



Financial Statements  
June 30, 2019

Measure I Funds  
County of San Bernardino, California

**County of San Bernardino, California**

**San Bernardino County Transportation Authority  
Measure I Funds  
For the Year Ended June 30, 2019**

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## Independent Auditor's Report

To the Board of Directors  
San Bernardino County Transportation Authority  
San Bernardino, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the County of San Bernardino, California (County), as of and for the year ended June 30, 2019, 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 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the County as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2019, and 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.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 10 through 12 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 for the Measure I Funds 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the County's basic financial statements. The program status schedule (other information) on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the County's internal control over financial reporting of the Measure I Funds 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 County'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 County's internal control over financial reporting and compliance as it relates to the Measure I Funds.

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

Rancho Cucamonga, California  
December 30, 2019

**County of San Bernardino, California**  
**Measure I Funds**

**Balance Sheet**  
**June 30, 2019**

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|                                     | Measure I<br>1990-2010 | Measure I<br>2010-2040 |
|-------------------------------------|------------------------|------------------------|
| <b>Assets</b>                       |                        |                        |
| Cash and investments                | \$ 1,551,179           | \$ 22,048,036          |
| Receivables                         |                        |                        |
| Taxes                               | -                      | 1,722,890              |
| Due from other County funds         | 7,161                  | -                      |
| Total assets                        | <u>\$ 1,558,340</u>    | <u>\$ 23,770,926</u>   |
| <b>Liabilities and Fund Balance</b> |                        |                        |
| Liabilities                         |                        |                        |
| Accounts payable                    | \$ -                   | \$ 161,580             |
| Due to other County funds           | 7,161                  | 356,328                |
| Total liabilities                   | <u>7,161</u>           | <u>517,908</u>         |
| Fund Balance                        |                        |                        |
| Restricted                          | <u>1,551,179</u>       | <u>23,253,018</u>      |
| Total liabilities and fund balance  | <u>\$ 1,558,340</u>    | <u>\$ 23,770,926</u>   |

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

**County of San Bernardino, California**  
**Measure I Funds**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance**  
**Year Ended June 30, 2019**

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|   | Measure I<br>1990-2010 | Measure I<br>2010-2040 |
|---|------------------------|------------------------|
| <b>Revenues</b>                           |                        |                        |
| Measure I sales tax                       | \$ -                   | \$ 6,666,827           |
| Interest income                           | 46,687                 | 671,303                |
| Other revenue                             | 75,980                 | 34,274                 |
| Total revenues                            | <u>122,667</u>         | <u>7,372,404</u>       |
| <b>Expenditures</b>                       |                        |                        |
| Current                                   |                        |                        |
| General government                        | 8,630                  | 539,423                |
| Capital                                   |                        |                        |
| Construction, maintenance and engineering | <u>15,319</u>          | <u>2,382,775</u>       |
| Total expenditures                        | <u>23,949</u>          | <u>2,922,198</u>       |
| Net changes in fund balances              | 98,718                 | 4,450,206              |
| Fund balance, beginning of year           | <u>1,452,461</u>       | <u>18,802,812</u>      |
| Fund balance, end of year                 | <u>\$ 1,551,179</u>    | <u>\$ 23,253,018</u>   |

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

**Note 1 – General Information**

**Reporting Entity**

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the County of San Bernardino, California (County) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the County as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Measure I**

Measure I is the half-cent sales tax collected throughout San Bernardino County for transportation improvements. In 2004, San Bernardino County voters approved the extension of the Measure I sales tax through 2040. See Note 4 for a detailed description of the Measure.

**Note 2 – Summary of Significant Accounting Policies**

The accounting policies of the Measure I Funds of the County conform to accounting policies generally accepted in the United States of America. The following is a summary of significant accounting policies.

**A. Basis of Accounting**

**Governmental Fund Financial Statements**

**Fund Accounting**

The accounts of the County 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The County accounts for the Measure I activities within its Measure I Fund 1990-2010 and Measure I Fund 2010-2040 special revenue funds.

Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

**Measurement Focus and Basis of Accounting**

The special revenue funds of the County 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 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.



