

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L – CITY OF MODESTO**

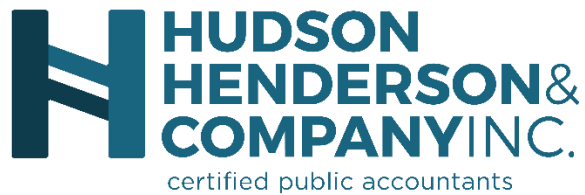
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**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Policy Board  
Stanislaus Council of Governments

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Measure L Fund of the City of Modesto, California (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, 2021, the budgetary comparison schedule for the special revenue fund and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2021, and the respective changes in financial position and 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.

## **Other Matters**

### *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 financial statements. Management has omitted such information. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

### *Other Information*

The schedule of expenditures by project (supplemental schedule) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

### **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 City of Modesto 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021, 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 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 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.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
November 5, 2021

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF MODESTO  
 STATEMENT OF NET POSITION  
 JUNE 30, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 18,039,837
Accounts receivable	3,987,875
Advances to city funds	<u>471,416</u>
Total Assets	<u>22,499,128</u>
<b>LIABILITIES</b>	
Accounts payable	<u>46,808</u>
Total Liabilities	<u>46,808</u>
<b>NET POSITION</b>	
Restricted	<u>22,452,320</u>
Total Net Position	<u><u>\$ 22,452,320</u></u>

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

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF MODESTO  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) and Revenue and Changes in Net Position  Governmental Activities
Governmental Activities:			
Public ways and facilities	\$ 7,017,056	\$ 13,574,935	\$ 6,557,879
Totals	<u>\$ 7,017,056</u>	<u>\$ 13,574,935</u>	<u>6,557,879</u>
General Revenues:			
Investment earnings			<u>7,709</u>
Total General Revenues			<u>7,709</u>
Change in Net Position			6,565,588
Net Position, Beginning of Year			15,898,704
Prior Period Adjustment			<u>(11,972)</u>
Net Position, End of Year			<u>\$ 22,452,320</u>

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

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF MODESTO  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
 JUNE 30, 2021**

**ASSETS**

Cash and investments	\$ 18,039,837
Accounts receivable	3,987,875
Advances to city funds	<u>471,416</u>
 Total Assets	 <u><u>\$ 22,499,128</u></u>

**LIABILITIES**

Accounts payable	<u>\$ 46,808</u>
 Total Liabilities	 <u>46,808</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue	<u>4,503</u>
 Total Deferred Inflows of Resources	 <u>4,503</u>

**FUND BALANCE**

Restricted	<u>22,447,817</u>
 Total Fund Balance	 <u>22,447,817</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u><u>\$ 22,499,128</u></u>

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

Total Fund Balance - Governmental Fund	\$ 22,447,817
 Adjustments to the Balance Sheet of the Governmental Fund to reconcile with the Statement of Net Position:	
Revenues not available for current-period expenditures are deferred in governmental funds, but are considered earned in the Statement of Net Position.	<u>4,503</u>
 Total Net Position - Governmental Activities	 <u><u>\$ 22,452,320</u></u>

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

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>REVENUES</b>	
Measure L funds	\$ 13,570,432
Investment earnings	<u>7,709</u>
Total Revenues	<u>13,578,141</u>
<b>EXPENDITURES</b>	
Public ways and facilities	<u>7,017,056</u>
Total Expenditures	<u>7,017,056</u>
Net Change in Fund Balance	6,561,085
Fund Balance, Beginning of Year	15,898,704
Prior Period Adjustment	<u>(11,972)</u>
Fund Balance, End of Year	<u><u>\$ 22,447,817</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	\$ 6,561,085
Adjustments to the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to reconcile with the Statement of Activities:	
Revenues that are considered earned in the Statement of Activities that did not provide current financial resources in the current year were not reported as revenues in the governmental funds.	<u>4,503</u>
Change in Net Position - Governmental Activities	<u><u>\$ 6,565,588</u></u>

