

**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, 2021**

**CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
 <u>Financial Statements</u>	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance	4
Notes to the Financial Statements	5
 <u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – For the Fiscal Year Ended June 30, 2021	7
Note to Required Supplementary Information	8
 <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>	9

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Financial Statements

We have audited 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, 2021, 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 opinions 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, relating to the TDA Fund, relevant to the City'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 City's internal control relating to the TDA Fund. 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 TDA Fund for the Program of the City as of June 30, 2021, and the changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of 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, 2021, the change in its 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 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 basic financial statements. 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. 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 (GASB) 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 March 25, 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
March 25, 2022

**CITY OF MORENO VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
BICYCLE AND PEDESTRIAN FACILITIES PROGRAM
BALANCE SHEET
JUNE 30, 2021**

ASSETS

Due from other governments	<u>\$ 198,376</u>
Total assets	<u><u>\$ 198,376</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable and accrued expenses	\$ 9,471
Due to other City funds	<u>201,735</u>
Total liabilities	<u>211,206</u>

Fund balance:

Unassigned	<u>(12,830)</u>
Total fund balance	<u>(12,830)</u>
Total liabilities and fund balance	<u><u>\$ 198,376</u></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, 2021

REVENUES

TDA Article 3 Allocation	\$ 197,471
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Total revenues	197,471
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EXPENDITURES

Construction and maintenance	210,301
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Total expenditures	210,301
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Changes in fund balance	(12,830)
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Fund balance, beginning	-
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Fund balance, ending	\$ (12,830)
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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, 2021**

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, 2021, 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 \$12,830 as of June 30, 2021.

NOTE 5 – DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of \$198,376 as of June 30, 2021, represents receivables from RCTC for allowable TDA Article 3 expenditures.

NOTE 6 – DUE TO OTHER CITY FUNDS

Due to other City funds in the amount of \$201,735 as of June 30, 2021, represents 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, 2021, have been evaluated for possible adjustments to the financial statements or disclosures is March 25, 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, 2021**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
TDA Article 3 Allocation	\$ -	\$ 719,094	\$ 197,471	\$ (521,623)
Total revenues	-	719,094	197,471	(521,623)
EXPENDITURES				
Construction and maintenance	-	719,094	210,301	508,793
Total expenditures	-	719,094	210,301	508,793
Changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	(12,830)	<u>\$ (12,830)</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ (12,830)</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 YEAR ENDED JUNE 30, 2021**

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 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, 2021, and the related notes to the financial statements, which collectively comprise the TDA Fund financial statements, and have issued our report thereon dated March 25, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) relating to the TDA Fund as a basis for designing auditing 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 over financial reporting 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 may exist that have not been identified.

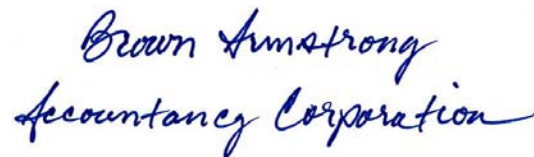
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund for the Program of the City are free from material misstatement, we performed tests of the City's 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 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*, or 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 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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
March 25, 2022