**Note 2 – Summary of Significant Accounting Policies, (Continued)**

**B. 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 the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**C. Fund Balances**

Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first.

**D. Cash and Investments**

Cash and investments are pooled by the County to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to cash and investments applicable to the Measure I Funds, are those of the County and are disclosed in the County's basic financial statements. The County's basic financial statements can be obtained at the Auditor Controller's office or website.

The Measure I Funds' cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Funds' deposits and withdrawals in the County Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the Measure I Funds' investment in the County Investment Pool is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

**Note 2 – Summary of Significant Accounting Policies, (Continued)**

**E. Maintenance of Effort**

In accordance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the San Bernardino County Transportation Authority (SBCTA), Local Street Program funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes. The maintenance of effort (MOE) base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in fiscal year 2008/2009. The MOE base year level as approved by the SBCTA Board of Directors shall remain in effect until the expiration of Measure I 2010-2040. General Fund expenditures in excess of the MOE base year level will carry over to subsequent fiscal years and can be applied in a future year to offset the amount the local agency may need to meet the MOE requirement. The County's determined MOE base level is \$0.

**Note 3 – Taxes Receivable**

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2019.

**Note 4 – Measure I Funds**

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the SBCTA to impose a half cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County for the 20-year period between April 1, 1990 and March 31, 2010. SBCTA is authorized to administer the programs described in the Measure.

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SBCTA member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The County accounted for the funding sources in separate Funds which are referred to a Measure I 1990-2010 and Measure I 2010-2040 Funds in these Financial Statements.

Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

**Note 4 – Measure I Funds, (Continued)**

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in the Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SBCTA Board of Directors based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert Subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

**Note 5 – Due to/from Other County Funds**

Several of the County’s transportation related projects are funded by Prop 1B, TDA allocations and Department of Transportation grants in addition to Measure I and other funding sources. These various funding sources are tracked in separate funds and transferred into the fund where the project costs are being recorded, resulting in monies due to/from other funds within the County as projects progress.

**Note 6 – Other Revenue**

Several of the County’s Measure I projects are funded with multiple funding sources. When these resources are received in the Measure I Fund, the receipts are recorded as other revenue. This segregates the Measure I sales tax revenues from the other revenue sources utilized in the funding of the projects.



**REQUIRED SUPPLEMENTARY INFORMATION**

**County of San Bernardino, California**  
**Measure I Funds**

**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance – Budget and Actual**  
**Measure I 1990-2010 Fund**  
**Year Ended June 30, 2019**

|   | Budget              |                     | Actual              | Variance From<br>Final Budget<br>Positive<br>(Negative ) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     |  |
| <b>Revenues</b>                           |                     |                     |                     |  |
| Interest income                           | \$ 40,000           | \$ 40,000           | \$ 46,687           | \$ 6,687   |
| Other revenue                             | 79,362              | 79,362              | 75,980              | (3,382)  |
| Total revenues                            | <u>119,362</u>      | <u>119,362</u>      | <u>122,667</u>      | <u>3,305</u>   |
| <b>Expenditures</b>                       |                     |                     |                     |  |
| Current:                                  |                     |                     |                     |  |
| General government                        | 8,630               | 8,630               | 8,630               | -  |
| Capital:                                  |                     |                     |                     |  |
| Construction, maintenance and engineering | 16,971              | 16,971              | 15,319              | 1,652  |
| Total expenditures                        | <u>25,601</u>       | <u>25,601</u>       | <u>23,949</u>       | <u>1,652</u>   |
| Net changes in fund balance               | 93,761              | 93,761              | 98,718              | 4,957  |
| Fund balance, beginning of year           | <u>1,452,461</u>    | <u>1,452,461</u>    | <u>1,452,461</u>    | <u>-</u>   |
| Fund balance, end of year                 | <u>\$ 1,546,222</u> | <u>\$ 1,546,222</u> | <u>\$ 1,551,179</u> | <u>\$ 4,957</u>  |

See accompanying note to required supplementary information.