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



**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)-  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
<b>RESOURCES (INFLOWS)</b>				
Measure L funds	\$ 9,366,639	\$ 13,558,189	\$ 13,570,432	\$ 12,243
Investment earnings	-	-	7,709	7,709
Total Resources (Inflows)	<u>9,366,639</u>	<u>13,558,189</u>	<u>13,578,141</u>	<u>19,952</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Streets and roads	7,688,152	7,688,152	6,175,527	1,512,625
Bike and pedestrian	759,184	759,184	267,510	491,674
Transit services	475,000	475,000	-	475,000
Traffic management	<u>1,014,750</u>	<u>1,014,750</u>	<u>574,019</u>	<u>440,731</u>
Total Charges to Appropriations (Outflows)	<u>9,937,086</u>	<u>9,937,086</u>	<u>7,017,056</u>	<u>2,920,030</u>
Net Change in Fund Balance	<u>\$ (570,447)</u>	<u>\$ 3,621,103</u>	6,561,085	<u>\$ 2,939,982</u>
Fund Balance, Beginning of Year			15,898,704	
Prior Period Adjustment			<u>(11,972)</u>	
Fund Balance, End of Year			<u>\$ 22,447,817</u>	

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

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity: The City of Modesto’s Measure L Fund (the Measure L Fund), is a special revenue fund of the City. 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 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 Ordinance, and incorporated into Measure L Policies and Procedures.

The City’s Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the Measure L Fund on a reimbursement basis with no allocation of 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. 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.

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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 City.

The City 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.

Cash and Investments: In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City 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 City's cash and investment pool, as the City 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, 2021, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Advances To City Funds: Balances representing lending transactions between the Measure L Program and the City of Modesto outstanding at the end of the fiscal year are reported as advances to city funds. These balances represent non-current portions of lending transactions expected to be fully collectible.

Accounts Payable: Certain costs are incurred by the Fund during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as accounts payable in the financial statements. The Measure L Fund current accounts payable balance is \$46,808 as of June 30, 2021.

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.

Management's 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 expenses during the reporting period. Actual results could differ from these estimates.

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Measure L Fund recognizes deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the Measure L Fund that is applicable to a future reporting period.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Measure L Fund that is applicable to a future reporting period. Deferred inflows of resources reported by the Measure L Fund consist of intergovernmental revenues earned, but not yet received.

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, 2021.
- *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 City 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, 2021.
- *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 City Council delegates the authority. The Measure L Fund did not have any assigned resources as of June 30, 2021.
- *Unassigned* – Amounts that are available for any purpose. The Measure L Fund did not have any unassigned resources as of June 30, 2021.

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.

Governmental Accounting Standards Update: During the year ending June 30, 2021, the Measure L Fund implemented the following standards with no financial impact:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

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

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

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. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 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. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021

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 November 5, 2021, which is the date the financial statements were available to be issued.

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 18,039,837
Total cash and investments	<u>\$ 18,039,837</u>

Summary of Deposits:

Cash and investments as of June 30, 2021 consist of the following:

Deposits with City of Modesto	\$ 18,039,837
Total cash and investments	<u>\$ 18,039,837</u>

See the City of Modesto’s Annual Comprehensive Financial Report (ACFR) 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 City provides coverage for these losses through commercial insurance policies and/or through participation in the City of Modesto program. Refer to the City of Modesto’s ACFR 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.

**NOTE 5 – COVID-19 CONTINGENCY**

On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of Emergency in California due to the novel Coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. A vaccination has been created and is being administered throughout the state, including the Agency’s service area. The ultimate impact of COVID-19 on the Measure L Fund is unknown.

**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of (\$11,972) was recorded to the special revenue fund and governmental activities beginning fund balance and net position, to account for expenditures incurred in the prior period that were improperly not recorded and reported in the prior year.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND THE 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 Measure L Fund of the City of Modesto (the Measure L Fund) for the year ended June 30, 2021, the budgetary comparison schedule for the special revenue fund and the related notes to the financial statements, and have issued our report thereon dated November 5, 2021.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 may exist that have not been identified.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Measure L Program*.

