

**CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022
WITH COMPARATIVE TOTALS**

**CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| <u>Financial Statements</u> | |
| Balance Sheet..... | 4 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance..... | 5 |
| Notes to the Financial Statements | 6 |
| <u>Required Supplementary Information</u> | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – For the Fiscal Year Ended June 30, 2022..... | 8 |
| Note to Required Supplementary Information..... | 9 |
| <u>Other Report</u> | |
| 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> | 10 |

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Financial Statements

Opinions

We have audited the accompanying basic financial statements of the Transportation Development Act (TDA) Article 3 Fund (TDA Fund) for the Bicycle and Pedestrian Facilities Program (Program) of the City of Moreno Valley, California (City), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements as listed in the table of contents. The June 30, 2021, summarized comparative information has been derived from the 2021 financial statements and is included for additional analysis only.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Fund, as of June 30, 2022, and the respective changes in financial position, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and Riverside County Transportation Commission 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 a Matter

As discussed in Note 2, these financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022, the changes in its financial position 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 TDA 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control relating to the TDA Fund. 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 TDA 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 budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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 MD&A.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, on our consideration of the City's internal control over financial reporting relating to the TDA Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance relating to the TDA Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance relating to the TDA Fund.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 28, 2022

CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
BALANCE SHEET
JUNE 30, 2022
WITH COMPARATIVE TOTALS

| | Article 3 | |
|---------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| ASSETS | | |
| Due from other governments | \$ 393,993 | \$ 198,376 |
| Total assets | <u>\$ 393,993</u> | <u>\$ 198,376</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 274,890 | \$ 9,471 |
| Due to other City funds | <u>132,488</u> | <u>201,735</u> |
| Total liabilities | <u>407,378</u> | <u>211,206</u> |
| Fund balance: | | |
| Unassigned | (13,385) | (12,830) |
| Total fund balance | <u>(13,385)</u> | <u>(12,830)</u> |
| Total liabilities and fund balance | <u>\$ 393,993</u> | <u>\$ 198,376</u> |

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

CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS

| | Article 3 | |
|------------------------------|--------------------|--------------------|
| | 2022 | 2021 |
| REVENUES | | |
| TDA Article 3 allocation | \$ 393,993 | \$ 197,471 |
| Total revenues | <u>393,993</u> | <u>197,471</u> |
| EXPENDITURES | | |
| Construction and maintenance | <u>394,548</u> | <u>210,301</u> |
| Total expenditures | <u>394,548</u> | <u>210,301</u> |
| Changes in fund balance | (555) | (12,830) |
| Fund balance, beginning | <u>(12,830)</u> | <u>-</u> |
| Fund balance, ending | <u>\$ (13,385)</u> | <u>\$ (12,830)</u> |

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

**CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS**

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position and results of operations of the City of Moreno Valley, California's (City), Transportation Development Act (TDA) Article 3 Fund (TDA Fund) for 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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of 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 Fund for the 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, grant 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.

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 Fund 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,

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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.

NOTE 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.

NOTE 4 – FUND BALANCE

As prescribed by Governmental Accounting Standards Board (GASB) Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purpose for which amounts in the fund can be spent. As of June 30, 2022, the fund balance for the TDA Fund for the City is Unassigned.

Restricted fund balance includes amounts with constraints placed on their use that are either (a) eternally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Unassigned fund balance includes negative amounts for all governmental funds. The City's TDA Fund reported a deficit fund balance of \$13,385 and \$12,830 as of June 30, 2022 and 2021, respectively.

NOTE 5 – DUE FROM OTHER GOVERNMENTS

Due from other governments in the amounts of \$393,993 and \$198,376 as of June 30, 2022 and 2021, respectively, represent receivables from RCTC for allowable TDA Article 3 expenditures.

NOTE 6 – DUE TO OTHER CITY FUNDS

Due to other City funds in the amounts of \$132,488 and \$201,735 as of June 30, 2022 and 2021, respectively, represent payables from TDA Article 3 funds to reimburse other City funds for eligible TDA expenditures.

NOTE 7 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustments to the financial statements or disclosures is December 28, 2022, which is the date that the financial statements were available to be issued. There were no events brought to our attention that were deemed to be reportable at that time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | Budget | | | Variance With Final Budget |
|------------------------------|-----------------|--------------|---------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| TDA Article 3 allocation | \$ - | \$ 950,000 | \$ 393,993 | \$ (556,007) |
| Total revenues | - | 950,000 | 393,993 | (556,007) |
| EXPENDITURES | | | | |
| Construction and maintenance | - | 937,170 | 394,548 | 542,622 |
| Total expenditures | - | 937,170 | 394,548 | 542,622 |
| Changes in fund balance | \$ - | \$ 12,830 | (555) | \$ (13,385) |
| Fund balance, beginning | | | | (12,830) |
| Fund balance, ending | | | | <u>\$ (13,385)</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 YEAR ENDED JUNE 30, 2022**

NOTE 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 fiscal 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.

OTHER REPORT



**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 (TDA) Article 3 Fund (TDA Fund) for the Bicycle and Pedestrian Facilities Program (Program) of the City of Moreno Valley, California (City), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the TDA Fund financial statements, and have issued our report thereon dated December 28, 2022. Our report includes an emphasis of matter paragraph indicating that the financial statements present only the TDA Fund for the Program of the City.

Report on Internal Control over Financial Reporting

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

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 City's TDA Fund 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 TDA Fund's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance relating to the TDA Fund and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance relating to the TDA Fund. 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 relating to the TDA Fund. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 28, 2022