**County of San Bernardino, California**  
**Measure I Funds**

**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance – Budget and Actual**  
**Measure I 2010-2040 Fund**  
**Year Ended June 30, 2019**

|   | Budget               |                      | Actual               | Variance From<br>Final Budget<br>Positive<br>(Negative ) |
|---|----------------------|----------------------|----------------------|--|
|   | Original             | Final                |                      |  |
| <b>Revenues</b>                           |                      |                      |                      |  |
| Measure I sales tax                       | \$ 6,677,298         | \$ 6,677,298         | \$ 6,666,827         | \$ (10,471)  |
| Interest income                           | -                    | -                    | 671,303              | 671,303  |
| Other revenue                             | 40,000               | 40,000               | 34,274               | (5,726)  |
| Total revenues                            | <u>6,717,298</u>     | <u>6,717,298</u>     | <u>7,372,404</u>     | <u>655,106</u>   |
| <b>Expenditures</b>                       |                      |                      |                      |  |
| Current:                                  |                      |                      |                      |  |
| General government                        | 539,423              | 539,423              | 539,423              | -  |
| Capital:                                  |                      |                      |                      |  |
| Construction, maintenance and engineering | <u>2,382,775</u>     | <u>2,382,775</u>     | <u>2,382,775</u>     | <u>-</u>   |
| Total expenditures                        | <u>2,922,198</u>     | <u>2,922,198</u>     | <u>2,922,198</u>     | <u>-</u>   |
| Net changes in fund balance               | 3,795,100            | 3,795,100            | 4,450,206            | 655,106  |
| Fund balance beginning of year            | <u>18,802,812</u>    | <u>18,802,812</u>    | <u>18,802,812</u>    | <u>-</u>   |
| Fund balance end of year                  | <u>\$ 22,597,912</u> | <u>\$ 22,597,912</u> | <u>\$ 23,253,018</u> | <u>\$ 655,106</u>  |

See accompanying note to required supplementary information.

**County of San Bernardino, California**  
**Measure I Funds**

**Note to Required Supplementary Information**  
**Year Ended June 30, 2019**

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**Note 1 – Budgetary Data**

The County adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Administration expenditures in the Measure I Funds are budgeted as transfers to other County Funds to cover for costs incurred for Measure I related projects. The transfers are classified as expenditures in the Measure I report.



**OTHER INFORMATION**



**County of San Bernardino, California**  
**Measure I Funds**

**Program Status: Comparison of 5 Year Plan Project**  
**Budget to Current Year Expenditures**  
**Year Ended June 30, 2019**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by the County Board of Supervisors Resolution No. 2018-145. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

