



Financial Statements
June 30, 2020

City of Adelanto, 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 Fund 1990-2010 and Measure I Fund 2010-2040 (Measure I Funds) of the City of Adelanto, 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 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 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 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.

The City recorded an interest allocation of \$10,550 subsequent to the previous year's Measure I Fund audit. As a result, the 1990-2010 Measure I Fund restated its beginning fund balance as of July 1, 2019, which is described in Note 5. 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 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 opinions on the financial statements of the Measure I Funds of the City. The program status and maintenance of effort schedules (other information) as listed in the table of contents, respectively, are presented for purposes of additional analysis and are not a required part of the 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 31, 2022 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 cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
January 31, 2022

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

	Measure I Fund 1990-2010	Measure I Fund 2010-2040
Revenues		
Measure I sales tax	\$ -	\$ 763,607
Interest income	19,358	23,357
Total revenues	19,358	786,964
Expenditures		
Current		
Administrative cost	321	485
Street maintenance projects	-	101,926
Capital		
Construction	2,000,000	1,701,144
Total expenditures	2,000,321	1,803,555
Net Change in Fund Balance	(1,980,963)	(1,016,591)
Fund Balance, Beginning of Year, as restated	2,339,819	2,121,786
Fund Balance, End of Year	\$ 358,856	\$ 1,105,195

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 1990-2010 and Measure I Fund 2010-2040 (Measure I Funds) of the City of Adelanto, 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 1990-2010 and Measure I 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 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 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. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

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 \$168,321.

Note 3 - Receivables

Receivables 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 the SBCTA to impose a half cent retail transaction 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 I is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The 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 - Prior Year Restatement

The City has restated fund balance as of July 1, 2019 to properly reflect beginning equity as a result of the following:

- The City posted an interest accrual adjusting journal entry to the Measure I 1990-2010 fund in the prior year, subsequent to the Fund audit.

The following table describes the effects of the restatement on the July 1, 2019 fund balance:

<u>Measure I 1990-2010 Fund</u>	<u>June 30, 2019 Previously Presented</u>	<u>Restatement</u>	<u>July 1, 2019 Restated</u>
Fund Balance	\$ 2,329,269	\$ 10,550	\$ 2,339,819

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

<u>Measure I 1990-2010 Fund</u>	<u>June 30, 2019 Previously Presented</u>	<u>Restatement</u>	<u>July 1, 2019 Restated</u>
Net change in Fund Balance	\$ 11,720	\$ 10,550	\$ 22,270



Required Supplementary Information
June 30, 2020

City of Adelanto, California
Measure I Funds

City of Adelanto, 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 income	\$ -	\$ -	\$ 19,358	\$ 19,358
Expenditures				
Current				
Administrative cost	-	-	321	(321)
Capital				
Construction	2,000,000	2,000,000	2,000,000	-
Total Expenditures	2,000,000	2,000,000	2,000,321	(321)
Net Change in Fund Balance	(2,000,000)	(2,000,000)	(1,980,963)	19,037
Fund Balance, Beginning of Year, as restated	2,339,819	2,339,819	2,339,819	-
Fund Balance, End of Year	\$ 339,819	\$ 339,819	\$ 358,856	\$ 19,037

City of Adelanto, 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	\$ 625,000	\$ 787,000	\$ 763,607	\$ (23,393)
Interest income	-	-	23,357	23,357
Total revenues	<u>625,000</u>	<u>787,000</u>	<u>786,964</u>	<u>(36)</u>
Expenditures				
Current				
Administrative cost	-	-	485	(485)
Street maintenance projects	200,000	100,000	101,926	(1,926)
Capital				
Construction	<u>2,400,000</u>	<u>2,880,000</u>	<u>1,701,144</u>	<u>1,178,856</u>
Total expenditures	<u>2,600,000</u>	<u>2,980,000</u>	<u>1,803,555</u>	<u>1,176,445</u>
Net Change in Fund Balance	(1,975,000)	(2,193,000)	(1,016,591)	1,176,409
Fund Balance, Beginning of Year	<u>2,121,786</u>	<u>2,121,786</u>	<u>2,121,786</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 146,786</u>	<u>\$ (71,214)</u>	<u>\$ 1,105,195</u>	<u>\$ 1,176,409</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. Expenditures exceeded appropriations for the Measure I 1999-2010 Fund by \$321 for unbudgeted administrative costs.



Other Information
June 30, 2020

City of Adelanto, California
Measure I Funds

City of Adelanto, 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. 19-56. 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 Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
Named Projects:			
Adelanto Road (Holly To Air Expressway)	\$ 1,000,000	\$ 708,338	\$ 291,662
Rancho Road Rehabilitation	3,080,000	3,000,000	80,000
Vehicles and Equipment	340,000	19,972	320,028
Categorical Projects:			
City Wide Pavement Management System	725,000	62,275	662,725
City Wide Street Landscaping, Signage & Striping and Pedestrian Maintenance	700,000	13,291	686,709
		\$ 3,803,876	
Total expenditures reported in the Measure I 1990-2010 Fund		\$ 2,000,321	
Total expenditures reported in the Measure I 2010-2040 Fund		1,803,555	
Total expenditures at June 30, 2020		\$ 3,803,876	