**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.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
November 5, 2021



**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L – CITY OF MODESTO**

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**SUPPLEMENTAL SCHEDULE**

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF MODESTO  
SCHEDULE OF EXPENDITURES BY PROJECT  
FOR THE YEAR ENDED JUNE 30, 2021**

Category	Project Number	Project Name	Expense Budget		Project to Date	Budget
			-Local Control Measure L	FY 20-21 Expenses	Expenses through 6/30/2021	Remaining for Future Fiscal Years
Local Streets & Roads	100806	2016 Pavement Rehab Project	\$ 750,000	\$ 409,129	\$ 409,129	\$ 340,871
Local Streets & Roads	100942	Paradise Road Improvements	415,000	-	-	415,000
Local Streets & Roads	100966	Pelandale from Sisk to Dale	700,000	286,890	299,864	400,136
Local Streets & Roads	101036	Carpenter Street Improvements	2,628,392	5	2,628,392	-
Local Streets & Roads	101037	Lakewood Street Improvements	2,365,558	119	2,365,558	-
Local Streets & Roads	101038	Wylie,Floyd,Carver Improvements	2,250,469	(2,660)	2,250,469	-
Local Streets & Roads	101042	Paradise Road ATP - Construction Portion	760,000	-	-	760,000
Local Streets & Roads	101088	Standiford Avenue Pavement Rehab	2,788,144	(181)	2,788,144	-
Local Streets & Roads	101118	Claus Road Pavement Rehab	1,183,203	(2,091)	1,183,203	-
Local Streets & Roads	101120	Village One Slurry Seal	2,622,060	(305)	2,554,544	67,516
Local Streets & Roads	101141	Downtown Master Plan	108,450	9,306	108,450	-
Local Streets & Roads	101168	Scenic Dr Pavement Rehab Phase 1 (Lakewood to Claus)	1,739,500	155,258	216,143	1,523,357
Local Streets & Roads	101169	Scenic Dr Pavement Rehab Phase 2 (Downey to	3,100,000	23,922	36,626	3,063,374
Local Streets & Roads	101170	Tully Road Pavement Rehab	2,400,000	1,556,204	2,011,062	388,938
Local Streets & Roads	101171	Coffee Road Pavement Rehab Phase 1	4,100,000	3,149,581	3,186,243	913,757
Local Streets & Roads	101214	Granger Neighborhood Pavement Rehabilitation	330,000	163,194	193,646	136,354
Local Streets & Roads	101245	2020 Pvmnt Condition Survey	300,000	-	-	300,000
Local Streets & Roads	101246	Briggsmore-McHenry to Oakdale	367,500	201,638	201,638	165,862
Local Streets & Roads	101248	Orangeburg Ave. Pvmt Rehab Ph1	241,500	82,463	82,463	159,037
Local Streets & Roads	101249	Pelandale Nghbrhd Pvmt Maintenance	2,271,250	143,055	143,055	2,128,195
<b>Total Local Streets and Roads</b>			<b>\$ 31,421,026</b>	<b>\$ 6,175,527</b>	<b>\$ 20,658,629</b>	<b>\$ 10,762,397</b>
Traffic Management	100634	Upgrade Traffic Signals - 2013	\$ 175,000	\$ 139,851	\$ 139,851	\$ 35,149
Traffic Management	100719	Traffic Signals 2013 (Ros/Bel)	-	(38,783)	-	-
Traffic Management	100720	Traffic Signals 2013 (Pres/Mt. Vrn)	122,080	(13,532)	122,080	-
Traffic Management	100884	Emergency Vehicle Pre-Emption	61,500	32	61,500	-
Traffic Management	100990	System Safety Analysis Program	32,500	23,531	29,492	3,008
Traffic Management	101039	Task Force for School Safety	45,000	3,499	23,141	21,859
Traffic Management	101040	Orville Wright Elementary Improve.	638,265	300,330	531,584	106,681
Traffic Management	101043	Replace Traffic Controllers	584,437	-	584,437	-

