



Financial Statements
June 30, 2021

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, 2021, 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, 2021, 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, 2021, 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.

The City reclassified \$636,219 of expenditures out of the Measure I fund in the prior year, subsequent to the June 30, 2020 Fund audit. Further, the City identified expenditures of \$707,319 related to amounts that should have been recorded and accrued in the prior year Fund financial statements. As a result, the Measure I Fund restated its beginning fund balance as of July 1, 2020, which is described in Note 8. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the 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) as listed in the table of contents, 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 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
December 29, 2021

City of Victorville, California
Measure I Fund
Balance Sheet
June 30, 2021

Assets	
Cash and investments	\$ 8,801,573
Receivables	
Taxes	1,855,153
Other	19,781
Deposits and prepaids	<u>986</u>
Total assets	<u><u>\$ 10,677,493</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 65,346
Retentions payable	<u>29,000</u>
Total liabilities	<u>94,346</u>
Fund Balance	
Restricted	<u>10,583,147</u>
Total liabilities and fund balance	<u><u>\$ 10,677,493</u></u>

City of Victorville, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2021

Revenues	
Measure I sales tax	\$ 7,050,798
Reimbursements	38,867
Interest income	38,063
Other income	<u>1,058,911</u>
Total revenues	<u>8,186,639</u>
Expenditures	
Capital	
Construction	<u>2,764,866</u>
Net Change in Fund Balance	5,421,773
Fund Balance, Beginning of Year, as restated	<u>5,161,374</u>
Fund Balance, End of Year	<u><u>\$ 10,583,147</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, 2021, 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, 2021.

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 - Other Income

Other income for the year ended June 30, 2021 was \$1,058,911, which consists of two items. First, the City received \$733,596 related to a settlement for incomplete work performed by a contractor related to Tract 16792 Monte Vista/Dos Palmas. The claim was initiated over 10 years ago when the vendor became insolvent during the economic downturn in 2008. The claim was settled and funds were received during the year. Additionally, the City also received \$809,491 in proceeds related to a sale of property during the year, of which \$325,315 was allocated to the Measure I fund. The Fund was allocated proceeds based on the proportion of square footage of Measure I funded parcel in relation to the total property.

Note 6 - Reimbursements

The City received \$38,867 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.

Note 8 - Prior Year Restatement

The City has restated fund balance as of July 1, 2020 to properly reflect beginning equity as a result of the following:

- The City reclassified \$636,219 of expenditures out of the Measure I fund in the prior year, subsequent to the Fund audit, as these expenditures were related to other projects and funding sources.
- The City identified and reported expenditures of \$707,319 during the 2020-2021 fiscal year, related to amounts that should have been recorded and accrued in the prior year Fund financial statements.

The following table describes the effects of the restatement on the July 1, 2020 fund balance:

Measure I Fund	June 30, 2020 Previously Presented	Restatement	July 1, 2020 Restated
Fund Balance	\$ 5,232,474	\$ (71,100)	\$ 5,161,374

Additionally, the effect of the restatement on the statement of revenues, expenditures and change in fund balance is shown below:

Measure I Fund	June 30, 2020 Previously Presented	Restatement	July 1, 2020 Restated
Net change in fund balance	\$ 2,546,823	\$ (71,100)	\$ 2,475,723



Required Supplementary Information
June 30, 2021

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, 2021

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
Revenues				
Measure I sales tax	\$ 4,093,694	\$ 4,093,694	\$ 7,050,798	\$ 2,957,104
Reimbursements	53,000	46,663	38,867	(7,796)
Interest income	-	-	38,063	38,063
Other income	-	325,316	1,058,911	733,595
Total revenues	<u>4,146,694</u>	<u>4,465,673</u>	<u>8,186,639</u>	<u>3,720,966</u>
Expenditures				
Capital				
Construction	<u>5,325,541</u>	<u>7,625,893</u>	<u>2,764,866</u>	<u>4,861,027</u>
Net Change in Fund Balance	(1,178,847)	(3,160,220)	5,421,773	8,581,993
Fund Balance, Beginning of Year, as restated	<u>5,161,374</u>	<u>5,161,374</u>	<u>5,161,374</u>	-
Fund Balance, End of Year	<u>\$ 3,982,527</u>	<u>\$ 2,001,154</u>	<u>\$ 10,583,147</u>	<u>\$ 8,581,993</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 is at the fund level.



