



Financial Statements
June 30, 2022

City of Fontana, 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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Measure I 2010-2040 Fund (Measure I Fund) of the City of Fontana, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and 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 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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the program status and maintenance of effort schedules (other information), as listed in the table of contents, but does not include the basic financial statements and our auditor’s report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, 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.



Rancho Cucamonga, California
March 31, 2023

City of Fontana, California
Measure I Fund
Balance Sheet
June 30, 2022

Assets	
Cash and investments	\$ 19,940,376
Receivables	
Taxes	1,390,679
Interest	<u>43,446</u>
Total assets	<u>\$ 21,374,501</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities	
Accounts payable	\$ 405,828
Retentions payable	70,069
Accrued liabilities	<u>44,098</u>
Total liabilities	<u>519,995</u>
Deferred Inflows of Resources	
Unavailable Revenue	<u>1,390,679</u>
Fund Balance	
Restricted	<u>19,463,827</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 21,374,501</u>

City of Fontana, California
Measure I Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2022

Revenues	
Measure I sales tax	\$ 4,154,887
Interest income	<u>(615,562)</u>
Total revenues	<u>3,539,325</u>
Expenditures	
Capital	
Construction	<u>3,726,571</u>
Total expenditures	<u>3,726,571</u>
Net Change in Fund Balance	(187,246)
Fund Balance, Beginning of Year	<u>19,651,073</u>
Fund Balance, End of Year	<u><u>\$ 19,463,827</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 Fontana, 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, 2022, 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 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 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 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.

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 \$1,901,831.

F. 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 as revenues in the period that the amounts become available.

Note 3 - Taxes Receivable

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the SBCTA after June 30, 2022.

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



Required Supplementary Information
June 30, 2022

City of Fontana, California
Measure I Fund

City of Fontana, California

Measure I Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 3,686,630	\$ 4,096,630	\$ 4,154,887	\$ 58,257
Interest income	159,000	159,000	(615,562)	(774,562)
Total revenues	<u>3,845,630</u>	<u>4,255,630</u>	<u>3,539,325</u>	<u>(716,305)</u>
Expenditures				
Capital				
Construction	<u>2,665,010</u>	<u>20,307,217</u>	<u>3,726,571</u>	<u>16,580,646</u>
Net Change in Fund Balance	1,180,620	(16,051,587)	(187,246)	15,864,341
Fund Balance, Beginning of Year	<u>19,651,073</u>	<u>19,651,073</u>	<u>19,651,073</u>	-
Fund Balance, End of Year	<u>\$ 20,831,693</u>	<u>\$ 3,599,486</u>	<u>\$ 19,463,827</u>	<u>\$ 15,864,341</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.



Supplementary Information
June 30, 2022

City of Fontana, California
Measure I Fund

City of Fontana, California

Measure I Fund

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

Year Ended June 30, 2022

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-074. The following programs were affected during the current fiscal year:

Local Projects	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
Local Roadway Safety Plan (0012)	\$ 10,895	\$ 3,041	\$ 7,854
Flashing Yellow Arrow Installation (0015)	146,384	60,475	85,909
Fontana SRTS Gap Closure (0003)	155,095	30,095	125,000
Foothill/Alder Curb Ramp (3370)	245,273	34,774	210,499
F78 Flashing Beacon/TS (3384)	456,916	15,496	441,420
Mango/So Highland TS (3382)	497,908	44,524	453,384
Cypress Ave TS (3361)	631,525	116,401	515,124
Cherry @ Live Oak TS Mod (3341)	553,621	41,760	511,861
Alder Locust Ramona SRTS (3339)	544,768	44,768	500,000
Alder Middle School S/W (3367)	383,419	27,915	355,504
Arrow/Tokay TS (3354)	617,928	39,302	578,626
Sierra Ave & Riverside Ave (3329)	1,064,012	65,297	998,715
W Liberty Parkway Miller TS (0002)	745,856	17,244	728,612
Citrus/Ceres TS (3355)	876,724	43,927	832,797
San Sevaine PH I, Seg 2 (3345)	750,275	22,628	727,647
Valley Blvd & Almond Ave (3307)	2,168,883	755,896	1,412,987
Arrow/Cypress TS (3386)	1,089,317	105,805	983,512
Valley Blvd & Oleander Ave (3310)	2,153,130	631,413	1,521,717
Santa Ana Landscape:Cypress/Juniper (0017)	17,646	22,510	(4,864)
Victoria Street AC Sidewalk (0018)	360,000	(39)	360,039
SR-210 at Beech Ave. Traffic Signal (0022)	45	59	(14)
Kathy Binks Elem. Sch. SRTS TDA 21 (0024)	1,000	9,755	(8,755)
Baseline Ave and Palmetto Ave TS (0031)	1,000	3,030	(2,030)
Categorical Projects:			
Citywide Measure I Traffic Engineering Studies 24636007	488,025	97,376	390,649
Citywide Measure I Customer Relations 24636008	488,260	83,925	404,335
Citywide Measure I Street Lighting Related 24636009	423,800	70,351	353,449
Citywide Measure I Street Striping Related 24636010	467,955	57,618	410,337
Measure I 2010-2040 Local Cost Allocation 24636011	499,500	99,900	399,600
Measure I 2010-2040 Local Vehicle Maintenance 24636012	371,700	74,340	297,360
Citywide Measure I Street Related Activities 24636013	395,890	76,257	319,633
Citywide Measure I System (Traffic Controller Cabs) 24636014	512,805	53,961	458,844
Citywide Measure I System (Traffic Controller Equip) 24636015	325,000	59,446	265,554
Citywide Measure I System (Traffic Signal Equip) 24636016	450,000	69,764	380,236
Citywide Measure I System (Preventative Sig Maint) 24636017	488,580	102,912	385,668
Citywide Measure I System (Traffic Signal Maint) 24636018	383,990	76,675	307,315
Citywide Measure I Traffic-Related Signage 24636019	150,000	21,571	128,429
Citywide Measure I Emergency Reserve Equipment 24636020	375,700	68,776	306,924
Citywide Measure I Traffic Signal Maint Support 24636021	479,150	113,415	365,735
Citywide Measure I Traffic Signal Installation Support 24636022	479,150	113,415	365,735
Citywide Measure I Traffic Signal Communication Support 246360	480,905	107,428	373,477
Citywide Measure I Traffic Signal Modification/Upgrade 24636024	467,940	108,612	359,328
Citywide Measure I Traffic Signal Timing Sync 24636025	482,025	106,620	375,405
Citywide Measure I Traffic System Improvements 24636026	382,050	28,133	353,917
Total expenditures at June 30, 2022		<u>\$ 3,726,571</u>	