City of Adelanto, 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:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 889,864	\$ (168,321)	\$ 721,543	\$ 721,543
2011	962,438	(168,321)	794,117	1,515,660
2012	1,023,984	(168,321)	855,663	2,371,323
2013	1,069,894	(168,321)	901,573	3,272,896
2014	1,123,626	(168,321)	955,305	4,228,201
2015	1,073,907	(168,321)	905,586	5,133,787
2016	1,040,610	(168,321)	872,289	6,006,076
2017	1,100,361	(168,321)	932,040	6,938,116
2018	1,652,271	(168,321)	1,483,950	8,422,066
2019	623,205	(168,321)	454,884	8,876,950



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 Adelanto, 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 January 31, 2022. 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. Our report also included an emphasis of matter regarding the restatement of fund balance as of July 1, 2019.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-003 to be significant deficiencies.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the 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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

City's Responses to Findings

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

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 Sully LLP".

Rancho Cucamonga, California
January 31, 2022

2020-001 Material Weakness - Financial Closing and Reporting Controls

Criteria – Management is responsible for the preparation of the basic financial statements and all accompanying information and well as representations contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition – During the audit, we identified adjustments, which were posted as part of the audit, for the following:

- The opening equity, as of July 1, 2019, did not agree to the audited Measure I report from the prior year. The difference was due to opening equity adjustments posted in the prior year, as well as other items posted by the City. As a result, we proposed adjustments for the following:
 - A decrease of \$7,194 to Measure I 2010-2040 fund balance and fund expenditures.

The City also posted adjustments to revenues and expenditures and made an interest accrual adjusting entry that was posted after the audit was finalized for \$10,550. As a result, the beginning fund balance was restated as of July 1, 2019.

We also proposed adjustments for the following items, which were adjusted by the City:

- Increase of \$4,389 and \$1,339 to investments and interest income for Local Agency Investment Fund fair value adjustment as of June 30, 2020, for Measure I 2010-2040 and Measure I 1990-2010 respectively.

We also noted that the City did not have any internal controls in place for the reconciliation of the Fund Balance.

Cause – The City’s procedure did not allow for timely reporting of information required for financial reporting.

Effect – Journal entries were proposed, and adjustments made to the financial statements, to fairly present the financial statements. The City’s internal control structure is weakened. The fund financial statements were restated to fairly state fund balances as of July 1, 2019.

Recommendation – We recommend the City review its closing policies and procedures in place to ensure amounts are properly captured, reconciled, classified, and reported in a timely manner.

Management’s Response – We concur with the finding. The city is working hard to get all audits fully up to date and currently is in process to implement closing procedures. All audits are on schedule to be complete through Fiscal Year 2021 by May 31st, 2022. This will ensure closing procedures that affect multiple funds will be done timely and completely.

2020-002 Significant Deficiency – Stale Checks

Criteria – Management should have processes and controls in place to address stale checks. Per California’s Unclaimed Property Law, it requires corporations, businesses, associations, financial institutions, and insurance companies (referred to as “Holders”) to annually report and deliver property to the State Controller’s Office after there has been no activity on the account or contact with the owner for a period of time specified in the law—generally three (3) years.

Condition – During procedures over cash and investments, we noted the existence of outstanding checks, listed in the citywide Open Payment Report, that had an open status for over 3 years. The three outstanding checks we noted totaled \$34,516, out of \$257,605 of outstanding checks.

Cause – The City does not have a process in place to properly address stale checks that remain outstanding after multiple years.

Effect – The stale checks remained outstanding and were not delivered to the State Controller’s Office.

Recommendation – We recommend the City revise its practices with respect to stale checks to ensure they adjust financial records and deliver to the State Controller’s Office, as needed.

Management’s Response – We concur with the finding. The City has hired a dedicated Accounts Payable person who will be responsible for monitoring the checks and following the procedures in the City Charter and the State of California for Unclaimed Property.

2020-003 Significant Deficiency – Timeliness of Bank Account Reconciliation

Criteria – The City should ensure that bank reconciliations are performed and reviewed timely.

Condition – During procedures over cash and investments, we noted that the final June 30, 2020 citywide bank reconciliation was not prepared and reviewed timely.

Cause – The City has not implemented changes to reconcile the bank account with all participating funds in a timely manner.

Effect – The bank reconciliation was not reviewed and approved until a year after they were prepared.

Recommendation – We recommend the City enhance its bank reconciliation process to perform and review the reconciliation within 30 days of the previous month end.

Management's Response – We concur with the finding. The City's bank reconciliation issue is due to the lack of closing procedures. The City has recently hired additional staff including a full-time Finance Director and Principal Accountant to oversee the close process to ensure bank reconciliations are done in a timely fashion.

City of Adelanto, 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	Journal entries for cash receipts were prepared, reviewed, and approved by the same individual	Implemented
2019-002	City did not track categorical project costs by individual project and was unable to determine whether individual projects exceeded \$100,000	Implemented
2019-003	Citywide bank reconciliation was not prepared and reviewed timely	Not Implemented, See 2020-003