

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

For the Fiscal Years Ended June 30, 2016 and 2015



Certified
Public
Accountants

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

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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 Wildomar, California (the City), as of and for the fiscal year ended June 30, 2016, 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 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 financial position of the TDA Article 3 Fund of the Program of the City as of June 30, 2016, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the TDA Article 3 Fund of the Program as of and for the fiscal year June 30, 2015, were audited by other auditors whose report dated October 28, 2015, expressed an unmodified opinion on those financial statements.

Emphasis of Matters

As discussed in Note 6, due to other City funds and transfers out to other City funds were restated. We audited the adjustments described in Note 6 that were applied to restate the June 30, 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As discussed in Note 1 to the financial statements, the accompanying financial statements present only the TDA Article 3 Fund of the Program and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016, and the change in its financial position for the fiscal year then ended in conformity 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 February 15, 2017, on our consideration of the City's internal control over financial reporting as it relates to the TDA Article 3 Fund of 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 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 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 City's internal control over financial reporting and compliance related to the TDA Article 3 Fund of the Program.



Newport Beach, California
February 15, 2017

CITY OF WILDOMAR, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Balance Sheets
June 30, 2016 and 2015

| | 2016 | 2015 (As restated) |
|---|-------------|-------------------------------------|
| Assets: | | |
| Due from other governments | \$ 35,886 | \$ 67,710 |
| Liabilities, Deferred Inflows of Resources and Fund Balance: | | |
| Liabilities - due to other City funds | \$ 52,150 | \$ 80,947 |
| Deferred inflow of resources - unavailable revenue | 35,886 | 13,741 |
| Fund balance - unassigned | (52,150) | (26,978) |
| Total liabilities, deferred inflow of resources and fund balance | \$ 35,886 | \$ 67,710 |

See accompanying notes to financial statements.

CITY OF WILDOMAR, 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, 2016 and 2015

| | 2016 | 2015 |
|---|-------------|----------------------|
| Revenues: | 2016 | (As restated) |
| TDA Article 3 Allocation | \$ - | \$ 288,623 |
| | | |
| Expenditures: | | |
| Construction and maintenance | 22,145 | 38,829 |
| Excess (deficiency) of revenues over (under) expenditures | (22,145) | 249,794 |
| | | |
| Other financing sources (uses) | | |
| Transfers out to other City funds | 3,027 | 13,237 |
| Net change in fund balance | (25,172) | 236,557 |
| Fund balance, beginning of year | (26,978) | (263,535) |
| Fund balance, end of year | \$ (52,150) | \$ (26,978) |

See accompanying notes to financial statements.

CITY OF WILDOMAR, CALIFORNIA
Transportation Development Act Article 3 Fund
Bicycle and Pedestrian Facilities Program
Notes to Financial Statements
For the Fiscal Years Ended June 30, 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 Wildomar, 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

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

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. Unavailable revenue in the amount of \$35,886 and \$13,741 as of June 30, 2016 and 2015, respectively, represents receivables from RCTC for allowable TDA Article 3 expenditures not received within the 60 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. FUND BALANCE

As prescribed by Governmental Accounting Standards Board Statement (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.

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.

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

- 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. The City’s TDA Program reported a deficit fund balance in the amount of \$52,150 and \$26,978 as of June 30, 2016 and June 30, 2015, respectively. The City will be reducing the deficit fund balance through receipt of eligible TDA Article 3 funds due from other governments.

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.

4. DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of \$35,886 and \$67,710 as of June 30, 2016 and 2015, respectively, represents receivables from RCTC for allowable TDA Article 3 expenditures.

5. DUE TO OTHER CITY FUNDS

Due to other City funds in the amount of \$52,150 and \$80,947 as of June 30, 2016 and 2015, respectively, represents payables from TDA Article 3 funds to reimburse other City funds for eligible TDA Article 3 expenditures.

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

6. PRIOR PERIOD ADJUSTMENT

The fund balance at June 30, 2015 was restated by \$13,237 due to a Transfer Out for allowable TDA Article 3 expenditures in Fiscal Year 2015 that was not properly recorded.

| Balance Sheet | Previously Reported Balance as of June 30, 2015 | Increase (Decrease) | Balance as Restated as of June 30, 2015 |
|-------------------------|---|------------------------|---|
| Due to other City funds | \$ 67,710 | \$ 13,237 | \$ 80,947 |
| Ending fund balance | \$ (13,741) | \$ (13,237) | \$ (26,978) |

| Statement of Revenues, Expenditures, and Change in Fund Balance | Previously Reported Balance as of June 30, 2015 | Increase (Decrease) | Balance as Restated as of June 30, 2015 |
|---|---|------------------------|---|
| Transfers out to other City funds | \$ - | \$ 13,237 | \$ 13,237 |
| Change in fund balance | \$ 249,794 | \$ (13,237) | \$ 236,557 |

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Required Supplementary Information

CITY OF WILDOMAR, 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 | \$ 781,300 | \$ 781,300 | \$ - | \$ (781,300) |
| Expenditures: | | | | |
| Construction and maintenance | 158,400 | 158,400 | 22,145 | 136,255 |
| Excess (deficiency) of revenues over (under) expenditures | 622,900 | 622,900 | (22,145) | (645,045) |
| Other financing sources (uses) | | | | |
| Transfers out to other City funds | - | - | 3,027 | 3,027 |
| Net change in fund balance | <u>\$ 622,900</u> | <u>\$ 622,900</u> | (25,172) | <u>\$ (648,072)</u> |
| Fund balance, beginning of year | | | <u>(26,978)</u> | |
| Fund balance, end of year | | | <u>\$ (52,150)</u> | |

See accompanying note to required supplementary information.

CITY OF WILDOMAR, 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 (As restated)

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance From Final Budget</u> |
|---------------------------------------|-------------------|-------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| TDA Article 3 Allocation | \$ 781,300 | \$ 781,300 | \$ 288,623 | \$ (492,677) |
| Expenditures: | | | | |
| Construction and maintenance | 310,000 | 310,000 | 38,829 | 271,171 |
| Excess of revenues over expenditures | 471,300 | 471,300 | 249,794 | (221,506) |
| Other financing sources (uses) | | | | |
| Transfers out to other City funds | - | - | 13,237 | 13,237 |
| Net change in fund balance | <u>\$ 471,300</u> | <u>\$ 471,300</u> | 236,557 | <u>\$ (234,743)</u> |
| Fund balance, beginning of year | | | <u>(263,535)</u> | |
| Fund balance, end of year | | | <u>\$ (26,978)</u> | |

See accompanying note to required supplementary information.

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

1. BUDGETARY DATA

The City of Wildomar (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.

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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 Wildomar, California (the City), as of and for the fiscal year ended June 30, 2016, 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 February 15, 2017. Our report includes emphasis of matters paragraphs indicating that the financial statements present only the TDA Article 3 Fund Program of the City and that a restatement was applied to the City’s 2015 financial statement due to a correction of error.

Internal Control Over Financial Reporting

In planning and performing our audit of the TDA Article 3 Fund 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 Program. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control related to the TDA Article 3 Fund 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 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 related to TDA Article 3 Fund 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 related to the TDA Article 3 Fund Program. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Newport Beach, California
February 15, 2017