

Support Material Agenda Item No. 5

General Policy Committee Meeting

**March 10, 2021
9:00 AM**

**MEETING ACCESSIBLE VIA ZOOM AT: <https://gosbcta.zoom.us/j/98154735255>
Teleconference**

Dial: 1-669-900-6833
Meeting ID: 981 5473 5255

DISCUSSION ITEMS

Administrative Matters

5. Measure I Local Pass-Through Compliance Audits for Fiscal Year 2019/2020

Review and receive the Measure I Audit Reports of Local Pass-Through Funds for Fiscal Year 2019/2020.

Full financial reports are attached in the order listed below:

- | | |
|--------------------------------|-----------------------------------|
| • <i>City of Barstow</i> | • <i>City of Ontario</i> |
| • <i>City of Big Bear Lake</i> | • <i>City of Rancho Cucamonga</i> |
| • <i>City of Chino</i> | • <i>City of Redlands</i> |
| • <i>City of Chino Hills</i> | • <i>City of Rialto</i> |
| • <i>City of Colton</i> | • <i>City of San Bernardino</i> |
| • <i>City of Grand Terrace</i> | • <i>City of Twentynine Palms</i> |
| • <i>City of Hesperia</i> | • <i>City of Upland</i> |
| • <i>City of Highland</i> | • <i>City of Victorville</i> |
| • <i>City of Loma Linda</i> | • <i>City of Yucaipa</i> |
| • <i>City of Needles</i> | • <i>Town of Yucca Valley</i> |



Financial Statements
June 30, 2020

City of Barstow, California Measure I Funds

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Independent Auditor's Report

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

Report of the Financial Statements

We have audited the accompanying financial statements of the Measure I 2010-2040 Fund and the TRIP Debt Service Fund (Measure I Funds) of the City of Barstow, California (City), as of and for the year ended June 30, 2020, 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 City as of June 30, 2020, 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 of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, and the changes in financial position, or where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 10, the City entered into an agreement with the California Statewide Communities Development Authority to finance capital improvement projects. The City has pledged future Measure I revenues as the sole source of repayment. 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 pages 14 through 16 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 response 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 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.

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 City. The program status and maintenance of effort schedules (other information) on pages 18 and 19, respectively, are 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 statements, 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 a report dated December 28, 2020 on our consideration of the City's internal control over financial reporting for the Measure I Funds, and 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. 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, 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 28, 2020

City of Barstow, California
Measure I Funds
Balance Sheet
June 30, 2020

	Measure I 2010-2040 Fund	TRIP Debt Service Fund
Assets		
Cash and investments with fiscal agent	\$ -	\$ 1,082,245
Receivables		
Taxes	201,353	-
Due from other governments	79,364	-
Interest	744	-
Total assets	<u>\$ 281,461</u>	<u>\$ 1,082,245</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 32,851	\$ -
Due to SBCTA	46,167	-
Due to the City of Barstow	<u>1,741,014</u>	<u>-</u>
Total liabilities	<u>1,820,032</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable revenue	<u>79,364</u>	<u>-</u>
Fund Balance (Deficit)		
Restricted	-	1,082,245
Unassigned	<u>(1,617,935)</u>	<u>-</u>
Total fund balance (deficit)	<u>(1,617,935)</u>	<u>1,082,245</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 281,461</u>	<u>\$ 1,082,245</u>

City of Barstow, California
Measure I Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	Measure I 2010-2040 Fund	TRIP Debt Service Fund
Revenues		
Measure I sales tax	\$ 1,410,018	\$ -
Investment income	3,760	14,368
Intergovernmental	239,416	-
	<u>1,653,194</u>	<u>14,368</u>
Total revenues		
Expenditures		
Current		
General government - project administration	-	3,435
Debt service		
Principal	-	1,340,000
Interest	-	109,400
	<u>-</u>	<u>1,452,835</u>
Total expenditures		
Excess (Deficiency) of Revenues over Expenditures	<u>1,653,194</u>	<u>(1,438,467)</u>
Other Financing Sources (Uses)		
Transfers out to the City of Barstow	(132,324)	-
Transfer out	(1,449,400)	(22,067)
Transfer in	22,067	1,449,400
	<u>(1,559,657)</u>	<u>1,427,333</u>
Total other financing sources (uses)		
Net Change in Fund Balance	93,537	(11,134)
Fund Balance (Deficit), Beginning of Year	<u>(1,711,472)</u>	<u>1,093,379</u>
Fund Balance (Deficit), End of Year	<u>\$ (1,617,935)</u>	<u>\$ 1,082,245</u>

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 2010-2040 Fund and the TRIP Debt Service Fund (Measure I Funds) of the City of Barstow, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, and 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 City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I special revenue funds and debt service fund.

Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed, to expenditure for specified purposes other than debt service or capital projects.

Debt service fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term debt obligations of the governmental funds.

Measurement Focus and Basis of Accounting

The special revenue fund and the debt service fund of the City 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 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.

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 and disclosures at the date of the financial statements. 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 City considers restricted funds to have been spent first.

D. Cash and Investments

All cash and investments other than that held by fiscal agents are pooled 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 Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall or at the City of Barstow website www.barstowca.org.

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 City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the City Investment Pool is measured based on inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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 City's determined MOE base level is \$601,014.

F. Cash with Fiscal Agent

The City has entered into an agreement with the California Statewide Communities Development Authority Total Road Improvement Program (TRIP) to finance specific projects identified by the City. The financing proceeds and related debt reserves are identified as cash with fiscal agent. The balance held with fiscal agent is considered a cash equivalent.

G. Deferred Inflows of Resources

Deferred Inflows of Resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The deferred inflows of resources for unavailable revenue represents receivable amounts that were not collected within the Measure I Funds' period of availability.

Note 3 - Taxes Receivable

The taxes receivable represents Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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 City accounts for the Measure I 2010-2014 funding source in the Measure I 2010-2040 Fund in these Financial Statements.

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

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

The City has entered into an agreement with the California Statewide Communities Development Authority Total Road Improvement Program (TRIP) to finance extensive local street improvements and reconstruction that have been identified throughout the City. The City has pledged future Measure I funding to serve as the source for the related debt service payments. The projects identified through the City's Pavement Management System as meeting the Measure I Strategic Plan are as follows:

- Montara Area Project
- Rimrock Area Project
- Henderson Area Project
- Cameron Area Project
- West Section 7 Area Project

SBCTA reviewed and approved the proposed projects on September 5, 2012.

Note 5 - Due to the City of Barstow

At June 30, 2020, the Measure I 2010-2040 Fund owed the City \$1,741,014 of which \$41,014 represents short term borrowings from the City's investment pool. \$1,700,000 represents the remaining balance of a \$2,000,000 advance from the City's General Fund in order to fund the completion of the Henderson/Cameron Area Road Project. The advance does not accrue interest and will be repaid over five years. The first payment was made during fiscal year 2017-18. Payments of \$250,000 are due on or before June 30 each of the first four years with a \$1,000,000 payment due in fiscal year 2020-21. The City did not make a payment in the current fiscal year.

Note 6 - Due to SBCTA

Due to SBCTA in the amount of \$46,167 represents the amount that was refunded for the excess of condemnation deposits required as part of the First Avenue Bridge over BNSF project in relation to obtaining the necessary right-of-way for the project. The full condemnation deposit had been previously reimbursed to the City of Barstow by CalTrans and SBCTA; therefore, the refund received for the condemnation deposits are due to CalTrans and SBCTA.

Note 7 - Due from Other Governments

Due from other governments of \$79,364 represents amounts owed to the Measure I fund for projects funded with revenues other than Measure I sales tax. This amount is also included in unavailable revenue.

Note 8 - Interfund Transactions

	Transfer Out	
	TRIP Debt Service Fund	Measure I 2010-2040 Fund
Transfers In		
Measure I 2010-2040 Fund	\$ 22,067	
TRIP Debt Service Fund		\$ 1,449,400

Transfers from the Measure I 2010-2040 Fund to the TRIP Debt Service Fund in the amount of \$1,449,400 represent a transfer of Measure I revenues to fund the annual debt service payment. Transfers from the TRIP Debt Service Fund to Measure I 2010-2040 Fund in the amount of \$22,067 is a reclassification of the available cash in the TRIP Debt Service Fund.

Note 9 - Transfers Out to the City of Barstow

	Transfer Out Measure I 2010-2040 Fund
Transfers In	
City of Barstow	\$ 132,324

Transfers are made to the City's Capital Improvement Fund in the amount of \$132,324 to supplement costs incurred for street improvement activities as approved in the City's Measure I Five Year Plan.

Note 10 - Pledged Revenues

The City has pledged future Measure I Sales Tax Revenue to repay \$9,770,000 of California Statewide Communities Local Measure I Sales Tax Revenue Certificates of Participations (COP). The COP's were issued in December 2012 to (i) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects within the jurisdiction of the City, (ii) fund a reserve for the COPs, and (iii) pay the costs incurred in connection with the execution, sale, and delivery of the COPs.

The COP's are payable solely from the Measure I receipts. The City is required to make installment sale payments to the California Statewide Communities Development Authority with Measure I receipts for a nine year period ending on June 1, 2021. All Measure I receipts have been irrevocably pledged to the payment of the principal and interest. Measure I receipts will not be used for any other purpose while any of the Certificates remain outstanding; provided, however, that out of the Measure I receipts there may be applied such sums for such purposes as are permitted by SBCTA.

The following table summarizes the annual debt service payments with respect to the COPs. These debt payments are secured by the pledge of future Measure I revenues.

The COPs are scheduled to mature as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 1,395,000</u>	<u>\$ 55,800</u>	<u>\$ 1,450,800</u>

Note 11 - Deficit Fund Balance

The Measure I 2010-2040 Fund ended the year with a deficit fund balance of \$1,617,935 due in part to the outstanding balance of short-term borrowings and advances due to the City's General Fund. Future Measure I sales tax revenues will be used to reduce Measure I 2010-2040 fund deficit.



Required Supplementary Information
June 30, 2020

City of Barstow, California Measure I Funds

City of Barstow, 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, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,700,000	\$ 1,700,000	\$ 1,410,018	\$ (289,982)
Investment income	-	-	3,760	3,760
Intergovernmental	-	-	239,416	239,416
Total revenues	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,653,194</u>	<u>(46,806)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,653,194</u>	<u>(46,806)</u>
Other Financing Sources (Uses)				
Transfers out to the City of Barstow	(676,000)	(877,000)	(132,324)	744,676
Transfer out	(1,634,900)	(1,634,900)	(1,449,400)	185,500
Transfers in	-	-	22,067	22,067
Total other financing sources (uses)	<u>(2,310,900)</u>	<u>(2,511,900)</u>	<u>(1,559,657)</u>	<u>952,243</u>
Net Change in Fund Balance	(610,900)	(811,900)	93,537	905,437
Fund Balance (Deficit), Beginning of Year	<u>(1,711,472)</u>	<u>(1,711,472)</u>	<u>(1,711,472)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (2,322,372)</u>	<u>\$ (2,523,372)</u>	<u>\$ (1,617,935)</u>	<u>\$ 905,437</u>

City of Barstow, California

Measure I Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual -

Trip Debt Service Fund

Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Investment income	\$ 14,500	\$ 14,500	\$ 14,368	\$ (132)
Expenditures				
Current				
General government -				
project administration	-	7,000	3,435	3,565
Debt service				
Principal	1,340,000	1,340,000	1,340,000	-
Interest	109,400	109,400	109,400	-
Total expenditures	1,449,400	1,456,400	1,452,835	3,565
Excess (Deficiency) of Revenues				
over Expenditures	(1,434,900)	(1,441,900)	(1,438,467)	3,433
Other Financing Sources (Uses)				
Transfer out	-	-	(22,067)	(22,067)
Transfer in	1,449,400	1,449,400	1,449,400	-
Total other financing				
sources (uses)	1,449,400	1,449,400	1,427,333	(22,067)
Net Change in Fund Balance	14,500	7,500	(11,134)	(18,634)
Fund Balance, Beginning of Year	1,093,379	1,093,379	1,093,379	-
Fund Balance, End of Year	\$ 1,107,879	\$ 1,100,879	\$ 1,082,245	\$ (18,634)

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Barstow, California Measure I Funds

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 4974-2019. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Under/(Over) Estimates</u>
Route 66 Signage	\$ 46,000	\$ 37,231	\$ 8,769
Rimrock Road Street Repairs	15,000	9,996	5,004
TRIP Debt Payment (including fees)	1,499,400	1,449,400	50,000
<u>Expenditures for Regional Funding Agreement</u>			
N. 1st Ave Bridge - Mojave River	\$ 111,000	\$ 46,337	\$ 64,663
N. 1st Ave Bridge - BNSF (PS&E)	60,000	33,358	26,642
N. 1st Ave Bridge - BNSF (ROW)	445,000	5,402	439,598
Total costs identified for projects on five year CIP		<u>\$ 1,581,724</u>	
Transfers out to City in Measure I 2010-2040 Fund		\$ 132,324	
Transfers out to Debt Service Fund		<u>1,449,400</u>	
Total Measure I expenditures at June 30, 2020		<u><u>\$ 1,581,724</u></u>	

City of Barstow, California

Measure I Funds

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 1,458,719	\$ (601,014)	\$ 857,705	\$ 857,705
2011	1,991,867	(601,014)	1,390,853	2,248,558
2012	2,292,244	(601,014)	1,691,230	3,939,788
2013	1,495,321	(601,014)	894,307	4,834,095
2014	811,872	(601,014)	210,858	5,044,953
2015	489,166	(601,014)	(111,848)	4,933,105
2016	1,161,181	(601,014)	560,167	5,493,272
2017	1,008,724	(601,014)	407,710	5,900,982
2018	961,000	(601,014)	359,986	6,260,968
2019	1,120,922	(601,014)	519,908	6,780,876



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 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 Measure I 2010-2040 Fund and the TRIP Debt Service Fund (Measure I Funds) of the City of Barstow, California, (the City), as of and for the year ended June 30, 2020, 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 28, 2020. 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 City as of June 30, 2020, and an emphasis of matter regarding the City's pledge of Measure I revenues for Certificates of Participation to finance Measure I Capital Improvement Projects.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City 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 the Measure I as specified in the agreement between the City and SBCTA.