**STANISLAUS COUNCIL OF GOVERNMENTS**  
**MEASURE L - CITY OF MODESTO**  
**SCHEDULE OF EXPENDITURES BY PROJECT (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Category	Project Number	Project Name	Expense Budget		Project to Date	Budget
			-Local Control Measure L	FY 20-21 Expenses	Expenses through 6/30/2021	Remaining for Future Fiscal Years
Traffic Management	101089	Tully Road Safety Improvement	\$ 511,183	\$ 246	\$ 30,831	\$ 480,352
Traffic Management	101122	Install 2 Flashing Beacons	200,000	-	9,970	190,030
Traffic Management	101123	Fiber Drop Traffic Signal Cabinet	560,000	-	156	559,844
Traffic Management	101124	Replace 35 Traffic Controllers	178,250	-	150,149	28,101
Traffic Management	101125	Traffic Signal Analysis Study	250,000	42,340	243,270	6,730
Traffic Management	101172	School Safety Program Study	250,000	61,309	61,698	188,302
Traffic Management	101173	School Area All Stop Beacon	48,000	-	48,000	-
Traffic Management	101174	Advance School Zone Beacons at 13 Schools	130,000	-	-	130,000
Traffic Management	101175	School Crosswalk Beacon	345,000	8,171	25,386	319,614
Traffic Management	101176	Upgrade Crosswalk to RRFB	460,000	6,325	37,353	422,647
Traffic Management	101177	Upgrade RRFB - Elliot School	20,000	19,670	19,670	330
Traffic Management	101178	Neighborhood Traffic Calming	150,000	11,300	20,678	129,322
Traffic Management	101179	HAWK System at Hetch-Hetchy on Tully and Prescott	500,000	9,245	25,846	474,154
Traffic Management	101221	School Safety Program Study - Projects	525,000	-	-	525,000
Traffic Management	101242	Install Video Detection	410,000	-	-	410,000
Traffic Management	101322	Claus Road Signal Coordination	27,750	269	269	27,481
Traffic Management	101323	Scenic Drive Signal Coordination	37,000	217	217	36,783
<b>Total Traffic Management</b>			<b>\$ 6,260,965</b>	<b>\$ 574,019</b>	<b>\$ 2,165,577</b>	<b>\$ 4,095,388</b>
Bike and Pedestrian	100882	MJC Bike Path Phase 2	\$ 202,047	\$ 13,803	\$ 202,047	\$ -
Bike and Pedestrian	101041	Active Transportation Plan	300,000	42,544	217,894	82,106
Bike and Pedestrian	101042	Paradise Road ATP	60,000	-	25,000	35,000
Bike and Pedestrian	101073	Carver/Bangs-Pelandale/Snyder Bike Trail System	205,591	-	-	205,591
Bike and Pedestrian	101126	Dry Creek Trail Maintenance	685,000	202,618	607,634	77,108
Bike and Pedestrian	101180	Dry Creek Trail Pavement Rehab & ADA Upgrade Phase II	867,660	(5,717)	12,105	855,555
Bike and Pedestrian	101247	Virginia Corridor Trail Maintenance	632,500	12,685	12,685	619,815
Bike and Pedestrian	101250	Neighborhood ADA Program	25,000	1,578	1,578	23,422
<b>Total Bike and Pedestrian</b>			<b>\$ 2,977,798</b>	<b>\$ 267,510</b>	<b>\$ 1,078,943</b>	<b>\$ 1,898,597</b>

**STANISLAUS COUNCIL OF GOVERNMENTS**  
**MEASURE L - CITY OF MODESTO**  
**SCHEDULE OF EXPENDITURES BY PROJECT (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Category	Project Number	Project Name	Expense Budget -Local Control Measure L	FY 20-21 Expenses	Project to Date Expenses through 6/30/2021	Budget Remaining for Future Fiscal Years
Transit Services		Transfer Fund 4540 - Bus Fixed Route Max Operations	\$ -	\$ -	\$ 475,000	\$ - *
<b>Total Transit Services</b>			-	-	<b>475,000</b>	-
<b>Grand Total</b>			<b>\$ 40,659,789</b>	<b>\$ 7,017,056</b>	<b>\$ 24,378,150</b>	<b>\$ 16,756,381</b>

\*Transit funding is not budgeted for by the City; revenues earned during the year are utilized to supplement fare box ratio requirements.