



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

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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

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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

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	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative )
Revenues				
Measure I sales tax	\$ 446,300	\$ 446,300	\$ 473,948	\$ 27,648
Interest income	-	-	14,515	14,515
Total revenues	<u>446,300</u>	<u>446,300</u>	<u>488,463</u>	<u>42,163</u>
Expenditures				
Current				
General government	10,000	10,000	10,000	-
Capital				
Construction	<u>456,629</u>	<u>456,629</u>	<u>511,143</u>	<u>(54,514)</u>
Total expenditures	<u>466,629</u>	<u>466,629</u>	<u>521,143</u>	<u>(54,514)</u>
Net Change in Fund Balance	(20,329)	(20,329)	(32,680)	(12,351)
Fund Balance, Beginning of Year	<u>701,818</u>	<u>701,818</u>	<u>701,818</u>	<u>-</u>
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	<u>10,000</u>	40,000
Total expenditures at June 30, 2020		<u>\$ 521,143</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 (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 Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 28, 2020