanRTA	\$ 848,074
Total cash and investments	\$ 848,074

See the Authority’s Annual Financial Report for disclosures related to risks and fair value measurements.

NOTE 3 – RISK MANAGEMENT

The Measure L Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Measure L Fund provides coverage for these losses through commercial insurance policies and/or through participation in the Authority’s program. Refer to the Authority’s Annual Financial Report for additional information.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Measure L Fund.

INDEPENDENT AUDITOR’S 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 MEASURE L PROGRAM

To the Policy Board
Stanislaus Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and certain provisions of the Measure L: Local Road First Transportation Funding Measure (the *Measure L Program*), issued by the Stanislaus Council of Governments acting as the Stanislaus County Transportation Authority, the financial statements of the governmental activities and major fund of the Measure L Fund of the Stanislaus Regional Transit Authority (the Measure L Fund), as of and for the year ended June 30, 2023, the budgetary comparison statement for the special revenue fund and the related notes to the financial statements, which collectively comprise the Measure L Fund’s basic financial statements, and have issued our report thereon dated July 25, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure L Fund’s internal control over financial reporting (internal control) 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 Measure L Fund’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure L Fund’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure L Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the *Measure L Program*, 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* or the *Measure L Program*, see finding 2023-001.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority'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 Measure L Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Measure L Program* in considering the Measure L Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HENDERSON CPAs, INC.

A handwritten signature in black ink that reads "Henderson CPAs". The letters are cursive and somewhat stylized, with the "H" and "C" being particularly prominent.

Fresno, California
July 25, 2024

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L – STANISLAUS REGIONAL TRANSIT AUTHORITY**

SUPPLEMENTAL SCHEDULE

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
 SCHEDULE OF EXPENDITURES BY PROJECT
 FOR THE YEAR ENDED JUNE 30, 2023**

<u>Account #</u>	<u>Account Name</u>	<u>Project Description</u>	<u>Fiscal year 2023 Expenses</u>	<u>Expense Budget</u>	<u>Project to Date Expenses</u>	<u>Budget Remaining for Future Years</u>
60000	Services & Supplies	StanCOG Transit Program	\$ 2,046,441	\$ 2,460,837	\$ 2,046,441	\$ 414,396
		Total	<u>\$ 2,046,441</u>	<u>\$ 2,460,837</u>	<u>\$ 2,046,441</u>	<u>\$ 414,396</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2023**

Finding 2023-001- System of Accounts

Condition:

While performing the audit of the Authority's Measure L fund, it was noted that a separate set of accounts was not properly set up to report Measure L funds received and spent. All Measure L activity was recorded in the one general fund of StanRTA for the fiscal year ended June 30, 2023.

Criteria:

Per the Measure L Policy and Procedures: Local Control Funds and Measure L Agreement (Recipient's Duties and Obligations, No. 2) between StanCOG and StanRTA, StanRTA is required to set up and maintain an appropriate system of accounts to report on Measure L funds received and spent. StanRTA must account for Measure L funds, including any interest received or accrued, separately for each program fund type, and from any other funds received from StanCOG. The accounting system shall provide adequate internal controls and audit trails to facilitate an annual compliance audit for each fund type and the respective usage and application of said funds. The Measure L funds meet the definition of a special revenue fund as per the Government Accounting Standards Board, which account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes.

Cause & Effect:

The audit required additional work to isolate the funding and expenditures of the Measure L funding received from the population of StanRTA as a whole, all of which was recorded in StanRTA's general fund.

Recommendation:

We recommend that StanRTA create a special revenue fund to account for the Measure L funds received and spent in accordance with the Measure L agreement and the Government Accounting Standards Board.