| Local Projects:  | 5-Year Plan<br>Project<br>Estimate | Current<br>Fiscal Year<br>Expenditures           | Under/(Over)<br>Estimate |
|--|------------------------------------|--|--------------------------|
| Measure I Funded Projects  |                                    |  |                          |
| Pioneertown Area Chip Seal   | \$ 1,186,000                       | \$ 240,824                                       | \$ 945,176               |
| L Street and Other Roads, Scrub Seal   | 2,079,000                          | 125,748  | 1,953,252                |
| Valley Center Road and Other Roads Scrub Seal  | 150,000                            | 18,633   | 131,367                  |
| Minneola Road and Other Roads Overlay  | 601,000                            | 34,725   | 566,275                  |
| Trona Road Overlay , Searles Station Cutoff Rd N/SH178, and 8.0 Miles E, SH 178 N/Inyo CL, Overlay         | 1,300,000                          | 1,175,832  | 124,168                  |
| Routine Maintenance  | 5,000                              | 321  | 4,679                    |
| Altdorf Drive and Other Roads, Maintenance Overlay   | 540,000                            | 1,412  | 538,588                  |
| State Lane and Other Roads Maintenance Overlay   | 675,000                            | 185  | 674,815                  |
| Etiwanda Avenue, North Abutment of 1-10 Bridge to 400' N of Valley, Reconstruction                         | 1,300,000                          | 2,261  | 1,297,739                |
| Marshall Boulevard and Other Roads Chip Seals  | 2,650,000                          | 1,456  | 2,648,544                |
| Randall Ave from Maple Ave E to Cedar, Cedar Ave E .13M- Reconstruction                                    | 450,000                            | 76,292   | 373,708                  |
| Lytle Creek and Other Roads Chip and Overlay   | 1,300,000                          | 401,887  | 898,113                  |
| Pipe Line Ave and Others Mill and Overlay  | 3,100,000                          | 9,498  | 3,090,502                |
| Alder Avenue Overlay, .08M S, Taylor St N/ San Bernardino Ave  | 700,000                            | 8,292  | 691,708                  |
| Beech Ave Reconstruction, Arrow Rte N/ Muscat Ave, Randall Ave N/ Arrow Rte, To Fontana Ave N/ Randall Ave | 100,000                            | 35,565   | 64,435                   |
| Luna Road, .0006M. W, San Martin Rd E/El Rio Rd - Overlay  | 2,500,000                          | (47,559)   | 2,547,559                |
| Lone Pine Canyon Road and Thrush Road Chip Seal  | 800,000                            | 843,749  | (43,749)                 |
| Ranchero Road, .30M E, Mariposa E/1M E, Escondido Ave - Widening Mesa Road                                 | 2,500,000                          | 17,576   | 2,482,424                |
| Mesa Road and Others Overlay   | 3,000,000                          | (645)  | 3,000,645                |
| Ridge Crest Road and Other Chip Seal   | 1,800,000                          | 95   | 1,799,905                |
|  |                                    | \$ 2,946,147                                     |                          |
|  |                                    | Measure I 1990-2010 Fund expenditures            | \$ 23,949                |
|  |                                    | Measure I 2010-2040 Fund expenditures            | 2,922,198                |
|  |                                    | Total expenditures for year ending June 30, 2019 | \$ 2,946,147             |



**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* and Measure I Compliance Requirements**

To the Board of Directors  
San Bernardino County Transportation Authority  
San Bernardino, California

We have audited, 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, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the County of San Bernardino, California (County), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure I Funds’ basic financial statements, and have issued our report thereon dated December 30, 2019. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the County as of June 30, 2019. Our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting of the Measure I Funds (internal control) to determine the 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 County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’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. We identified a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2019-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the County are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the County and San Bernardino County Transportation Authority (SBCTA), 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 Measure I as specified in the agreement between the County and SBCTA.

**County's Response to the Finding**

The County's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The Town's response was not subject to the auditing procedures applied in the audit, accordingly, we express no opinion on it.

**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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
December 30, 2019

**Finding 2019-001**

**REVENUE RECOGNITION**

Revenue should be recognized in accordance with generally accepted accounting principles. Governmental funds recognize revenue when it is both measurable and available.

**Condition:**

Based on our audit procedures, we noted that the County failed to recognize and accrue April 2019 Measure I revenues totaling \$569,187 that were received by the County subsequent to year-end, but within the County's period of availability.

**Context:**

The condition noted above was identified during our testing of revenues and receivable balances. The County posted the correcting entry which is reflected in the financial statement balances.

**Effect:**

As a result of the condition, adjustments were proposed to fairly state revenue and receivable balances. As noted in the context above, the County posted the proposed adjustments.

**Cause:**

The County's closing process did not identify the errors noted above.

**Recommendation:**

We recommend the County enhance its closing process to include a review of receipts received subsequent to year-end to ensure proper accrual to the correct accounting period as well as a review of significant revenue and receivable accounts for reasonableness.

**View of Responsible Officials and Planned Corrective Action:**

The Department's Management understands revenue must be recognized when measurable and available in accordance with generally accepted accounting principles. Management acknowledges the failure to accrue April 2019 Measure I revenues totaling \$569,187 was due to a significant deficiency in the Departments year-end closing process. Management has worked with staff to outline a corrective action plan and strengthen the Department's closing process.

The Department of Public Works will strengthen its closing process to include the review of receipts received during and after year-end. This will ensure all revenues will be captured during accruals then posted to the proper accounting periods. Further revenue and receivable accounts will be extensively reviewed to ensure all balances are correctly stated.