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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Barstow, California
Measure I Funds
Summary Schedule of Prior Audit Findings
June 30, 2020

Finding No.	Description	Status
2019-001	Timeliness of Bank Account Reconciliation	Implemented
2019-002	Projects included on the Five Year Capital Improvement Plan	Implemented



Financial Statements
June 30, 2020

City of Big Bear Lake, California
Measure I Fund

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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 Fund of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Big Bear Lake, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 149,501
Receivables	
Taxes	61,438
Interest	<u>414</u>
Total assets	<u>\$ 211,353</u>
Fund Balance	
Restricted	<u>\$ 211,353</u>

City of Big Bear Lake, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 423,344
Interest income	<u>2,438</u>
Total revenues	<u>425,782</u>
Expenditures	
Capital	
Construction	<u>460,416</u>
Net Change in Fund Balance	(34,634)
Fund Balance, Beginning of Year	<u>245,987</u>
Fund Balance, End of Year	<u><u>\$ 211,353</u></u>

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 Fund of the City of Big Bear Lake, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$717,041.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Big Bear Lake, California Measure I Fund

City of Big Bear Lake, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 328,100	\$ 328,100	\$ 423,344	\$ 95,244
Interest income	-	-	2,438	2,438
Total revenues	328,100	328,100	425,782	97,682
Other Financing Sources (Uses)				
Transfers to the City of Big Bear Lake	(491,300)	(460,416)	(460,416)	-
Net Change in Fund Balance	(163,200)	(132,316)	(34,634)	97,682
Fund Balance, Beginning of Year	245,987	245,987	245,987	-
Fund Balance, End of Year	\$ 82,787	\$ 113,671	\$ 211,353	\$ 97,682

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Measure I costs are budgeted as transfers out of the Measure I Fund as those costs are incurred in the City's General Fund (\$80,000) and Capital Projects Fund (\$380,416) for general street maintenance activities and street improvement activities in accordance with the City's Measure I Five Year Capital Improvement Plan. For the Measure I report, these costs are classified as expenditures in the Measure I Fund.



Other Information
June 30, 2020

City of Big Bear Lake, California Measure I Fund

City of Big Bear Lake, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2019-26. 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 Project Estimate	Current Fiscal Year Expenditure	Under/(Over) Estimate
Moonridge Road Reconstruction	\$ 342,862	\$ 328,045	\$ 14,817
Ridgecrest Drive Cape Seal	66,735	52,371	14,364
General Program Categories	1,145,779	80,000	1,065,779
Total expenditures at June 30, 2020		<u>\$ 460,416</u>	

City of Big Bear Lake, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 1,761,749	\$ (717,041)	\$ 1,044,708	\$ 1,044,708
2011	638,102	(717,041)	(78,939)	965,769
2012	951,261	(717,041)	234,220	1,199,989
2013	609,116	(717,041)	(107,925)	1,092,064
2014	529,418	(717,041)	(187,623)	904,441
2015	835,865	(717,041)	118,824	1,023,265
2016	1,118,076	(717,041)	401,035	1,424,300
2017	1,902,815	(717,041)	1,185,774	2,610,074
2018	1,426,723	(717,041)	709,682	3,319,756
2019	1,979,992	(717,041)	1,262,951	4,582,707



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 Fund of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Chino, California
Measure I Fund

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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 Fund of the City of Chino, California (City), as of and for the year ended June 30, 2020, 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.

Auditors' 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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 as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Chino, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 4,087,899
Receivables	
Taxes	305,203
Interest	<u>8,905</u>
Total assets	<u>\$ 4,402,007</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 181,044</u>
Fund Balance	
Restricted	<u>4,220,963</u>
Total liabilities and fund balance	<u>\$ 4,402,007</u>

City of Chino, California
Measure I Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 1,658,986
Interest income	<u>89,880</u>
Total revenues	<u>1,748,866</u>
Expenditures	
Current	
General government	829,493
Capital	
Construction and engineering	<u>698,486</u>
Total expenditures	<u>1,527,979</u>
Excess (Deficiency) of Revenues over Expenditures	<u>220,887</u>
Net Change in Fund Balance	220,887
Fund Balance, Beginning of Year	<u>4,000,076</u>
Fund Balance, End of Year	<u><u>\$ 4,220,963</u></u>

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 Fund of the City of Chino, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall, as well as, on the City's website: www.cityofchino.org.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

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 City's determined MOE base level is \$383,567.

Note 3 - Taxes Receivable

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Chino, California
Measure I Fund

City of Chino, California

Measure I Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,520,000	\$ 1,520,000	\$ 1,658,986	\$ 138,986
Interest income	13,541	13,541	89,880	76,339
Total revenues	1,533,541	1,533,541	1,748,866	215,325
Expenditures				
Current				
General government	760,000	760,000	829,493	(69,493)
Capital				
Construction and engineering	3,804,089	3,804,089	698,486	3,105,603
Total expenditures	4,564,089	4,564,089	1,527,979	3,036,110
Net Change in Fund Balance	(3,030,548)	(3,030,548)	220,887	3,251,435
Fund Balance, Beginning of Year	4,000,076	4,000,076	4,000,076	-
Fund Balance, End of Year	\$ 969,528	\$ 969,528	\$ 4,220,963	\$ 3,251,435

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund. The Measure I costs associated with general government expenditures of \$829,493 exceeded budgeted appropriations by \$69,493, but was within the overall Measure I expenditure budget authority at the fund level. General government expenditures are budgeted as transfers out of the Measure I Fund as those costs are incurred in the City's Transportation Fund for general street maintenance activities and street improvement activities in accordance with the City's Measure I Five Year Capital Improvement Plan. For the Measure I report, these costs are reported as expenditures in the Measure I Fund.



Other Information
June 30, 2020

City of Chino, California Measure I Fund

City of Chino, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures
Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2019-055. 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 Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
TR131 Traffic Signal Mod Riverside/Ramoma	\$ 316,190	\$ 24,974	\$ 291,216
TR151 Edison Ave TSM and Interconnect	255,515	76,888	178,627
TR152 Traffic Signal Mod Telephone & Philadelphia	313,800	20,736	293,064
TR161 TSM/ADA Upgrades Philadelphia St. at Town Square	352,795	46,146	306,649
TR162 CCTV Camera Installation	141,800	46,570	95,230
TR171 TSM- Grand Spectrum/East & Grand Spectrum/West	422,998	22,612	400,386
TR172 TSM-Ramona Avenue/Schaefer Avenue	371,318	43,412	327,906
ST172 ADA Upgrades-Kimball Ave S/W Connection Cypress Channel	86,600	11,030	75,570
TR181 Traffic Signal Battery Backup Installation & Svc Upgrades	390,122	155,417	234,705
TR182 CCTV Camera Installation Phase 2	210,000	70,177	139,823
ST183 FY2018-19 Street Rehabilitation and TSM - Riverside Dr.	230,000	99,597	130,403
TR202 Traffic Signal Mod Pipeline/Schaefer	56,877	38,189	18,688
TR203 Traffic Signal Mod Roswell & Schaefer	130,123	36,638	93,485
TR204 West Preserve Loop at Parkside St	167,000	718	166,282
MS202 Sidewalk/Crossing Cedro Imp	250,000	5,382	244,618
Asphalt Pavement/Overlay - Citywide	233,762	251,315	(17,553)
Concrete Maintenance/Graffiti Abatement Citywide	300,000	413,217	(113,217)
Traffic Control/Signal Maintenance - Citywide	240,000	164,961	75,039
	Total expenditures	<u>\$ 1,527,979</u>	

City of Chino, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each subsequent year are follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ -	\$ (383,567)	\$ (383,567)	\$ (383,567)
2011	-	(383,567)	(383,567)	(767,134)
2012	-	(383,567)	(383,567)	(1,150,701)
2013	806,470	(383,567)	422,903	(727,798)
2014	317,938	(383,567)	(65,629)	(793,427)
2015	3,473,235	(383,567)	3,089,668	2,296,241
2016	4,508,010	(383,567)	4,124,443	6,420,684
2017	3,198,958	(383,567)	2,815,391	9,236,075
2018	3,597,841	(383,567)	3,214,274	12,450,349
2019	3,915,510	(383,567)	3,531,943	15,982,292



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 Fund of the City of Chino, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Chino Hills, California
Measure I Fund

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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 Fund of the City of Chino Hills, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 pages 11 and 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 Fund 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Chino Hills, California

Measure I Fund

Balance Sheet

June 30, 2020

Assets	
Cash and investments	\$ 1,572,696
Receivables	
Taxes	270,841
Interest	407
	<hr/>
Total assets	\$ 1,843,944
	<hr/>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 1,069,013
Retentions payable	63,709
	<hr/>
Total liabilities	1,132,722
	<hr/>
Fund Balance	
Restricted	711,222
	<hr/>
Total liabilities and fund balance	\$ 1,843,944
	<hr/>

City of Chino Hills, California

Measure I Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 1,542,263
Net increase in fair value of investments	37,043
Interest income	<u>34,768</u>
Total revenues	<u>1,614,074</u>
Expenditures	
Capital	
Construction	<u>1,982,694</u>
Net Change in Fund Balance	(368,620)
Fund Balance, Beginning of Year	<u>1,079,842</u>
Fund Balance, End of Year	<u><u>\$ 711,222</u></u>

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 Fund of the City of Chino Hills, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities in separate general ledger accounts within its Measure I Capital Infrastructure special revenue fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled 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 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall or by visiting the City's website at www.chinohills.org.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City investment pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City investment pool is measured based on inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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 City's determined MOE base level is \$140,313.

Note 3 - Taxes Receivable

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Chino Hills, California Measure I Fund

City of Chino Hills, California

Measure I Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,482,800	\$ 1,482,800	\$ 1,542,263	\$ 59,463
Net increase in fair value of investments	-	-	37,043	37,043
Interest income	-	-	34,768	34,768
Total revenues	<u>1,482,800</u>	<u>1,482,800</u>	<u>1,614,074</u>	<u>131,274</u>
Expenditures				
Capital				
Construction	<u>2,399,016</u>	<u>2,399,016</u>	<u>1,982,694</u>	<u>416,322</u>
Net Change in Fund Balance	(916,216)	(916,216)	(368,620)	547,596
Fund Balance, Beginning of Year	<u>1,079,842</u>	<u>1,079,842</u>	<u>1,079,842</u>	-
Fund Balance, End of Year	<u>\$ 163,626</u>	<u>\$ 163,626</u>	<u>\$ 711,222</u>	<u>\$ 547,596</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information

June 30, 2020

City of Chino Hills, California
Measure I Fund

City of Chino Hills, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2018R-45. 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 Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Pine Avenue Extension (S08005)	\$ 19,126	\$ 16,651	\$ 2,475
Los Serranos Inf-ATP project (S15008)	600,000	13,478	586,522
Street Improvement Prog (Annual-FY 18-19) (S19001)	1,250,000	47,776	1,202,224
Sidewalk Replacement Program (S19002)	228	228	-
Los Serranos Transit Access Project (S19003)	236,584	236,584	-
Los Serranos Safe Routes to School West Project (S19005)	300,000	300,000	-
Street Impr Program (Annual-FY 19-20) (ST200001)	1,550,000	1,170,202	379,798
Sidewalk Replacement (Annual - FY 19-20) (ST200002)	200,000	197,775	2,225
	Total expenditures	<u>\$ 1,982,694</u>	

City of Chino Hills, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 250,740	\$ (140,313)	\$ 110,427	\$ 110,427
2011	81,319	(140,313)	(58,994)	51,433
2012	120,607	(140,313)	(19,706)	31,727
2013	281,620	(140,313)	141,307	173,034
2014	254,158	(140,313)	113,845	286,879
2015	465,151	(140,313)	324,838	611,717
2016	950,281	(140,313)	809,968	1,421,685
2017	489,931	(140,313)	349,618	1,771,303
2018	462,182	(140,313)	321,869	2,093,172
2019	621,308	(140,313)	480,995	2,574,167



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 Fund of the City of Chino Hills, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting on the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Colton, California
Measure I Fund

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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 Fund of the City of Colton, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 pages 12 and 13 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 Fund 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 15 and 16, respectively, are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Colton, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 2,155,911
Receivables	
Taxes	265,064
Due from other governments	2,209
Interest	5,236
	<hr/>
Total assets	\$ 2,428,420
	<hr/>
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities	
Accounts payable	\$ 126,573
Retentions payable	38,392
	<hr/>
Total liabilities	164,965
	<hr/>
Deferred Inflow of Resources	
Unavailable revenue	95,032
	<hr/>
Fund Balance	
Restricted	2,168,423
	<hr/>
Total liabilities, deferred inflows of resources and fund balance	\$ 2,428,420
	<hr/>

City of Colton, California
Measure I Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 911,488
Intergovernmental revenue	9,120
Interest income	<u>63,764</u>
Total revenues	<u>984,372</u>
Expenditures	
Capital	
Construction	<u>1,320,546</u>
Total expenditures	<u>1,320,546</u>
Net Change in Fund Balance	(336,174)
Fund Balance, Beginning of Year	<u>2,504,597</u>
Fund Balance, End of Year	<u><u>\$ 2,168,423</u></u>

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 Fund of the City of Colton, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I special revenue fund.

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 City 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 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.

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, 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 Balance

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall located at 650 N. La Cadena Drive, Colton, California 92324.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City investment pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the Measure I Fund's investment in the City Investment Pool is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represent revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

F. 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 2009/2010. 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 City's determined MOE base level is \$313,796.

Note 3 - Taxes Receivable

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 San Bernardino County Transportation Authority to impose a half cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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 from Other Governments

Due from other governments of \$2,209 represents amounts owed to the Measure I Fund for projects funded with revenues other than Measure I sales tax.

Note 6 - Intergovernmental Revenue

Intergovernmental revenue in the amount of \$9,120 represents amounts reimbursed by SBCTA for the Mount Vernon Ave. Bridge Project. The project is part of the City's Five-Year Capital Improvement as it is also funded by the City's Measure I Fund.



Required Supplementary Information
June 30, 2020

City of Colton, California
Measure I Fund

City of Colton, California

Measure I Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 897,626	\$ 948,599	\$ 911,488	\$ (37,111)
Intergovernmental revenue	-	-	9,120	9,120
Interest income	3,000	65,051	63,764	(1,287)
Total revenues	900,626	1,013,650	984,372	(29,278)
Expenditures				
Capital				
Construction	918,516	2,218,980	1,320,546	898,434
Net Change in Fund Balance	(17,890)	(1,205,330)	(336,174)	869,156
Fund Balance, Beginning of Year	2,504,597	2,504,597	2,504,597	-
Fund Balance, End of Year	<u>\$ 2,486,707</u>	<u>\$ 1,299,267</u>	<u>\$ 2,168,423</u>	<u>\$ 869,156</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Colton, California Measure I Fund

City of Colton, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. R-77-19. 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 Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Bridge Retrofit - Mt. Vernon Ave. over Santa Ana River (Mt. Vernon Avenue at Santa Ana River)	\$ 70,546	\$ 656	\$ 69,890
Reche Canyon Road Extension to Washington/Hunts Lane	152,434	152,434	-
Mt. Vernon Avenue Corridor Traffic Signal Improvement	815	815	-
Citywide Striping Project	75,000	44,741	30,259
Pavement Rehabilitation - Washington St. (Hunts Lane to Waterman)	191,481	169,401	22,080
Pavement Rehabilitation - Rancho Ave (Johnston Street to Mill Street)	192,218	175,290	16,928
Pavement Rehabilitation - Valley Blvd (City Limit to Wildrose)	123,513	109,208	14,305
Pavement Rehabilitation - Mt. Vernon Ave. (Olive St. to Colton Ave.)	150,000	122,643	27,357
Pavement Rehabilitation - Mt. Vernon Ave. (No. of Cooley to Washington)	165,000	159,019	5,981
Pavement Rehabilitation - Cooley Dr. (Washington to Valleywood)	150,000	146,115	3,885
Pavement Rehabilitation - Rancho Ave. (F Street to I-10 Bridge)	180,000	90,638	89,362
Pavement Rehabilitation - G Street (Mt. Vernon Ave. to 10th Street)	150,000	133,973	16,027
Missing Sidewalk Installation - North side of Stevenson St. (Rancho to Grand)	80,000	1,334	78,666
Mt. Vernon Bridge over UPRR Widening Project	125,000	3,999	121,001
La Cadena Bridge over Santa Ana River Replacement Project	225,000	10,280	214,720
Total expenditures		<u>\$ 1,320,546</u>	

City of Colton, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2009/10 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 313,796	\$ (313,796)	\$ -	\$ -
2011	349,291	(313,796)	35,495	35,495
2012	410,257	(313,796)	96,461	131,956
2013	448,785	(313,796)	134,989	266,945
2014	428,050	(313,796)	114,254	381,199
2015	594,430	(313,796)	280,634	661,833
2016	369,749	(313,796)	55,953	717,786
2017	313,416	(313,796)	(380)	717,406
2018	550,299	(313,796)	236,503	953,909
2019	611,514	(313,796)	297,718	1,251,627



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 Fund of the City of Colton, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting on the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Grand Terrace, California
Measure I Fund

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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 Fund of the City of Grand Terrace, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Grand Terrace, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 223,863
Taxes receivable	<u>41,430</u>
Total assets	<u><u>\$ 265,293</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 427</u>
Fund Balance	
Restricted	<u>264,866</u>
Total liabilities and fund balance	<u><u>\$ 265,293</u></u>

City of Grand Terrace, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 250,400
Interest income	<u>3,669</u>
Total revenues	<u>254,069</u>
Expenditures	
Capital	
Construction and maintenance	<u>26,326</u>
Revenues Over/(Under) Expenditures	<u>227,743</u>
Other Financing Sources (Uses)	
Transfers to City of Grand Terrace	<u>(2,106)</u>
Net Change in Fund Balance	225,637
Fund Balance, Beginning of Year	<u>39,229</u>
Fund Balance, End of Year	<u><u>\$ 264,866</u></u>

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 Fund of the City of Grand Terrace, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities in separate general ledger accounts within its Measure I special revenue fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City investment pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the Measure I Fund's investment in the City investment pool is based on inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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 City's determined MOE base level is \$115,156.

Note 3 - Taxes Receivable

Taxes receivable represent the Measure I sales tax receipts received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 of San Bernardino 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.

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

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 - Transfers to the City of Grand Terrace

Transfers to the City in the amount of \$2,106 represent the Measure I overhead costs incurred in fiscal year 2019/2020 for the 5-Year Tree Trimming Program.



Required Supplementary Information
June 30, 2020

City of Grand Terrace, California Measure I Fund

City of Grand Terrace, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 193,000	\$ 193,000	\$ 250,400	\$ 57,400
Interest income	-	-	3,669	3,669
Total revenues	193,000	193,000	254,069	61,069
Expenditures				
Capital				
Construction and maintenance	167,000	167,000	26,326	140,674
Revenues Over/(Under) Expenditures	26,000	26,000	227,743	201,743
Other Financing Sources (Uses)				
Transfers to City of Grand Terrace	(33,000)	(33,000)	(2,106)	30,894
Net Change in Fund Balance	(7,000)	(7,000)	225,637	232,637
Fund Balance, Beginning of Year	39,229	39,229	39,229	-
Fund Balance, End of Year	\$ 32,229	\$ 32,229	\$ 264,866	\$ 232,637

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Grand Terrace, California Measure I Fund

City of Grand Terrace, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures
Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2019-30. 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 Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
5-Year Tree Trimming Program	\$ 38,560	\$ 28,432	\$ 10,128
		\$ 26,326	
		2,106	
	Total	\$ 28,432	

City of Grand Terrace, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures
Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cummulative Excess/ (Deficiency)</u>
2010	\$ 40,142	\$ (115,156)	\$ (75,014)	\$ (75,014)
2011	160,298	(115,156)	45,142	(29,872)
2012	72,664	(115,156)	(42,492)	(72,364)
2013	89,957	(115,156)	(25,199)	(97,563)
2014	99,332	(115,156)	(15,824)	(113,387)
2015	91,999	(115,156)	(23,157)	(136,544)
2016	116,749	(115,156)	1,593	(134,951)
2017	148,773	(115,156)	33,617	(101,334)
2018	206,192	(115,156)	91,036	(10,298)
2019	208,718	(115,156)	93,562	83,264



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 Fund of the City of Grand Terrace, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Hesperia, California
Measure I Fund

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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 Fund of the City of Hesperia, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 12 and 13 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 15 and 16, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Hesperia, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 5,519,424
Receivables	
Taxes	442,890
Interest	15,679
Due from City of Hesperia	<u>9,498</u>
Total assets	<u><u>\$ 5,987,491</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 289,294
Due to City of Hesperia	<u>28,548</u>
Total liabilities	<u>317,842</u>
Fund Balance	
Restricted	<u>5,669,649</u>
Total liabilities and fund balance	<u><u>\$ 5,987,491</u></u>

City of Hesperia, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 2,744,020
Interest income	<u>94,681</u>
Total revenues	<u>2,838,701</u>
Expenditures	
Capital	
Construction	<u>1,090,808</u>
Revenues over/(under) expenditures	1,747,893
Other Financing Sources (Uses)	
Transfers to the City of Hesperia	<u>(1,398,030)</u>
Net Change in Fund Balance	349,863
Fund Balance, Beginning of Year	<u>5,319,786</u>
Fund Balance, End of Year	<u><u>\$ 5,669,649</u></u>

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 Fund of the City of Hesperia, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, and the changes in financial position thereof for the year then ended in conformity 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 5 for a detailed description of the Measure.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Measure I Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks applicable to the Measure I Fund are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured with inputs that are uncategorized and not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$29,429.

Note 3 - Taxes Receivable

The taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Due From the City of Hesperia

Due from the City of Hesperia, in the amount of \$9,498, represents amounts to be reimbursed to the Measure I Fund from the City's AB1766-Transit Fund and Article 8 LTF Fund for expenditures associated with the Main Street Traffic Signal Synchronization, a project on the City's Five-Year Capital Improvement Plan. Amounts to be reimbursed by each fund are \$7,150, and \$2,348 respectively.

Note 5 - Measure I Fund

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 of San Bernardino 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.

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

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 6 - Transfers to the City of Hesperia

Transfers to the City of \$1,398,030 represent the Measure I funded costs incurred in the City's Street Maintenance Fund for the Citywide Preservation and Maintenance project.



Required Supplementary Information
June 30, 2020

City of Hesperia, California Measure I Fund

City of Hesperia, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 2,650,380	\$ 2,650,380	\$ 2,744,020	\$ 93,640
Interest income	81,500	81,500	94,681	13,181
Total revenues	<u>2,731,880</u>	<u>2,731,880</u>	<u>2,838,701</u>	<u>106,821</u>
Expenditures				
Construction	<u>3,078,373</u>	<u>3,358,700</u>	<u>1,090,808</u>	<u>2,267,892</u>
Revenues over/(Under) Expenditures	<u>(346,493)</u>	<u>(626,820)</u>	<u>1,747,893</u>	<u>2,374,713</u>
Other Financing Sources (Uses)				
Transfers to the City of Hesperia	<u>(1,344,000)</u>	<u>(1,344,000)</u>	<u>(1,398,030)</u>	<u>(54,030)</u>
Net Change in Fund Balance	(1,690,493)	(1,970,820)	349,863	2,320,683
Fund Balance, Beginning of Year	<u>5,319,786</u>	<u>5,319,786</u>	<u>5,319,786</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,629,293</u>	<u>\$ 3,348,966</u>	<u>\$ 5,669,649</u>	<u>\$ 2,320,683</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund. The Measure I Fund's transfers to the City exceeded the budgeted amount by \$54,030, but was within the overall Measure I expenditure budget authority.



