

**The Trip Reduction Special
Revenue Fund
of the City of Corona**

Corona, California

**Financial Statements
and Independent Auditors' Reports**

For the Year Ended June 30, 2022



**The Trip Reduction Special Revenue Fund of the City of Corona
For the Year Ended June 30, 2022**

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To Cherish Our Past - To Plan Our Future



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council and Citizens
of the City of Corona
Corona, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Trip Reduction Special Revenue Fund of the City of Corona, California (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Trip Reduction Special Revenue Fund of the City as of June 30, 2022, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Trip Reduction Special Revenue 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, 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.

Responsibilities of Management 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, 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.

Auditors' Responsibility 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 GAAS 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 generally accepted auditing standards 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. 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.

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 Schedule on pages 19 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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

To the Honorable Mayor, City Council and Citizens
of the City of Corona
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the City's internal control financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 effectiveness of the City's 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 the Trip Reduction Special Revenue Fund's financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 29, 2022





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Honorable Mayor, City Council and Citizens
of the City of Corona
Corona, 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 (“*Government Auditing Standards*”), the financial statements of the Trip Reduction Special Revenue Fund of the City of Corona, California (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2022.

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 the Trip Reduction Special Revenue Fund’s financial reporting (“internal control”) as a basis for designing 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor, City Council and Citizens
of the City of Corona
Corona, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trip Reduction Special Revenue Fund's financial statements are free from material misstatement, we performed tests of its 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 and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 29, 2022



REPORT ON COMPLIANCE FOR TRIP REDUCTION SPECIAL REVENUE FUND; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

To the Honorable Mayor, City Council and Citizens
of the City of Corona
Corona, California

Report on Compliance for the Trip Reduction Special Revenue Fund

Opinion on Compliance

We have audited the City of Corona, California's (the "City") compliance with the type of compliance requirements described in the Assembly Bill 2766, Chapter 1705 (44220 through 44247) ("AB 2766") for the year ended June 30, 2022.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to Trip Reduction Special Revenue Fund for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* ("*Government Auditing Standards*") issued by the Comptroller General of the United States; and AB 2766. Our responsibilities under those standards and AB 2766 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and AB 2766 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the AB 2766, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with AB 2766, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor's Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

To the Honorable Mayor, City Council and Citizens
of the City of Corona
Corona, California
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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the AB 2766. Accordingly, this report is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
November 29, 2022



FINANCIAL STATEMENTS



The Trip Reduction Special Revenue Fund of the City of Corona

Balance Sheet

June 30, 2022

ASSETS	
Cash and investments	\$ 1,462,102
Due from South Coast Air Quality Management District	55,733
Interest receivables	<u>3,840</u>
Total assets	<u>\$ 1,521,675</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ <u>2</u>
Total liabilities	<u>2</u>
Deferred Inflows of Resources:	
Unavailable revenue	<u>55,733</u>
Total deferred inflows of resources	<u>55,733</u>
Fund Balance:	
Restricted for trip reduction program	<u>1,465,940</u>
Total fund balance	<u>1,465,940</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,521,675</u>

The Trip Reduction Special Revenue Fund of the City of Corona
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2022

Revenues:	
Assembly Bill 2766 revenues	\$ 163,100
Investment earnings	<u>(51,179)</u>
Total revenues	<u>111,921</u>
 Expenditures:	
Current:	
Trip reduction program	<u>25,540</u>
Total expenditures	<u>25,540</u>
Excess of revenues over expenditures	<u>86,381</u>
Net change in fund balance	86,381
 Fund Balance:	
Beginning of year	<u>1,379,559</u>
End of year	<u><u>\$ 1,465,940</u></u>

The Trip Reduction Special Revenue Fund of the City of Corona
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 1 – Financial Reporting Entity and Summary of Significant Accounting Policies

A. *Financial Reporting Entity*

The Trip Reduction Special Revenue Fund (the “Fund”) of the City of Corona, California (the “City”) was formed in 1993 to account for allocation made by Assembly Bill 2766 (“AB 2766”), known as the Clean Air Act. The financial statements of the Fund are intended to present the financial position and changes in financial position of only those transactions attributable to the Fund that is operated by the City. The City performs all administrative and accounting functions. The financial statements of the Fund are included in the basic financial statements of the City.

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. *Fund Accounting*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under AB 2766 are recorded in the Fund. AB 2766 authorizes the South Coast Air Quality Management District (“SCAQMD”) to impose an annual vehicle registration fee and to distribute a portion of the collected revenues to all local jurisdictions within the South Coast Air Basin. These revenues are to be used solely to reduce air pollution from motor vehicles by implementing new programs and studies necessary for the implementation of the California Clean Air Act. The Fund is presented as a Special Revenue Fund.

C. *Financial Statements Presentation, Basis of Accounting and Measurement Focus*

The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance. Special Revenue Fund is accounted for on a spending or “*current financial resources*” measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; that is, when they become both measurable and available to finance expenditures in the fiscal period. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the Fund, revenues and other governmental fund financial resources are recognized if measurable and collectible generally within 60 days following the end of the fiscal year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

D. *Cash and Investments*

The Fund’s cash balance was pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarter-end cash balances to the total of the pooled cash and investments.

The Trip Reduction Special Revenue Fund of the City of Corona
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Organization and Summary of Significant Accounting Policies (Continued)

E. Fund Balance

In the fund financial statements, the Fund reports the following fund balance classification:

Restricted – This includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation. The Fund’s restricted fund balance is restricted for trip reduction program governed by AB 2766.

F. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

The Fund’s cash and investments consisted of pooled cash with the City of Corona in the amount of \$1,462,102 at June 30, 2022.

Cash is pooled with the City and is considered as cash since the Fund is able to withdraw at any time without prior notice or penalty. It has general characteristic of demand deposit accounts. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Trip Reduction Special Revenue Fund are those of the City and are included in the City’s basic financial statements.

Note 3 – Commitments and Contingencies

The Fund receives monies from the SCAQMD that are subject to review and audit by the SCAQMD. Although such audits could result in disallowed expenditures under terms of the program’s guidelines, the management believed that any repayments resulting from disallowances will not be material.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



The Trip Reduction Special Revenue Fund of the City of Corona
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Assembly Bill 2766 revenues	\$ -	\$ 200,000	\$ 163,100	\$ (36,900)
Interest earnings	18,072	18,145	(51,179)	(69,324)
Total revenues	<u>18,072</u>	<u>218,145</u>	<u>111,921</u>	<u>(106,224)</u>
Expenditures:				
Current:				
Trip reduction program	100	106,050	25,540	80,510
Total expenditures	<u>100</u>	<u>106,050</u>	<u>25,540</u>	<u>80,510</u>
Net change in fund balance	<u>\$ 17,972</u>	<u>\$ 112,095</u>	86,381	<u>\$ (25,714)</u>
Fund Balance:				
Beginning of year			<u>1,379,559</u>	
End of year			<u>\$ 1,465,940</u>	

The Trip Reduction Special Revenue Fund of the City of Corona
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2022

Budgetary Information

The City adopts an annual budget on a basis consistent with generally accepted accounting principles in the United States and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions.