

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act
Article 3 Fund
Bicycle and Pedestrian Facilities Program
Financial Statements and
Required Supplementary Information
(With Independent Auditor's Reports Thereon)

**For the Fiscal Years Ended June 30, 2017, 2016 and
2015**



Certified
Public
Accountants

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Notes to Financial Statements.....	5
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual - For the Fiscal Year Ended June 30, 2017	10
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual - For the Fiscal Year Ended June 30, 2016	11
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual - For the Fiscal Year Ended June 30, 2015	12
Note to Required Supplementary Information.....	13
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 <i>Government Auditing Standards</i>	15



Independent Auditor's Report

Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 3 Fund of the Bicycle and Pedestrian Facilities Program (the Program) of the City of Moreno Valley, California (the City), as of and for the years ended June 30, 2017, 2016 and 2015, and the related notes to 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial positions of the TDA Article 3 Fund of the Program of the City as of June 30, 2017, 2016 and 2015, and the changes in financial positions thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Article 3 Fund for the Program and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2017, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the financial statements. 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. 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the City's internal control over financial reporting as it relates to the TDA Article 3 Fund for the Program 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 TDA Article 3 Fund for the Program. 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 related to the TDA Article 3 Fund for the Program.



Newport Beach, California
June 17, 2019

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Balance Sheets
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

	2017	2016	2015
Assets:			
Due from other governments	\$ 128,997	\$ 32,821	\$ 230,775
Total assets	128,997	32,821	230,775
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Accounts payable	\$ 95,619	\$ 25,359	\$ 12,500
Due to other City funds	33,378	7,462	218,275
Total liabilities	128,997	32,821	230,775
Deferred inflow of resources - unavailable revenue	-	32,821	-
Fund balance (deficit) - unassigned	-	(32,821)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 128,997	\$ -	\$ 230,775

See accompanying notes to financial statements.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

	2017	2016	2015
Revenues:			
TDA Article 3 allocation	\$ 128,997	\$ -	\$ 230,775
Interest income	-	-	-
Total revenues	128,997	-	230,775
Expenditures:			
Construction and maintenance	96,176	32,821	230,775
Total expenditures	96,176	32,821	230,775
Net change in fund balance	32,821	(32,821)	-
Fund balance (deficit), beginning of year	(32,821)	-	-
Fund balance (deficit), end of year	\$ -	\$ (32,821)	\$ -

See accompanying notes to financial statements.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

1. GENERAL INFORMATION

The financial statements are intended to reflect the financial position and results of operations of the Transportation Development Act (TDA) Article 3 Fund of the Bicycle and Pedestrian Facilities Program (Program) only.

Pursuant to Section 99234 of the California Public Utilities Code, Article 3 monies may be used only for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenses of those facilities, the maintenance of bicycle trails (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include projects that serve the needs of commuting bicyclists, including, but not limited to, new trails serving major transportation corridors, secure bicycle parking at employment centers, park and ride lots, and transit terminals where other funds are unavailable. Funding for this program was authorized by the Riverside County Transportation Commission (RCTC).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the City of Moreno Valley, California (the City) are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, and fund balances showing the level of constraint governing the use of the funds. Government resources are allocated to and for individual funds based on the purpose for which they are spent and means by which spending activities are controlled. The City accounts for the activity of the TDA Article 3 Fund Program in a Special Revenue Fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Measurement Focus and Basis of Accounting

Special Revenue Funds are accounted for 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Notes to Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under the TDA Article 3 Funds Program possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues are recognized in the period when all eligibility requirements have been met.

Unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available. Unearned revenue arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. As of June 30, 2017 and 2015, there were no unearned revenue or unavailable revenue representing receivables from RCTC for allowable TDA Article 3 expenditures. As of June 30, 2016, there were no unearned revenues, but there was unavailable revenue in the amount of \$32,821 representing receivables from RCTC for allowable TDA Article 3 expenditures not received within 180 days of the end of the fiscal year.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America where the legal level of control is at the fund level.