Other Information
June 30, 2020

City of Hesperia, California Measure I Fund

City of Hesperia, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2020-56. 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 Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Highway 395 and Joshua Street Park and Ride (CO 6523)	\$ 748,528	\$ 14,102	\$ 734,426
Main Street Traffic Signal Synchronization (CO 7133)	1,221,233	403,268	817,965
FY 2018-19 Street Improvement Project (CO 7149)	1,610,000	13,267	1,596,733
Traffic Signal @ Rancho and Maple (CO 7131)	450,000	2,570	447,430
Traffic Signal @ Rancho and Cottonwood (CO 7146)	450,000	2,570	447,430
Bear Valley Rd Bus Stop Relocation (CO 7148)	25,000	165	24,835
Rancho Rd Aqueduct Crossing (CO 7139)	15,205,000	253,266	14,951,734
Rancho Rd Improvements 7th - Mariposa (CO 7094)	21,930,000	312,066	21,617,934
Traffic Signal @ Rancho and Seventh (CO 7154)	450,000	2,570	447,430
Main St/Mariposa Rd Traffic Signal Relocation (CO 7156)	95,000	60,720	34,280
Traffic Signal @ Main and Sultana/Timberlane (CO 7159)	1,214,300	19,258	1,195,042
Landscaping Rancho Rd and I-15 (CO 7160)	1,215,000	8,188	1,206,812
FY 19/20 Citywide Preservation and Maintenance	750,000	1,370,000	(620,000)
Willos Street Paseo (CO 7123)	2,361,621	16,017	2,345,604
I Ave Corridor Enhancement Study (CO 7151)	278,581	10,811	267,770
Total expenditures		<u>\$ 2,488,838</u>	
Total expenditures in Measure I Fund		\$ 1,090,808	
Total transfers to City of Hesperia in Measure I Fund		<u>1,398,030</u>	
Total expenditures at June 30, 2020		<u>\$ 2,488,838</u>	

City of Hesperia, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Street and Highway funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ Cumulative</u>
2010	\$ 125,286	\$ (29,429)	\$ 95,857	\$ 95,857
2011	-	(29,429)	(29,429)	66,428
2012	-	(29,429)	(29,429)	36,999
2013	-	(29,429)	(29,429)	7,570
2014	-	(29,429)	(29,429)	(21,859)
2015	-	(29,429)	(29,429)	(51,288)
2016	-	(29,429)	(29,429)	(80,717)
2017	-	(29,429)	(29,429)	(110,146)
2018	500,000	(29,429)	470,571	360,425
2019	-	(29,429)	(29,429)	330,996



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 Fund of the City of Hesperia, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Highland, California
Measure I Fund

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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 Fund of the City of Highland, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 12 are 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status schedule (other information) on page 14 is presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Highland, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 2,386,602
Interest receivable	9,028
Taxes receivable	<u>189,413</u>
Total assets	<u>\$ 2,585,043</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 227,300
Retention payable	<u>145,320</u>
Total liabilities	<u>372,620</u>
Fund balance	
Restricted	<u>2,212,423</u>
Total liabilities and fund balance	<u>\$ 2,585,043</u>

City of Highland, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 1,030,025
Interest	<u>101,150</u>
Total revenues	<u>1,131,175</u>
Expenditures	
Capital	
Construction	<u>4,351,184</u>
Net Change in Fund Balance	(3,220,009)
Fund Balance, Beginning of Year	<u>5,432,432</u>
Fund Balance, End of Year	<u><u>\$ 2,212,423</u></u>

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 Fund of the City of Highland, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$0.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Highland, California
Measure I Fund

City of Highland, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 993,200	\$ 993,200	\$ 1,030,025	\$ 36,825
Interest	150,000	150,000	101,150	(48,850)
Total revenues	1,143,200	1,143,200	1,131,175	(12,025)
Expenditures				
Capital				
Construction	26,658,000	26,658,000	4,351,184	22,306,816
Net Change in Fund Balance	(25,514,800)	(25,514,800)	(3,220,009)	22,294,791
Fund Balance, Beginning of Year	5,432,432	5,432,432	5,432,432	-
Fund Balance, End of Year	<u>\$ (20,082,368)</u>	<u>\$ (20,082,368)</u>	<u>\$ 2,212,423</u>	<u>\$ 22,294,791</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Highland, California Measure I Fund

City of Highland, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2019-042. 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 Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
Pav. Rehab. - 7th St., Elmwood St., Fisher St., Paloma Rd., Walker St. (2016-17 CDBG)	\$ 2,000	\$ 170	\$ 1,830
Pav. Rehab. - Del Rosa Ave., Elm St. and San Francisco St. (2019-20 CDBG Project)	105,000	26,087	78,913
Pav. Rehab. - Elwood Rd., McKinley St., Walker St. (2018-19 CDBG Project)	144,000	33,093	110,907
Pav. Rehab. - Michael St., Court St., Elm St. (2017-18 CDBG Project)	2,000	4,730	(2,730)
Rehab- Sector A Pavement Rehabilitation	5,000	834	4,166
Rehab-Sector B and C Pavement Rehabilitation and Maintenance	621,000	987,569	(366,569)
Rehab-Sector D Pavement Rehabilitation and Maintenance	1,607,000	1,598,089	8,911
Rehab-Sector E Pavement Rehabilitation and Maintenance	2,456,000	620,658	1,835,342
Pav. Rehab. - Tippecanoe Ave. (9th Street to Vine St.)	1,000	2,010	(1,010)
Street Improvements - 10th Street, Drummond Ave., Cole Ave. and 14th Street (SR2S)	361,000	155,883	205,117
Street Improvements - Hillview Neighborhood (Cunningham/Hillview/Bruce/Crest)	1,017,000	881,933	135,067
Transit-Stop Access Improvements on Base Line, Boulder, 9th St, and Olive Tree Lane	24,000	3,185	20,815
Transit-Stops, Sidewalk and Bikeway Improvements on 9th St (Eucalyptus Dr to Victoria Dr)	67,000	25,690	41,310
Development of Local Roadway Safety Plan	8,000	165	7,835
Tippecanoe Avenue (3rd Street-Vine St.)-Joint Project with SB County	318,800	6,545	312,255
Miscellaneous City-Wide Street Repairs	500,000	4,543	495,457
Total expenditures		<u>\$ 4,351,184</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 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 Fund of the City of Highland, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Loma Linda, California
Measure I Fund

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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 Fund of the City of Loma Linda, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Loma Linda, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 789,978
Receivables	
Taxes	87,560
Interest	<u>2,399</u>
Total assets	<u><u>\$ 879,937</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 614,713
Retentions payable	<u>35,890</u>
Total liabilities	<u>650,603</u>
Fund Balance	
Restricted	<u>229,334</u>
Total liabilities and fund balance	<u><u>\$ 879,937</u></u>

City of Loma Linda, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 489,431
Interest income	<u>11,241</u>
Total revenues	<u>500,672</u>
Expenditures	
Capital	
Construction	<u>728,190</u>
Net Change in Fund Balance	(227,518)
Fund Balance, Beginning of Year	<u>456,852</u>
Fund Balance, End of Year	<u><u>\$ 229,334</u></u>

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 Fund of the City of Loma Linda, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$184,626.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Loma Linda, California
Measure I Fund

City of Loma Linda, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 409,800	\$ 409,800	\$ 489,431	\$ 79,631
Interest income	8,000	10,700	11,241	541
Total revenues	417,800	420,500	500,672	80,172
Expenditures				
Capital				
Construction	800,000	800,000	728,190	71,810
Net Change in Fund Balance	(382,200)	(379,500)	(227,518)	151,982
Fund Balance, Beginning of Year	456,852	456,852	456,852	-
Fund Balance, End of Year	\$ 74,652	\$ 77,352	\$ 229,334	\$ 151,982

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Loma Linda, California Measure I Fund

City of Loma Linda, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 3034. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Under/(Over) Estimate</u>
Pavement Rehabilitation of Barton Road from Campus Street to Benton Street	\$ 720,000	\$ 656,019	\$ 63,981
Sidewalk Corrective Measures - City Wide	80,000	<u>72,171</u>	7,829
	Total expenditures	<u>\$ 728,190</u>	

City of Loma Linda, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 535,323	\$ (184,626)	\$ 350,697	\$ 350,697
2011	541,524	(184,626)	356,898	707,595
2012	502,065	(184,626)	317,439	1,025,034
2013	436,564	(184,626)	251,938	1,276,972
2014	454,912	(184,626)	270,286	1,547,258
2015	475,461	(184,626)	290,835	1,838,093
2016	633,436	(184,626)	448,810	2,286,903
2017	502,809	(184,626)	318,183	2,605,086
2018	626,901	(184,626)	442,275	3,047,361
2019	577,510	(184,626)	392,884	3,440,245



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 Fund of the City of Loma Linda, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements, and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Needles, California
Measure I Fund

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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 Fund of the City of Needles, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Needles, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 130,778
Receivables	
Taxes	<u>38,993</u>
Total assets	<u>\$ 169,771</u>
Deferred Inflows of Resources and Fund Balance	
Deferred Inflows of Resources	
Unavailable revenue	<u>\$ 13,125</u>
Fund Balance	
Restricted	<u>156,646</u>
Total deferred inflows of resources and fund balance	<u>\$ 169,771</u>

City of Needles, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	<u>\$ 139,809</u>
Expenditures	
Capital	
Maintenance	<u>241,999</u>
Net Change in Fund Balance	(102,190)
Fund Balance, Beginning of Year	<u>258,836</u>
Fund Balance, End of Year	<u><u>\$ 156,646</u></u>

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 Fund of the City of Needles, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at the City Administrative Office at 817 Third Street, Needles, California 92363.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$426,582.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Needles, California Measure I Fund

City of Needles, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 136,247	\$ 13,627	\$ 139,809	\$ 126,182
Expenditures				
Capital				
Maintenance	480,000	256,277	241,999	14,278
Net Change in Fund Balance	(343,753)	(242,650)	(102,190)	140,460
Fund Balance, Beginning of Year	258,836	258,836	258,836	-
Fund Balance, End of Year	\$ (84,917)	\$ 16,186	\$ 156,646	\$ 140,460

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Needles, California Measure I Fund

City of Needles, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2020-57. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects:</u>	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Over/(Under) Estimate</u>
Crack fill and Road Slurry with 2.5% Latex for Mustang Lane (Holiday Way to Easy Street), Holiday Way (Citorry Lane to Mustang Lane) and Easy Street (Mustang Lane to Schuitz Street)	\$ 116,975	<u>\$ 241,999</u>	\$ (125,024)
Total expenditures at June 30, 2020		<u><u>\$ 241,999</u></u>	

City of Needles, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Under/(Over) Estimate</u>
2010	\$ 460,850	\$ (426,582)	\$ 34,268	\$ 34,268
2011	516,266	(426,582)	89,684	123,952
2012	668,106	(426,582)	241,524	365,476
2013	420,225	(426,582)	(6,357)	359,119
2014	508,641	(426,582)	82,059	441,178
2015	402,467	(426,582)	(24,115)	417,063
2016	393,132	(426,582)	(33,450)	383,613
2017	477,672	(426,582)	51,090	434,703
2018	424,265	(426,582)	(2,317)	432,386
2019	398,199	(426,582)	(28,383)	404,003



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 Fund of the City of Needles, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (internal control) as a basis of 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Ontario, California
Measure I Fund

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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 Fund of the City of Ontario, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Ontario, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 984,296
Receivables	
Taxes	680,181
Interest	<u>3,482</u>
Total assets	<u>\$ 1,667,959</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 4,002</u>
Fund balance	
Restricted	<u>1,663,957</u>
Total liabilities and fund balance	<u>\$ 1,667,959</u>

City of Ontario, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 3,624,124
Investment income	<u>9,799</u>
Total revenues	<u>3,633,923</u>
Expenditures	
Capital	
Construction	<u>5,106,929</u>
Net Change in Fund Balance	(1,473,006)
Fund Balance, Beginning of Year	<u>3,136,963</u>
Fund Balance, End of Year	<u><u>\$ 1,663,957</u></u>

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 Fund of the City of Ontario, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$4,214,559.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Ontario, California
Measure I Fund

City of Ontario, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 3,206,203	\$ 3,206,203	\$ 3,624,124	\$ 417,921
Investment income	36,336	36,336	9,799	(26,537)
Total revenues	<u>3,242,539</u>	<u>3,242,539</u>	<u>3,633,923</u>	<u>391,384</u>
Expenditures				
Capital				
Construction	<u>5,330,000</u>	<u>5,330,000</u>	<u>5,106,929</u>	<u>223,071</u>
Net Change in Fund Balance	(2,087,461)	(2,087,461)	(1,473,006)	614,455
Fund Balance, Beginning of Year	<u>3,136,963</u>	<u>3,136,963</u>	<u>3,136,963</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,049,502</u>	<u>\$ 1,049,502</u>	<u>\$ 1,663,957</u>	<u>\$ 614,455</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Ontario, California Measure I Fund

City of Ontario, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2019-087. 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 Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
Vintage Avenue: Jurupa Street to Philadelphia Street	\$ 650,000	\$ 650,000	\$ -
Cucamonga Avenue: Riverside Drive to Chino Avenue	200,000	200,000	-
Dupont Avenue: Jurupa Street to Francis Street	300,000	300,000	-
Fourth Street: Cucamonga Avenue to El Dorado Avenue	350,000	350,000	-
Francis Street: Etiwanda Avenue to Wineville Avenue	650,000	650,000	-
Mission Boulevard: Grove Avenue to Baker Avenue	520,000	520,000	-
Ontario Avenue: Riverside Drive to South End	280,000	277,830	2,170
Parco Avenue: Francis Street to Philadelphia Street	375,000	372,602	2,398
Philadelphia Street: San Antonio Avenue to Euclid Avenue	475,000	470,000	5,000
Wineville Avenue: Santa Ana Street to Airport Drive	470,000	416,272	53,728
Santa Ana Street: Etiwanda Avenue to Wineville Avenue	750,000	591,435	158,565
Francis Street: Cucamonga Creek Channel to Baker	20,000	13,003	6,997
2019-20 Slurry Seal Program	300,000	295,787	4,213
Total expenditures		<u>\$ 5,106,929</u>	

City of Ontario, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 4,911,977	\$ (4,214,559)	\$ 697,418	\$ 697,418
2011	5,183,794	(4,214,559)	969,235	1,666,653
2012	4,846,513	(4,214,559)	631,954	2,298,607
2013	4,777,199	(4,214,559)	562,640	2,861,247
2014	4,579,741	(4,214,559)	365,182	3,226,429
2015	5,438,970	(4,214,559)	1,224,411	4,450,840
2016	5,621,116	(4,214,559)	1,406,557	5,857,397
2017	6,400,591	(4,214,559)	2,186,032	8,043,429
2018	6,548,828	(4,214,559)	2,334,269	10,377,698
2019	6,630,838	(4,214,559)	2,416,279	12,793,977



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 Fund of the City of Ontario, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Rancho Cucamonga, California Measure I Funds

City of Rancho Cucamonga, California
Measure I Funds
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June 30, 2020

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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 Funds 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2020, and the related notes to 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 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. 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 financial position of the Measure I Funds of the City as of June 30, 2020, 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 City as of June 30, 2020, 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 pages 11 through 13 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 requires to be presented to supplement the basic financial statements. Such omitted 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 and 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 omitted information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Funds of the City. The program status and maintenance of effort schedules (other information) on pages 15 and 16, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City'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 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 financial reporting and compliance, as it relates to the Measure I Funds.