Management's Response and Corrective Action Plan:

In Fiscal Year 2021-2022, StanRTA used QuickBooks as their Financial System. The QuickBooks program did not meet the financial reporting needs of StanRTA and more importantly the need to clearly define grant expenditures. StanRTA converted to a more robust financial system in October of 2022. The new system, AccuFund, affords the ability to create a more detailed accounting structure and will allow StanRTA to clearly define its grant funding sources and the expenditures related to each individual grant. StanRTA believes AccuFund will satisfy the requirements to provide adequate internal controls and audit trails for each fund type and the respective usage and application of said funds as AccuFund allows staff to identify grants and specific funding sources through the accounting string.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 2022-001- Measure L Quarterly Milestone Reporting

Condition:

While performing testing over compliance procedures in accordance with the Measure L Program it was noted that the Stanislaus Regional Transit Authority (StanRTA) did not submit Quarterly Milestone reports to the Stanislaus Council of Governments (StanCOG), as required in accordance with the Measure L Program for the year ended June 30, 2022.

Criteria:

Per the Measure L Policy and Procedures: Local Control Funds, StanCOG requires Measure L funding recipients to submit Quarterly Milestone reports which provide a narrative of the progress of all of the recipient's projects utilizing Measure L funding. Quarterly Milestone reports are due within 30 days of completion of the calendar quarter, and the Quarterly Milestone reports will contain a narrative on the work that has been initiated, is in progress, and has been completed during that quarter for the Measure L funded projects. The report would also include the percentage of projects completed, project phase, amount of funds expended, challenges, successes, and anticipated time for project completion as applicable.

Cause & Effect:

Per discussion with management regarding the required StanCOG Quarterly Milestone reports it was noted that StanRTA had not submitted the StanCOG Quarterly Milestone reports for the fiscal year ending June 30, 2022. As a result, the Measure L Fund was not in compliance with StanCOG's Quarterly Milestone reports requirements for the year ended June 30, 2022.

Recommendation:

We recommend that StanRTA ensure that Quarterly Milestone reports are reported to StanCOG in a timely manner in compliance with Measure L policy and procedures.

Management's Response and Corrective Action Plan:

As the City of Modesto and Stanislaus County transit divisions, staff were not involved in submitting the required quarterly reports. StanRTA staff has corrected their processes and has submitted the required quarterly reports and going forward will continue to submit the Quarterly Milestone reports to StanCOG on a timely basis

Current Year Status:

Implemented.

STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - STANISLAUS REGIONAL TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2022-002- System of Accounts

Condition:

While performing the audit of the Authority's Measure L fund, it was noted that a separate set of accounts was not properly set up to report Measure L funds received and spent. All Measure L activity was recorded in the one general fund of StanRTA for the fiscal year ended June 30, 2023.

Criteria:

Per the Measure L Policy and Procedures: Local Control Funds and Measure L Agreement (Recipient's Duties and Obligations, No. 2) between StanCOG and StanRTA, StanRTA is required to set up and maintain an appropriate system of accounts to report on Measure L funds received and spent. StanRTA must account for Measure L funds, including any interest received or accrued, separately for each program fund type, and from any other funds received from StanCOG. The accounting system shall provide adequate internal controls and audit trails to facilitate an annual compliance audit for each fund type and the respective usage and application of said funds. The Measure L funds meet the definition of a special revenue fund as per the Government Accounting Standards Board, which account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes.

Cause & Effect:

The audit required additional work to isolate the funding and expenditures of the Measure L funding received from the population of StanRTA as a whole, all of which was recorded in StanRTA's general fund.

Recommendation:

We recommend that StanRTA create a special revenue fund to account for the Measure L funds received and spent in accordance with the Measure L agreement and the Government Accounting Standards Board.

Management's Response and Corrective Action Plan:

In Fiscal Year 2021-2022, StanRTA used QuickBooks as their Financial System. The QuickBooks program did not meet the financial reporting needs of StanRTA and more importantly the need to clearly define grant expenditures. StanRTA converted to a more robust financial system in October of 2022. The new system, AccuFund, affords the ability to create a more detailed accounting structure and will allow StanRTA to clearly define its grant funding sources and the expenditures related to each individual grant. StanRTA believes AccuFund will satisfy the requirements to provide adequate internal controls and audit trails for each fund type and the respective usage and application of said funds.

Current Year Status:

See finding 2023-001.