4. FUND BALANCE

As prescribed by Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to observe constraints imposed on the use of the resources or on the specific purposes for which amounts in the funds can be spent.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Notes to Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

4. FUND BALANCE (Continued)

Fund balance for governmental funds are made up of the following:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted, committed, or nonspendable. Intent is expressed by the City to which the City has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The unassigned fund balance classification is where to report negative amounts for all governmental funds, other than the general fund. For fiscal year 2016, the City reported a negative fund balance of \$32,821.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

5. ACCOUNTS PAYABLE

Accounts payable in the amount of \$95,619, \$25,359 and \$12,500 as of June 30, 2017, 2016 and 2015, respectively, represent amounts owed to vendors from TDA Article 3 funds for eligible TDA Article 3 expenditures.

6. DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of \$128,997, \$32,821 and \$230,775 as of June 30, 2017, 2016 and 2015, respectively, represent receivables from RCTC for allowable TDA Article 3 expenditures.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Notes to Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

7. DUE TO OTHER CITY FUNDS

Due to other City funds in the amount of \$33,378, \$7,462 and \$218,275 as of June 30, 2017, 2016 and 2015, respectively, represent payables from TDA Article 3 funds to reimburse other City funds for eligible TDA Article 3 expenditures.

Required Supplementary Information

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Schedule of Revenues, Expenditures
and Change in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance From Final Budget
	Original	Final		
Revenues:				
TDA Article 3 Allocation	\$ -	\$ 315,000	\$ 128,997	\$ (186,003)
Expenditures:				
Construction and maintenance	-	282,179	96,176	186,003
Net change in fund balance	<u>\$ -</u>	<u>\$ 32,821</u>	32,821	<u>\$ -</u>
Fund balance (deficit), beginning of year			<u>(32,821)</u>	
Fund balance, end of year			<u>\$ -</u>	

See accompanying note to required supplementary information.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Schedule of Revenues, Expenditures
and Change in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance From Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
TDA Article 3 Allocation	\$ 315,000	\$ 315,000	\$ -	\$ (315,000)
Expenditures:				
Construction and maintenance	315,000	315,000	32,821	282,179
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(32,821)	<u>\$ (32,821)</u>
Fund balance, beginning of year			-	
Fund balance (deficit), end of year			<u>\$ (32,821)</u>	

See accompanying note to required supplementary information.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Schedule of Revenues, Expenditures
and Change in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance From Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
TDA Article 3 Allocation	\$ 250,000	\$ 250,000	\$ 230,775	\$ (19,225)
Expenditures:				
Construction and maintenance	250,000	250,000	230,775	19,225
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

See accompanying note to required supplementary information.

CITY OF MORENO VALLEY, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Note to Required Supplementary Information
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

1. BUDGETARY DATA

The City of Moreno Valley, California (the City) adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America, and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items. In addition, the legal level of control is at the fund level.



**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***

Board of Commissioners
Riverside County Transportation Commission
Riverside, 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 (the TDA) Article 3 Fund of the Bicycle and Pedestrian Facilities Program (the Program) of the City of Moreno Valley, California (the City), as of and for the years ended June 30, 2017, 2016, and 2015 and the related notes to the financial statements, which collectively comprise the TDA Article 3 Fund Program financial statements, and have issued our report thereon dated June 17, 2019. Our report includes an emphasis of a matter paragraph indicating that the financial statements present only the TDA Article 3 Fund for the Program of the City.

Internal Control Over Financial Reporting

In planning and performing our audit of the TDA Article 3 Fund for the Program financial statements, we considered the City’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control related to the TDA Article 3 Fund for the Program. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control related to the TDA Article 3 Fund for the Program.

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 financial statements of the TDA Article 3 Fund for the Program of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including Section 6666 of Part 21 of the California Code of Regulations and policies and procedures adopted by the Riverside County Transportation Commission, 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*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and policies and procedures adopted by the Riverside County Transportation Commission.

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 TDA Article 3 Fund for the Program. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance as it relates to the TDA Article 3 Fund for the Program. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Newport Beach, California
June 17, 2019