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Rancho Cucamonga, California
December 28, 2020

City of Rancho Cucamonga, California

Measure I Funds

Balance Sheet

June 30, 2020

	Measure I 1990-2010	Measure I 2010-2040
Assets		
Cash and investments	\$ 259,622	\$ 3,620,667
Receivables		
Taxes	-	579,286
Interest	946	10,184
Total assets	<u>\$ 260,568</u>	<u>\$ 4,210,137</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 14,725	\$ 93,018
Retentions payable	775	370
Accrued payroll	-	10,094
Total liabilities	<u>15,500</u>	<u>103,482</u>
Deferred Inflows of Resources		
Unavailable revenue	-	308,219
Fund Balance		
Restricted	<u>245,068</u>	<u>3,798,436</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 260,568</u>	<u>\$ 4,210,137</u>

City of Rancho Cucamonga, California
Measure I Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2020

	Measure I 1990-2010	Measure I 2010-2040
Revenues		
Measure I sales tax	\$ -	\$ 3,233,901
Investment income	6,159	86,191
	<u>6,159</u>	<u>86,191</u>
Total revenues	<u>6,159</u>	<u>3,320,092</u>
Expenditures		
Current		
General government	210	1,390,424
Capital		
Construction	27,598	2,332,283
	<u>27,598</u>	<u>2,332,283</u>
Total expenditures	<u>27,808</u>	<u>3,722,707</u>
Net Change in Fund Balance	(21,649)	(402,615)
Fund Balance, Beginning of Year	<u>266,717</u>	<u>4,201,051</u>
Fund Balance, End of Year	<u><u>\$ 245,068</u></u>	<u><u>\$ 3,798,436</u></u>

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 City of Rancho Cucamonga, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, and the changes in financial position thereof for the year then ended in conformity 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 City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I 1990-2010 and 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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

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 City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

F. 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 City's determined MOE base level was \$1,107,006 for Fiscal Years 2009/2010 through 2013/2014. Beginning with Fiscal Year 2014/2015, the City's MOE base level was increased to \$2,225,757.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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 San Bernardino 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



Required Supplementary Information
June 30, 2020

City of Rancho Cucamonga, California Measure I Funds

City of Rancho Cucamonga, 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, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 5,650	\$ 5,460	\$ 6,159	\$ 699
Expenditures				
Current				
General government	210	210	210	-
Capital				
Construction	200,000	222,410	27,598	194,812
Total expenditures	200,210	222,620	27,808	194,812
Net Change in Fund Balance	(194,560)	(217,160)	(21,649)	195,511
Fund Balance, Beginning of Year	266,717	266,717	266,717	-
Fund Balance, End of Year	\$ 72,157	\$ 49,557	\$ 245,068	\$ 195,511

City of Rancho Cucamonga, 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, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 3,016,420	\$ 2,758,350	\$ 3,233,901	\$ 475,551
Investment income	44,720	61,970	86,191	24,221
Total revenues	<u>3,061,140</u>	<u>2,820,320</u>	<u>3,320,092</u>	<u>499,772</u>
Expenditures				
Current				
General government	1,659,510	1,603,100	1,390,424	212,676
Capital				
Construction	<u>2,125,000</u>	<u>3,956,290</u>	<u>2,332,283</u>	<u>1,624,007</u>
Total expenditures	<u>3,784,510</u>	<u>5,559,390</u>	<u>3,722,707</u>	<u>1,836,683</u>
Net Change in Fund Balance	(723,370)	(2,739,070)	(402,615)	2,336,455
Fund Balance, Beginning of Year	<u>4,201,051</u>	<u>4,201,051</u>	<u>4,201,051</u>	-
Fund Balance, End of Year	<u>\$ 3,477,681</u>	<u>\$ 1,461,981</u>	<u>\$ 3,798,436</u>	<u>\$ 2,336,455</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Rancho Cucamonga, California Measure I Funds

City of Rancho Cucamonga, California

Measure I Funds

Program Status: Comparison of Five-Year Plan Project Budget to Current Year Expenditures
Year Ended June 30, 2020

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2020-089. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Projects	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
Named Projects:			
Church St from Haven Ave to Milliken Ave Pavement Rehab	\$ 857,480	\$ 77,298	\$ 780,182
Cucamonga Storm Drain from east of Hellman to Amethyst to 19th - SD and Rehab	249,370	12,100	237,270
Etiwanda Ave from Foothill Blvd to Base Line Rd Survey	20,000	22,660	(2,660)
Etiwanda Ave from Highland Ave to Base Line Rd Survey	20,000	22,660	(2,660)
Etiwanda Ave from Route 210 to Wilson Ave Survey	10,000	11,324	(1,324)
Etiwanda Ave from Whittram Ave to Arrow Rte Survey	5,000	4,996	4
Foothill Blvd from Haven Ave to Milliken Ave Pavement Rehab	1,026,460	981,332	45,128
Hermosa Ave from Arrow Rte to Foothill Blvd Pavement Rehab	379,150	369,232	9,918
Local Overlay at Various Locations Pavement Rehab	833,546	1,057,455	(223,909)
Categorical Projects:			
ADA Corrective Measures - City Wide	100,000	113,300	(13,300)
Signal Contract Services - Maintenance City Wide	917,610	1,039,658	(122,048)
Striping Contract Services - Maintenance City Wide	28,366	38,500	(10,134)
		<u>\$ 3,750,515</u>	
Total expenditures reported in Measure I 1990 - 2010 Fund		\$ 27,808	
Total expenditures reported in Measure I 2010 - 2040 Fund		<u>3,722,707</u>	
Total expenditures at June 30, 2020		<u>\$ 3,750,515</u>	

City of Rancho Cucamonga, California

Measure I Funds

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 and 2013/14 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Fund Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 1,042,227	\$ (1,107,006)	\$ (64,779)	\$ (64,779)
2011	1,068,595	(1,107,006)	(38,411)	(103,190)
2012	1,009,692	(1,107,006)	(97,314)	(200,504)
2013	1,007,144	(1,107,006)	(99,862)	(300,366)
2014	1,318,173	(1,107,006)	211,167	(89,199)
2015	2,244,083	(2,225,757)	18,326	(70,873)
2016	3,463,750	(2,225,757)	1,237,993	1,167,120
2017	2,662,311	(2,225,757)	436,554	1,603,674
2018	2,431,763	(2,225,757)	206,006	1,809,680
2019	2,448,659	(2,225,757)	222,902	2,032,582



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 Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2020 and the related notes to financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Funds (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 City'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 Measure I Funds 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Redlands, California
Measure I Fund

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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 Fund of the City of Redlands, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Redlands, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 551,766
Taxes receivable	<u>240,236</u>
Total assets	<u>\$ 792,002</u>
Liabilities and Fund Balance	
Fund Balance	
Restricted	<u>792,002</u>
Total liabilities and fund balance	<u>\$ 792,002</u>

City of Redlands, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 1,426,596
Investment income	<u>40,694</u>
Total revenues	<u>1,467,290</u>
Expenditures	
Current	
General government	15,459
Capital	
Construction	<u>1,253,510</u>
Total expenditures	<u>1,268,969</u>
Net Change in Fund Balance	198,321
Fund Balance, Beginning of Year	<u>593,681</u>
Fund Balance, End of Year	<u><u>\$ 792,002</u></u>

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 Fund of the City of Redlands, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$845,866.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Redlands, California Measure I Fund

City of Redlands, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,228,300	\$ 1,104,336	\$ 1,426,596	\$ 322,260
Investment income	-	9,147	40,694	31,547
Total revenues	1,228,300	1,113,483	1,467,290	353,807
Expenditures				
Current				
General government	15,460	15,460	15,459	1
Capital				
Construction	1,215,731	1,253,509	1,253,510	(1)
Total expenditures	1,231,191	1,268,969	1,268,969	-
Net Change in Fund Balance	(2,891)	(155,486)	198,321	353,807
Fund Balance, Beginning of Year	593,681	593,681	593,681	-
Fund Balance, End of Year	\$ 590,790	\$ 438,195	\$ 792,002	\$ 353,807

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Expenditures in the Measure I Fund are budgeted as transfers to other City Funds to fund costs incurred for Measure I related projects. The transfers are classified as expenditures in the Measure I financial statements.



Other Information
June 30, 2020

City of Redlands, California Measure I Fund

City of Redlands, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 8009. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	<u>5-Year Plan Project Budget</u>	<u>Current Fiscal Year Expenditures</u>	<u>Unexpended Budget</u>
City of Redlands PARIS Program	\$ 1,268,969	<u>\$ 1,268,969</u>	\$ -
Total Measure I Fund expenditures		<u>\$ 1,268,969</u>	

City of Redlands, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 1,172,269	\$ (845,866)	\$ 326,403	\$ 326,403
2011	419,896	(845,866)	(425,970)	(99,567)
2012	584,399	(845,866)	(261,467)	(361,034)
2013	344,725	(845,866)	(501,141)	(862,175)
2014	60,326	(845,866)	(785,540)	(1,647,715)
2015	625,320	(845,866)	(220,546)	(1,868,261)
2016	1,155,990	(845,866)	310,124	(1,558,137)
2017	2,974,320	(845,866)	2,128,454	570,317
2018	1,690,419	(845,866)	844,553	1,414,870
2019	1,637,189	(845,866)	791,323	2,206,193



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 Fund of the City of Redlands, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Rialto, California Measure I Fund

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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 Fund of the City of Rialto, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 12 and 13 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status (other information) on page 15, is presented for purposes of additional analysis and are 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 statements, 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 January 29, 2021, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
January 29, 2021

City of Rialto, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 5,776,655
Receivables	
Taxes	495,845
Accounts	6,500
Interest	<u>8,188</u>
Total assets	<u>\$ 6,287,188</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 182,694
Accrued payroll	343
Retentions payable	<u>88,110</u>
Total liabilities	<u>271,147</u>
Fund Balance	
Restricted	<u>6,016,041</u>
Total liabilities and fund balance	<u>\$ 6,287,188</u>

City of Rialto, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 1,958,159
Investment income	127,167
Intergovernmental revenue	<u>49,448</u>
Total revenues	<u>2,134,774</u>
Expenditures	
Current	
General government	<u>2,391,773</u>
Net Change in Fund Balance	(256,999)
Fund Balance, Beginning of Year	<u>6,273,040</u>
Fund Balance, End of Year	<u><u>\$ 6,016,041</u></u>

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 Fund of the City of Rialto, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$0.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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 - Accounts Receivable

Accounts receivable of \$6,500 represent revenues from SBCTA associated with Cooperative Agreement No. 16-1001397 between the City and SBCTA, for the San Bernardino Valley Coordinated Traffic Signal Systems (SBVCTSS). Pursuant to the agreement, SBCTA will provide a \$500 annual reimbursement to the City for each City signal on the SBVCTSS corridors.

Note 6 - Intergovernmental Revenue

During fiscal year 2020, the City received a Rubberized Grant award from the Department of Resources Recycling and Recovery (CalRecycle) in the amount of \$49,448. The grant is to be utilized for the City's Street Rehabilitation Overlay projects, MSI projects.