Other Information
June 30, 2021

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, 2021

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 20-074. 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	\$ 37,284	\$ (7,284)
Bear Valley Rd - Bridge Widening at BNSF Railroad & Road Approaches Industrial Blvd	75,000	46,999	28,001
La Mesa Rd - Cantina Rd to Mesa View, New road, Install traffic signal at US-395	17,945	(1,494)	19,439
Silica Rd, Hesperia rd to Industrial Blvd. Pavement Rehab & Replace Storm Drain	650,000	2,898	647,102
Third Ave; Nisqualli to Green Tree, Pavement Rehab	314,503	265,094	49,409
Herbert St; Amethyst Rd to 660 ft East, Construct New Road	168,429	24,924	143,505
Liberty Village - Pavement Rehabilitation (per location list)	1,300,000	1,115	1,298,885
Mariposa Rd at Yates Rd, Construct New Traffic Signal	205,000	1,662	203,338
Street Sweeper Replacement	205,000	166,728	38,272
Curb Access Ramp Replacements - per Location List	110,000	75,184	34,816
Message Board and Trailer	6,000	6,849	(849)
Concrete Sidewalk, Install or Repair - per location list	371,650	167,956	203,694
Categorical Projects:			
Traffic Control - Signing and Striping	5,554,835	1,008,692	4,546,143
Traffic Engineering	2,276,027	398,288	1,877,739
Traffic Signal Maintenance	1,086,541	162,952	923,589
Traffic Signals Comm/Controller Upgrades - various locations	62,500	-	62,500
Cost Allocation	1,700,071	323,433	1,376,638
Engineering Services	399,744	76,302	323,442
		<u>\$ 2,764,866</u>	
	Total expenditures		



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, 2021, 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 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, 2021. Our report also included an emphasis of matter regarding the restatement of fund balance as of July 1, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 29, 2021

2021-001 **Restatement of Beginning Fund Balance**
Material Weakness

Criteria: Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Each year, the beginning fund balance (equity) should be reconciled to the previous audit reports to ensure accuracy of the financial activity each year.

Condition: During procedures over beginning fund balance, we noted that the beginning fund balance didn't agree to the previous year Measure I audit fund balance by \$636,219.

Cause: The condition above was caused by a journal entry posted by the City after the fund financial statements were issued.

Effect: The fund financial statements were restated to fairly state fund balance as of July 1, 2020.

Recommendation: We recommend that the City enhance its closing process to ensure that beginning fund balance ties to the prior fiscal year ending fund balance, and that entries to correct balances are made on a timely basis.

View of Responsible Officials: The City of Victorville finance staff is reviewing its current audit processes and checklists for updates to ensure timely review and corrections. In addition, finance is implementing quarterly review of transportation accounts with key staff in the public works and engineering departments to review activity.

The City prepares its review deadlines to coincide with the start of our fiscal audit in October. When issues occurred during that FY20 audit that needed adjustments, they happened after the SBCTA Measure I statements were completed, causing this restatement for FY20.

2021-002

**Expenditure Recognition
Material Weakness**

Criteria: Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Expenditures should be identified and recognized during the period incurred.

Condition: During our procedures over disbursements, we noted that a disbursement in the amount of \$707,319 to the City of Adelanto was recorded in the current fiscal year, although the project related to costs incurred during the year ended June 30, 2020.

Cause: The City did not properly reflect the expenditures during the period incurred.

Effect: The fund financial statements were restated to accurately recognize expenditures related to the year ended June 30, 2020.

Recommendation: We recommend that the City enhance its closing process to ensure that expenditures are properly accrued to the appropriate fiscal year.

View of Responsible Officials: The City of Victorville has enacted training of the departments to incorporate use of the MUNIS general billing invoicing by all departments to make it easier for finance to review and track outstanding receivables and record them properly at year-end.

City of Victorville, California
Measure I Fund
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

None reported