Required Supplementary Information
June 30, 2020

City of Rialto, California Measure I Fund

City of Rialto, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget			Variance From Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Measure I sales tax	\$ 1,982,700	\$ 1,982,700	\$ 1,958,159	\$ (24,541)
Investment income	75,000	75,000	127,167	52,167
Intergovernmental revenue	-	-	49,448	49,448
Total revenues	2,057,700	2,057,700	2,134,774	77,074
Expenditures				
Current				
General government	9,203,911	9,203,911	2,391,773	6,812,138
Net Change in Fund Balance	(7,146,211)	(7,146,211)	(256,999)	6,889,212
Fund Balance, Beginning of Year	6,273,040	6,273,040	6,273,040	-
Fund Balance, End of Year	\$ (873,171)	\$ (873,171)	\$ 6,016,041	\$ 6,889,212

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Rialto, California Measure I Fund

City of Rialto, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 7564. 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 Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
SR2S-Cycle 10 Cedar Improvements	\$ 253,000	\$ 139,328	\$ 113,672
Valley, Cactus, Linden Widening	1,395,295	1,236,786	158,509
Randall Widening	31,140	10,241	20,899
(HSIP7) Class II Bike Lanes Merrill & So Riverside	8,309	1,703	6,606
SBCO North Bloomington Chip Seal	138,203	64,616	73,587
Fontana Shared Traffic Signal at Trail/Maple	120,000	64,588	55,412
Riverside Widening- So UPRR Bridge/City Limit	600,000	3,714	596,286
(HSIP7) Baseline Street Improvements (Medians)	102,167	7,384	94,783
Active Transportation Plan (SB1 Sustainable Grant) 01-09-2018	26,000	24,285	1,715
Climate Adaptation Plan (Planning Match)	45,500	1,339	44,161
Etiwanda Corridor	450,000	431,904	18,096
Pavement Management System Update	182,608	19,936	162,672
Systemic Safety Analysis Report (SSARP Grant)	4,595	350	4,245
Traffic Signal at Pepper & Winchester	350,000	11,366	338,634
Traffic Calming Casa Grande	105,000	104,169	831
Street Rehabilitation (Overlay)-Merrill-Maple/Willow	428,609	256,826	171,783
Street Rehabilitation (Overlay)-Pepper-Baseline/Etiwanda, Foothill/2ND Street	800,000	<u>13,238</u>	786,762
Total expenditures at June 30, 2020		<u>\$ 2,391,773</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 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 Fund of the City of Rialto, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements, and have issued our report thereon dated January 29, 2021. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
January 29, 2021



Financial Statements
June 30, 2020

City of San Bernardino, California
Measure I Fund

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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 Fund of the City of San Bernardino, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 12 and 13 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 15 and 16, respectively, are presented for purposes of additional analysis and are 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 statements, 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 January 26, 2021, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
January 26, 2021

City of San Bernardino, California

Measure I Fund

Balance Sheet

June 30, 2020

Assets	
Cash and investments	\$ 6,014,773
Taxes receivable	750,673
Due from other governments	83,376
Interest receivable	<u>19,141</u>
Total assets	<u>\$ 6,867,963</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 305,324</u>
Fund Balance	
Restricted	<u>6,562,639</u>
Total liabilities and fund balance	<u>\$ 6,867,963</u>

City of San Bernardino, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 4,054,661
Other revenue	488,623
Investment income	<u>167,472</u>
Total revenues	<u>4,710,756</u>
Expenditures	
Capital	
Electrical Charges	1,582,800
Construction	<u>6,908,632</u>
Total expenditures	<u>8,491,432</u>
Net Change in Fund Balance	(3,780,676)
Fund Balance, Beginning of Year	<u>10,343,315</u>
Fund Balance, End of Year	<u><u>\$ 6,562,639</u></u>

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 Fund of the City of San Bernardino, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained online at the City's website, or at the City's Finance Department.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3 input.

F. 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 City's determined MOE base level is \$1,075,643.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Due from Other Governments

Due from other governments of \$83,376 represent a reimbursement from SBCTA for the State Street Extension Phase 1 from 16th Street to Baseline Street Project, a project on the Valley Arterial Sub-Program in the amount of \$75,492. The remaining \$7,884 represent a reimbursement from the Department of Transportation for project ATP Cycle 2 Safe Routes to School. The amount is also reflected as other revenue.

Note 5 - Other Revenue

Other revenue in the amount of \$488,623 represent the following: \$101,492 reimbursed by SBCTA for the State Street Extension Phase 1 from 16th Street to Baseline Street Project and Cooperative agreement between the City and SBCTA for the San Bernardino Valley Coordinate Traffic Signal System, \$46,049 reimbursed by the Department of Transportation, and \$341,082 reimbursed by the County of San Bernardino for a Cooperative agreement with the City of San Bernardino for the Sterling Avenue and Base Line Street Rehabilitation Project.

Note 6 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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 7 - Agreements

The City has entered into an agreement with SBCTA for the construction of H Street Widening Drive to 40th Street Project, Mt Vernon Bridge Reconstruction to 4 lanes, State Street Widening from 16th Street to Foothill Blvd, 5th Street Widening from Sterling to Victoria, and 40th Street Widening from Johnson Street to Electric Avenue Project. The projects are identified in the SBCTA Nexus Study and the projects will be carried out in accordance with policies of the Measure I 2010-2040 Strategic Plan. The projects are partially funded with Development Impact Fees (DIF). The estimated project costs are \$3,135,468; \$183,925,717; \$9,045,110; \$6,075,896; and \$4,890,764, respectively. The City is responsible for a 32.4% of the total eligible project construction costs for both projects. The city has paid \$535,468 from DIF for the H Street Widening Project, \$78,815,750 from DIF for the Mt Vernon Bridge Project, \$2,762,107 from DIF for the State Street Widening Project, \$495,000 from DIF for the 5th Street Widening Project, and \$1,690,764 from DIF for the 40th Street Widening Project during fiscal year ended June 30, 2020.



Required Supplementary Information
June 30, 2020

City of San Bernardino, California Measure I Fund

City of San Bernardino, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 3,776,585	\$ 3,776,585	\$ 4,054,661	\$ 278,076
Other revenue	-	-	488,623	488,623
Investment income	-	-	167,472	167,472
Total revenues	<u>3,776,585</u>	<u>3,776,585</u>	<u>4,710,756</u>	<u>934,171</u>
Expenditures				
Capital				
Electrical charges	1,650,000	1,650,000	1,582,800	67,200
Construction	<u>1,789,000</u>	<u>11,050,677</u>	<u>6,908,632</u>	<u>4,142,045</u>
Total expenditures	<u>3,439,000</u>	<u>12,700,677</u>	<u>8,491,432</u>	<u>4,209,245</u>
Net Change in Fund Balance	337,585	(8,924,092)	(3,780,676)	5,143,416
Fund Balance, Beginning of Year	<u>10,343,315</u>	<u>10,343,315</u>	<u>10,343,315</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,680,900</u>	<u>\$ 1,419,223</u>	<u>\$ 6,562,639</u>	<u>\$ 5,143,416</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of San Bernardino, California Measure I Fund

City of San Bernardino, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2020-115. 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 Project Estimate	Current Fiscal Year Expenditures	Over/(Under) Estimate
University Parkway & I-215 Freeway Interchange Improvements (SS04-019)	\$ 74,055	\$ 74,055	\$ -
ATP Cycle 2 - Safe Route to Schools Project at 3 Locations (SS-17-001) 48th Street between Western Avenue and Magnolia Avenue, Magnolia Avenue between 48th Street and Reservoir Drive, Randall Avenue between Pepper Avenue and Meridian Avenue, Meridian Avenue between Randall Avenue and Los Robles Street, Pepper Avenue between Randall Avenue and Los Robles Street and Perris Hill Park Road between Gilbert Street and Pacific Street	-	11,058	(11,058)
Street Rehabilitation at 12 Locations (SS18-003): Waterman Ave from Mill St to Central, Commercial Road from Waterman Ave to Steel Rd, "H" St from Northpark Blvd to 48th St, Baseline St from "H" St to "E" St, Central Ave from Highland Ave to State Route 210 and from Pacific to State Route 210, California St from Cajon Blvd to 30th St, Inland Center Dr from Adell St to "E" St, Second St from "D" St to Waterman Ave, Steele Rd from Weir Rd to Industrial Rd, Pumalo St from Golden Ave to Erwin Ave	2,101,200	2,102,695	(1,495)
Mountain Avenue And 40th Street Improvements (SS18-004)	755,781	2,546	753,235
Sterling Ave Rehabilitation From Pacific Street To Highland Avenue & Conejo And 39Th Street Sd Replacement (Co-Op Project - County Lead) (SS19-05)	700,000	1,834	698,166
Annual Concrete Repair (SS-P)	-	802	(802)
Citywide Pavement Rehabilitation (Slurry / Crack Seal) (SS-D)	1,244,476	1,244,454	22
Pepper Avenue Rehabilitation from Baseline Rd to Mill St	200,000	569	199,431
Citywide Street Rehabilitation (Annual): Industrial Rd from Water Ave to Steele Rd	500,000	2,837	497,163
Co-op with City of Highland (SS19-002)	655,269	655,269	-
H Street Widening From Kendall To 40th Street (SS04-152)	-	11,288	(11,288)
Citywide Bus Stop Improvements	39,064	977	38,087
Street Rehabilitation at 10 Locations (SS18-002) at 8th St b/w Medical Center Dr. and Mt Vernon Ave., Arrowhead Ave b/w 7th Street and 9th St., Davidson St b/w 16th St and 19th St., Evans St b/w Western Ave and Medical Center Dr, Garner Ave b/w Baseline St and 14th St., "J" St Pavement b/w 8th St and 11th St., Little Mtn. Dr b/w Kendall and 30th St., Sierra Way b/w 9th St. and Baseline St., Western Ave b/w Union St and 9th St., Wilson St b/w 9th St and Baseline St.	2,674,173	2,676,173	(2,000)
Citywide Street Assessment	124,075	124,075	-
Electrical Charges for Street Lights and Traffic Signals	1,650,000	1,582,800	67,200
Total expenditures		<u>\$ 8,491,432</u>	
Total expenditures in Measure I Fund		<u>\$ 8,491,432</u>	

City of San Bernardino, California

Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures

Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 1,081,305	\$ (1,075,643)	\$ 5,662	\$ 5,662
2011	(776,984)	(1,075,643)	(1,852,627)	(1,846,965)
2012	(511,222)	(1,075,643)	(1,586,865)	(3,433,830)
2013	4,877	(1,075,643)	(1,070,766)	(4,504,596)
2014	4,580	(1,075,643)	(1,071,063)	(5,575,659)
2015	457,374	(1,075,643)	(618,269)	(6,193,928)
2016	260,138	(1,075,643)	(815,505)	(7,009,433)
2017	395,511	(1,075,643)	(680,132)	(7,689,565)
2018	887,745	(1,075,643)	(187,898)	(7,877,463)
2019	8,437,051	(1,075,643)	7,361,408	(516,055)



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 Fund of the City of San Bernardino, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated January 26, 2021. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, including the Measure I requirements as specified in the agreement between the City and SBCTA, which is described in the accompanying schedule of findings and responses as item 2020-001.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
January 26, 2021

Finding 2020-001

Projects included on the Five Year Capital Improvement Plan

Criteria:	The Measure I Strategic Plan states that the Five Year Capital Improvement Plan (CIP) shall be the basis for the annual audit. Jurisdictions will have flexibility with timing in moving projects within their Five Year CIP. However, in order for a project to be eligible for Measure I funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year.
Condition:	The City utilized Measure I funds for certain projects that were not included in the current CIP.
Context:	The City utilized MSI monies to fund costs for certain projects. While the costs were considered allowable project expenses in accordance with the strategic plan, the projects were not included on the current Five Year CIP.
Effect:	Measure I resources were utilized for costs on projects that were not included on the current Five Year CIP.
Cause:	The City did not submit an amended CIP.
Recommendation:	We recommend the City enhance its procedures to ensure that projects that have activity are included in the current Five Year CIP. This can be achieved through submitting a revised CIP to SBCTA as necessary.
View of Responsible Officials and Planned Corrective Action:	Going forward, the City will make sure that any expenditure activity for a given year is properly reflected on the 5-Year CIP for that year.

City of San Bernardino, California
Measure I Fund
Summary Schedule of Prior Audit Findings
June 30, 2020

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2019-001	Maintenance of Effort Acknowledgment	Implemented



Financial Statements
June 30, 2020

City of Twentynine Palms, California Measure I Fund

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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 Fund (Measure I Fund), of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status (other information) on page 14, is presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Twentynine Palms, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 589,248
Receivables	
Taxes	83,673
Interest	<u>2,431</u>
Total assets	<u>\$ 675,352</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 6,214</u>
Fund Balance	
Restricted	<u>669,138</u>
Total liabilities and fund balance	<u>\$ 675,352</u>

City of Twentynine Palms, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 473,948
Interest income	<u>14,515</u>
Total revenues	<u>488,463</u>
Expenditures	
Current	
General government	10,000
Capital	
Construction	<u>511,143</u>
Total expenditures	<u>521,143</u>
Net Change in Fund Balance	(32,680)
Fund Balance, Beginning of Year	<u>701,818</u>
Fund Balance, End of Year	<u><u>\$ 669,138</u></u>

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 Fund 2010-2040 (Measure I Fund) of the City of Twentynine Palms, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$0.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Twentynine Palms, California Measure I Fund

City of Twentynine Palms, California
Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 446,300	\$ 446,300	\$ 473,948	\$ 27,648
Interest income	-	-	14,515	14,515
Total revenues	446,300	446,300	488,463	42,163
Expenditures				
Current				
General government	10,000	10,000	10,000	-
Capital				
Construction	456,629	456,629	511,143	(54,514)
Total expenditures	466,629	466,629	521,143	(54,514)
Net Change in Fund Balance	(20,329)	(20,329)	(32,680)	(12,351)
Fund Balance, Beginning of Year	701,818	701,818	701,818	-
Fund Balance, End of Year	<u>\$ 681,489</u>	<u>\$ 681,489</u>	<u>\$ 669,138</u>	<u>\$ (12,351)</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund. The Measure I Fund total expenditures exceeded the budgeted expenditures by \$54,514.



Other Information
June 30, 2020

City of Twentynine Palms, California Measure I Fund

City of Twentynine Palms, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 19-23. 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 Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Hwy-62 Curbs, Gutters & Sidwalks Engineering from Encelia Ave to Larrea	\$ 262,760	\$ 145,172	\$ 117,588
Micro-Surfacing Projects	365,971	365,971	-
Administrative Fees	50,000	10,000	40,000
Total expenditures at June 30, 2020		\$ 521,143	



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 Fund (Measure I Fund) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Upland, California Measure I Fund

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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 Fund of the City of Upland, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 11 and 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status and maintenance of effort schedules (other information) on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 statements, 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 January 26, 2021, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
January 26, 2021

City of Upland, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 6,296,358
Receivables	
Taxes	<u>278,529</u>
Total assets	<u><u>\$ 6,574,887</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 135,929
Retentions payable	<u>4,156</u>
Total liabilities	<u>140,085</u>
Fund Balance	
Restricted	<u>6,434,802</u>
Total liabilities and fund balance	<u><u>\$ 6,574,887</u></u>

City of Upland, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 1,574,575
Interest income	<u>155,555</u>
Total revenues	<u>1,730,130</u>
Expenditures	
Capital	
Construction	<u>546,857</u>
Net Change in Fund Balance	1,183,273
Fund Balance, Beginning of Year	<u>5,251,529</u>
Fund Balance, End of Year	<u><u>\$ 6,434,802</u></u>

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 Fund of the City of Upland, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$3,088,257.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

City of Upland, California Measure I Fund

City of Upland, California
Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,328,700	\$ 1,328,700	\$ 1,574,575	\$ 245,875
Interest income	38,100	38,100	155,555	117,455
Total revenues	<u>1,366,800</u>	<u>1,366,800</u>	<u>1,730,130</u>	<u>363,330</u>
Expenditures				
Capital				
Construction	<u>6,059,150</u>	<u>6,073,872</u>	<u>546,857</u>	<u>5,527,015</u>
Net Change in Fund Balance	(4,692,350)	(4,707,072)	1,183,273	5,890,345
Fund Balance, Beginning of Year	<u>5,251,529</u>	<u>5,251,529</u>	<u>5,251,529</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 559,179</u>	<u>\$ 544,457</u>	<u>\$ 6,434,802</u>	<u>\$ 5,890,345</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Upland, California Measure I Fund

City of Upland, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 6506. 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 Project Estimate	Current Fiscal Year Expenditures	Over/(Under) Estimate
13th Street Reconstruction (Euclid to Campus)	\$ 690,000	\$ 19,806	\$ 670,194
19th Street Reconstruction (Mountain to Euclid)	1,450,000	3,101	1,446,899
7th Street & Harrington Ave. (8th St. to San Antonio Ave.)	1,150,000	69	1,149,931
Campus Ave. Rehabilitation (S. City Limit to Foothill Blvd.)	1,590,000	200,885	1,389,115
Citywide Pavement Maintenance 2018/2019	200,000	186,500	13,500
Grove Avenue Rehabilitation (Foothill Blvd. to 15th St.)	1,200,000	5,337	1,194,663
San Bernardino Valley Coordinated Traffic Signal System	137,000	130,000	7,000
SP/PE Bicycle and Pedestrian Trail Rehabilitation	15,000	1,159	13,841
Total expenditures at June 30, 2020		<u>\$ 546,857</u>	

City of Upland, California
Measure I Fund

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures
Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 2,829,924	\$ (3,088,257)	\$ (258,333)	\$ (258,333)
2011	5,279,130	(3,088,257)	2,190,873	1,932,540
2012	2,875,715	(3,088,257)	(212,542)	1,719,998
2013	2,900,568	(3,088,257)	(187,689)	1,532,309
2014	2,852,095	(3,088,257)	(236,162)	1,296,147
2015	2,574,191	(3,088,257)	(514,066)	782,081
2016	2,724,239	(3,088,257)	(364,018)	418,063
2017	2,772,554	(3,088,257)	(315,703)	102,360
2018	3,701,820	(3,088,257)	613,563	715,923
2019	3,417,547	(3,088,257)	329,290	1,045,213



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 Fund of the City of Upland, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Measure I Fund's basic financial statements, and have issued our report thereon dated January 26, 2021. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
January 26, 2021



Financial Statements
June 30, 2020

City of Victorville, California
Measure I Fund

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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 Fund of the City of Victorville, California (City), as of and for the year ended June 30, 2020, 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 Measure I Fund of the City as of June 30, 2020, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, 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 pages 13 and 14 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 Fund that accounting principles generally accepted in the United States of America requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The program status schedule (other information) on page 16, is presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City's internal control over financial reporting of the Measure I 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. 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, as it relates to the Measure I Fund.

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

Rancho Cucamonga, California
December 28, 2020

City of Victorville, California
Measure I Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 4,975,993
Receivables	
Taxes	777,707
Other	216,082
Deposits and prepaids	<u>5,591</u>
Total assets	<u><u>\$ 5,975,373</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities	
Accounts payable	\$ 221,982
Retentions payable	<u>116,677</u>
Total liabilities	<u>338,659</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>404,240</u>
Fund Balance	
Restricted	<u>5,232,474</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 5,975,373</u></u>

City of Victorville, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

Revenues	
Measure I sales tax	\$ 6,386,209
Reimbursements	70,341
Interest income	<u>71,631</u>
Total revenues	<u>6,528,181</u>
Expenditures	
Capital	
Construction	<u>3,981,358</u>
Net Change in Fund Balance	2,546,823
Fund Balance, Beginning of Year	<u>2,685,651</u>
Fund Balance, End of Year	<u><u>\$ 5,232,474</u></u>

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 Fund of the City of Victorville, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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. Deferred Inflows of Resources

Deferred inflows of resources represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

D. 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 City considers restricted funds to have been spent first.

E. Cash and Investments

Cash and investments are pooled by the City 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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's 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 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

F. 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 City's determined MOE base level is \$0.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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 - Agreements

The City has entered into an agreement with SBCTA for the construction of an interchange at La Mesa/Nisqualli road in the City. The cooperative agreement is dated May 4, 2011. The agreement notes that the project is identified in both the Measure I 2010-2040 Expenditure Plan and the SBCTA Nexus Study and that the project will be carried out in accordance with the policies of the Measure I 2010-2040 Strategic Plan. The agreement details specific responsibilities for both the City and SBCTA. The estimated cost of construction is \$43,152,349 and that the City is responsible for a 50% share of the total eligible project construction work in an amount not to exceed \$21,894,325. The agreement also specifies that in the event that the City is unable to deposit funds into an escrow account (per the terms of the agreement) that SBCTA is authorized to withhold from the City the disbursement of any current or future allocations of Measure I Local Streets funds and to apply such funds to the City's 50% share.

In accordance with the agreement, the SBCTA has withheld the Measure I allocations to the City. The City made developer impact fee (DIF) deposits to SBCTA of \$1,901,659 on March 6, 2020.

SBCTA released previously withheld Measure I Funds in the amount of \$1,901,659 during fiscal year 2019-20 which is included in Measure I Sales Tax revenue. As of June 30, 2020, SBCTA is withholding \$1,901,659 which will be released as DIF payments are made pursuant to the agreement.

The City has also entered into two agreements with SBCTA for the Green Tree Blvd. Extension project. The first agreement is Project Funding Agreement No. 15-1001115, dated February 11, 2015, with subsequent amendment numbers 1 through 3. This agreement provides for SBCTA to fund \$2,090,465 of Measure I Major Local Highway Program Funds for right of way. The City is obligated to fund its City developer share of 49% of the costs.

The second agreement is Term Loan Agreement No. 16-1001481, dated September 7, 2016. This agreement obligates the City to fund the local share of the estimated project costs, estimated at \$18,766,980, and SBCTA to loan an estimated \$12,511,320 for the project from the Measure I Major Local Highway Program Funds. The loan is to be paid back over an undefined term from the City's Road Development Impact Fee. A local share cost deposit is required, estimated at \$6,255,660. For SBCTA to loan the funds to the City, Section 3.1.3 of the agreement requires as a condition precedent, that the City Council adopt a resolution approving the agreement and the amount of the bond costs to be allocated to the City. This is a future decision for Council to consider.

Note 6 - Reimbursements

The City received \$70,341 of reimbursements revenue related to traffic signal maintenance fees that the City charges to the City of Hesperia, the City of Adelanto, and the County of San Bernardino.

Note 7 - Allocated Costs

In accordance with the City's cost allocation plan, \$323,433 of allocated costs have been charged to the Measure I Fund. These costs include allocations for departmental costs such as the city manager, risk management, city clerk, finance, information services, city attorney, human resources, fleet maintenance, and city facilities.



Required Supplementary Information
June 30, 2020

City of Victorville, California
Measure I Fund

City of Victorville, California

Measure I Fund

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual
Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 6,000,000	\$ 6,216,502	\$ 6,386,209	\$ 169,707
Reimbursements	43,000	43,000	70,341	27,341
Interest income	-	-	71,631	71,631
Total revenues	6,043,000	6,259,502	6,528,181	268,679
Expenditures				
Capital				
Construction	4,739,335	7,362,213	3,981,358	3,380,855
Net Change in Fund Balance	1,303,665	(1,102,711)	2,546,823	3,649,534
Fund Balance, Beginning of Year	2,685,651	2,685,651	2,685,651	-
Fund Balance, End of Year	\$ 3,989,316	\$ 1,582,940	\$ 5,232,474	\$ 3,649,534

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

City of Victorville, California Measure I Fund

City of Victorville, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 19-069. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Projects	5-Year Plan Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Named Projects:			
Nisqualli/I-15 Interchange - Environmental Monitoring and Reporting	\$ 30,000	\$ 24,396	\$ 5,604
Green Tree Blvd, Hesperia Rd to Ridgecrest Rd/Yates Rd-new road and bridge over BNSF Railroad	45,489,490	385,644	45,103,846
Bear Valley Rd - Bridge Widening at BNSF Railroad, Design & Construction match	8,251,000	106	8,250,894
La Mesa Rd - Cantina Rd to Mesa View, New road, Install traffic signal at US-395	2,231,000	386,198	1,844,802
Village Drive - Mojave Drive to Air Expressway, Pavement Rehab & install bike lanes	4,838,823	24,455	4,814,368
Seventh Ave; Nisqualli Rd to Bear Valley, Pavement Rehab, Bike Lanes & Sidewalks	1,852,000	3,950	1,848,050
Third Ave; Nisqualli to Green Tree, Pavement Rehab	485,000	3,040	481,960
Emergency Repairs; La Mesa Rd/Amethyst Road	316,402	316,402	-
7th St. Replace & Upgrade Archway Lighting & Signal	211,351	4,419	206,932
Cable Wire Reel Trailer for Traffic Signal Maintenance	10,000	9,830	170
Mojave Riverwalk bike lanes (various locations named)	428,351	33,158	395,193
Street Sweepers	820,000	192,018	627,982
Street Maintenance Utility Vehicle	18,000	8,937	9,063
Categorical Projects:			
Curb Access Ramp Replacements - Various Locations	100,000	73,945	26,055
Public Works - Street Median Maintenance	1,328,847	231,688	1,097,159
Traffic Control - Signing and Striping	6,122,992	1,374,974	4,748,018
Traffic Engineering	3,285,731	742,290	2,543,441
Traffic Signal Maintenance	1,255,842	153,408	1,102,434
Traffic Signals Comm/Controller Upgrades - various locations	15,000	12,500	2,500
Total expenditures		<u>\$ 3,981,358</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 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 Fund of the City of Victorville, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements, and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Fund (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City 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 the Measure I as specified in the agreement between the City and SBCTA.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

City of Yucaipa, California Measure I Funds

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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 City of Yucaipa, California (City), as of and for the year ended June 30, 2020, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Funds of the City as of June 30, 2020, 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 City as of June 30, 2020, 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 pages 12 and 13 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 requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Funds of the City. The program status and maintenance of effort schedules (other information) on pages 15 and 16, respectively, are presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the City'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 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 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 28, 2020

City of Yucaipa, California
Measure I Funds
Balance Sheet
June 30, 2020

	Measure I 1990-2010	Measure I 2010-2040
Assets		
Cash and investments	\$ -	\$ 1,559,962
Interest receivable		1,226
Taxes receivable	-	202,488
Total assets	<u>\$ -</u>	<u>\$ 1,763,676</u>
Fund Balance		
Restricted	<u>\$ -</u>	<u>\$ 1,763,676</u>

City of Yucaipa, California
Measure I Funds
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

	Measure I 1990-2010	Measure I 2010-2040
Revenues		
Measure I sales tax	\$ -	\$ 1,029,023
Interest	-	29,469
Total revenues	-	1,058,492
Expenditures		
Capital		
Construction	-	1,365,568
Revenues Over/(Under) Expenditures	-	(307,076)
Other Financing Sources (Uses)		
Transfers in	-	470,534
Transfers out	(470,534)	-
Net Change in Fund Balance	(470,534)	163,458
Fund Balance, Beginning of Year	470,534	1,600,218
Fund Balance, End of Year	\$ -	\$ 1,763,676

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 City of Yucaipa, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, and the changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 Fund of the City 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 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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 City 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 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.

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 City considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the City 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 City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

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 City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 City's determined MOE base level is \$175,764.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

Note 4 - Measure I Fund

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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 City accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

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

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 - Transfer In/Out

Transfers in the amount of \$470,534 represent Measure I 1990-2010 monies transferred to the Measure I 2010-2040 fund.



Required Supplementary Information
June 30, 2020

City of Yucaipa, California Measure I Funds

City of Yucaipa, California

Measure I Funds

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual –

Measure I 2010-2040 Fund

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 850,000	\$ 850,000	\$ 1,029,023	\$ 179,023
Interest	100	100	29,469	29,369
Total revenues	850,100	850,100	1,058,492	208,392
Expenditures				
Capital				
Construction	850,000	850,000	1,365,568	(515,568)
Revenues Over/(Under) Expenditures	100	100	(307,076)	(307,176)
Other Financing Sources (Uses)				
Transfers in	-	-	470,534	470,534
Net Change in Fund Balance	100	100	163,458	163,358
Fund Balance, Beginning of Year	1,600,218	1,600,218	1,600,218	-
Fund Balance, End of Year	\$ 1,600,318	\$ 1,600,318	\$ 1,763,676	\$ 163,358

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund. The Measure I 2010-2040 Fund's expenditures exceeded the budgeted amount by \$515,568.

The City did not adopt a budget for the Measure I 1990-2010 Fund.



Other Information
June 30, 2020

City of Yucaipa, California Measure I Funds

City of Yucaipa, California

Measure I Funds

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2019-10. 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 Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Measure I Funded Projects:			
10th Street - Ave E to Colorado St	\$ 106,172	\$ 72,310	\$ 33,862
8th Street - Washington Dr to Reedy Woods Ln	94,788	82,160	12,628
Avenue B - Douglas St to Fremont St	48,173	38,827	9,346
County Line Road - Holmes St to City Limits E	13,811	97,593	(83,782)
Grant Street - Ave E to Ramada Ln	83,080	66,148	16,932
7th Place - Nebraska St to 7th Pl	69,027	52,932	16,095
Alta Drive - West End to Bryant Street	33,366	35,501	(2,135)
Avocado Street - Fremont St to East End	35,745	28,754	6,991
Mariposa Street - Nido Ave to 6th St	44,890	38,999	5,891
Mountain View Street - Bryant St to Linn st	50,317	41,938	8,379
Rancho Road - Douglas St to Sutter Ave	42,930	35,177	7,753
2nd Street - Cedar Ave to Acacia Ave	39,658	41,824	(2,166)
Avenue D - 16th St to 14th St	147,744	49,592	98,152
Eureka Avenue - 6th St to End	39,188	37,901	1,287
Golden Gate Drive - West End to Highland Ave	144,261	84,770	59,491
Holly Avenue - Simi Dr to East End	132,386	50,391	81,995
Nebraska Street - 7th Pl to Wildwood Canyon Rd	34,425	37,588	(3,163)
Blossom Avenue - Ramada Ln to Vineyard St	40,814	35,585	5,229
Lantana Avenue - Ramada Ln to Lantana Ave	102,969	88,973	13,996
Ramada Lane - Blossom Ave to Lantana Ave	38,352	33,452	4,900
Cornell Lane - North End to Cornell Dr	18,857	21,016	(2,159)
Cornell Ct - North End to Cornell Dr	13,511	15,092	(1,581)
Cornell Drive - West End to Holmes Street	32,998	61,632	(28,634)
1st Street - Beech Avenue to Yucaipa Blvd	54,890	22,721	32,169
Holly Avenue - Simi Dr to East End	132,386	60,760	71,626
Total costs reported for projects on the Five-Year CIP:		<u>1,231,636</u>	
Expenditures on projects not included on the Five-Year CIP:			
10th Street - Yucaipa Blvd to Ave D	-	85,559	(85,559)
California Street - Date Ave to Cedarwood Ln	-	48,373	(48,373)
Total costs identified for projects not on Five-Year CIP:		<u>133,932</u>	
Totals		<u>\$ 1,365,568</u>	
Total expenditures reported in the Measure I 1990-2010 Fund		\$ -	
Total expenditures reported in the Measure I 2010-2040 Fund		<u>1,365,568</u>	
Total expenditures for the year ending June 30, 2020		<u>\$ 1,365,568</u>	

City of Yucaipa, California
Measure I Funds

Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures
Year Ended June 30, 2020

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 400,000	\$ (175,764)	\$ 224,236	\$ 224,236
2011	600,000	(175,764)	424,236	648,472
2012	200,000	(175,764)	24,236	672,708
2013	600,000	(175,764)	424,236	1,096,944
2014	400,000	(175,764)	224,236	1,321,180
2015	400,000	(175,764)	224,236	1,545,416
2016	400,000	(175,764)	224,236	1,769,652
2017	400,000	(175,764)	224,236	1,993,888
2018	400,000	(175,764)	224,236	2,218,124
2019	500,000	(175,764)	324,236	2,542,360



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 City of Yucaipa, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. 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 City as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the Measure I Funds (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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund 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 requirements of Measure I as specified in the agreement between the City 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, including the Measure I requirements as specified in the agreement between the City and SBCTA, which is described in the accompanying schedule of findings and responses as item 2020-001.

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. 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. Accordingly, this communication is not suitable for any other purpose.

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Rancho Cucamonga, California
December 28, 2020

Finding 2020-001

Projects included on the Five Year Capital Improvement Plan

Criteria:	The Measure I Strategic Plan states that the Five Year Capital Improvement Plan (CIP) shall be the basis for the annual audit. Jurisdictions will have flexibility with timing in moving projects within their Five Year CIP. However, in order for a project to be eligible for Measure I funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year.
Condition:	The City utilized Measure I funds for certain projects that were not included in the current CIP.
Context:	The City utilized MSI monies to fund costs for certain projects. While the costs were considered allowable project expenses in accordance with the strategic plan, the projects were not included on the current Five Year CIP.
Effect:	Measure I resources were utilized for costs on projects that were not included on the current Five Year CIP.
Cause:	The City did not submit an amended CIP.
Recommendation:	We recommend the City enhance its procedures to ensure that projects that have activity are included in the current Five Year CIP. This can be achieved through submitting a revised CIP to SBCTA as necessary.
View of Responsible Officials and Planned Corrective Action:	The City acknowledges the finding and the Department has made the process improvements to ensure appropriate City Council approved revised information is submitted to SBCTA when any additions or adjustments are made during the year.

City of Yucaipa, California
Measure I Funds
Summary Schedule of Prior Audit Findings
June 30, 2020

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2019-001	Bank Reconciliation	Implemented
2019-002	Projects included on the Five Year Capital Improvement Plan	Not Implemented; see current year Finding 2020-001



Financial Statements
June 30, 2020

Town of Yucca Valley, California Measure I Funds

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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 Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2020, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Funds of the Town as of June 30, 2020, 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 Town as of June 30, 2020, 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 pages 11 through 13 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 requires 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 and 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Funds of the Town. The program status and maintenance of effort schedules (other information) on page 15, is presented for purposes of additional analysis and are 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 statements, 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 28, 2020, on our consideration of the Town'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 Town'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 Town's internal control over financial reporting and compliance, as it relates to the Measure I Funds.

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Rancho Cucamonga, California
December 28, 2020

Town of Yucca Valley, California
Measure I Funds
Balance Sheet
June 30, 2020

	Measure I 1990-2010	Measure I 2010-2040
Assets		
Cash and investments	\$ 25,226	\$ 1,445,822
Taxes receivable		
Taxes	-	131,788
Total assets	<u>\$ 25,226</u>	<u>\$ 1,577,610</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 100
Wages payable	-	3,437
Total liabilities	<u>-</u>	<u>3,537</u>
Fund Balance		
Restricted	<u>25,226</u>	<u>1,574,073</u>
Total liabilities and fund balance	<u>\$ 25,226</u>	<u>\$ 1,577,610</u>

Town of Yucca Valley, California
Measure I Funds
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2020

	Measure I 1990-2010	Measure I 2010-2040
Revenues		
Measure I sales tax	\$ -	\$ 742,085
Interest	321	19,638
Total revenues	<u>321</u>	<u>761,723</u>
Expenditures		
Current		
General government	-	291,252
Capital		
Construction and engineering	<u>-</u>	<u>557,235</u>
Total expenditures	<u>-</u>	<u>848,487</u>
Net Change in Fund Balance	321	(86,764)
Fund Balance, Beginning of Year	<u>24,905</u>	<u>1,660,837</u>
Fund Balance, End of Year	<u><u>\$ 25,226</u></u>	<u><u>\$ 1,574,073</u></u>

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 Fund and Measure I 2010-2040 Fund (Measure I Funds) of the Town of Yucca Valley, California (Town) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the Town, as of June 30, 2020, 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 Town 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 Town 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 Town accounts for the Measure I 1990-2010 and Measure I 2010-2040 as 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 Town 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 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.

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 Town considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the Town 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 Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall.

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 Town Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the Town Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

F. 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 Town's determined MOE base level is \$0.

Note 3 - Taxes Receivable

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2020.

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 SBCTA to impose a half-cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino 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.

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

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



Required Supplementary Information
June 30, 2020

Town of Yucca Valley, California Measure I Funds

Town of Yucca Valley, California

Measure I Funds

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual –

Measure I 1990-2010 Fund

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ 57	\$ 321	\$ 264
Net Change in Fund Balance	-	57	321	264
Fund Balance, Beginning of Year	24,905	24,905	24,905	-
Fund Balance, End of Year	\$ 24,905	\$ 24,962	\$ 25,226	\$ 264

own of Yucca Valley, California

Measure I Funds

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual –

Measure I 2010-2040 Fund

Year Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 800,000	\$ 800,000	\$ 742,085	\$ (57,915)
Interest	7,500	7,500	19,638	12,138
Total revenues	807,500	807,500	761,723	(45,777)
Expenditures				
Current				
General government	306,655	306,655	291,252	15,403
Capital				
Construction and engineering	812,630	1,865,813	557,235	1,308,578
Total expenditures	1,119,285	2,172,468	848,487	1,323,981
Net Change in Fund Balance	(311,785)	(1,364,968)	(86,764)	1,278,204
Fund Balance, Beginning of Year	1,660,837	1,660,837	1,660,837	-
Fund Balance, End of Year	\$ 1,349,052	\$ 295,869	\$ 1,574,073	\$ 1,278,204

Note 1 - Budgetary Data

The Town adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Other Information
June 30, 2020

Town of Yucca Valley, California Measure I Funds

Town of Yucca Valley, California

Measure I Funds

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures

Year Ended June 30, 2020

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2031. 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 Project Estimate	Current Fiscal Year Expenditures	Over/(Under) Estimate
Town Wide Crack Seal	\$ 380,981	\$ 3,337	\$ 377,644
Onaga Trail & Palomar Ave. Intersection	275,000	2,030	272,970
Outer Highway South Sidewalk Project	248,000	248,000	-
Yucca Valley Elementary Sidewalk Project	195,000	195,000	-
Utilities (Street Lights)	250,000	49,171	200,829
SR62 Median Maintenance	320,974	10,698	310,276
Street Maintenance Program Personnel Costs	1,628,073	291,251	1,336,822
Indirect Cost Recovery	250,000	49,000	201,000
		<u>\$ 848,487</u>	
Total Measure I 2010-2040 Fund expenditures		<u>\$ 848,487</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 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 Measure I 2010-2040 Funds (Measure I Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2020, 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 28, 2020. 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 Town as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting of the Measure I Funds (internal control) as the 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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the Town 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 Town and San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of the Measure I as specified in the agreement between the Town and SBCTA.

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

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

Rancho Cucamonga, California
December 28, 2020