City of Fontana, California

Measure I Fund

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

Year Ended June 30, 2022

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	\$ 6,006,076	\$ (1,901,831)	\$ 4,104,245	\$ 4,104,245
2011	1,147,020	(1,901,831)	(754,811)	3,349,434
2012	(31,166)	(1,901,831)	(1,932,997)	1,416,437
2013	1,797,372	(1,901,831)	(104,459)	1,311,978
2014	4,268,833	(1,901,831)	2,367,002	3,678,980
2015	3,311,336	(1,901,831)	1,409,505	5,088,485
2016	2,055,478	(1,901,831)	153,647	5,242,132
2017	3,233,240	(1,901,831)	1,331,409	6,573,541
2018	3,367,571	(1,901,831)	1,465,740	8,039,281
2019	3,693,660	(1,901,831)	1,791,829	9,831,110
2020	3,551,484	(1,901,831)	1,649,653	11,480,763
2021	2,428,830	(1,901,831)	526,999	12,007,762



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 2010-2040 Fund (Measure I Fund) of the City of Fontana, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Measure I Fund basic financial statements, and have issued our report thereon dated March 31, 2023. 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, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on 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.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

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

Rancho Cucamonga, California
March 31, 2023

2022-001 **Year-End Closing
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, and accruals posted to general ledger when applicable.

Condition:

During procedures over accounts payable and related disbursements, we noted a disbursement in the amount of \$177,896, which related to April, May, and June 2022, but was not recorded within the general ledger. As a result, we proposed an adjustment to increase expenditures and related accounts payable, to include this disbursement in the activity of the fund.

Cause:

The City did not properly reflect the expenditures, or verify the cutoff, for the year.

Effect:

The adjustment was proposed and posted to the City's fund's financials statements in the amount of \$177,896.

Recommendation:

We recommend that the City enhance its closing process to ensure that expenditures and related accruals are recorded in the proper fiscal year.

Management's Response:

Management acknowledges the importance of accurately reflecting expenditures in the correct fiscal year. The City's fiscal year-end closing process for June 30, 2021, was significantly delayed, which was directly related to inadequate available staffing resources mainly due to staff turnover. This also impacted the fiscal year end closing process for June 30, 2022, which includes the accrual periods. During fiscal year 2022-23, the Accounting Department has filled 3 additional accountant level (or above) positions which will allow the city to meet closing entries, perform a more thorough review of transactions, and mitigate/minimize errors.

**2022-002 Payroll Expenditures Not Supported
Material Weakness**

Criteria:

The Valley Local Street (VLS) Program, Measure I 2010-2040 Strategic Plan, Section VLS -18a requires that all expenditures charge to the Measure I Transportation Sales Tax Fund to be supported by a warrant or source document (invoice, requisition, time sheet, equipment rental charge, etc.) clearly identifying the project and other pertinent data to establish a clear audit trail.

Condition:

During testing over payroll expenditures, the distribution of salaries and wages charged to the Measure I Fund were not appropriately supported by personnel activity reports, detailed timesheets, or equivalent documentation. Subsequently, the City performed a verification of time for employees that charged to the program and time certifications were provided.

Context:

The condition was noted during our testing for the year ended June 30, 2022.

Effect:

The City included costs for payroll related expenditures which were supported by budgeted amounts, and not actuals.

Cause:

The City did not maintain source documents used to allocate salaries and benefits to the Measure I Fund.

Recommendation:

We recommend the City enhance its procedures to ensure that salaries and benefits charged to the Measure I Fund are properly supported prior to charging amounts to the fund. This can be achieved through preparing and maintaining the personnel activity reports, detailed timesheets, or equivalent documentation used to allocate time to the Measure I Fund in a timely fashion.

Management's Response:

Management acknowledges and agrees with the importance of maintaining source documents used to allocate salaries and benefits to the Measure I Fund. Fiscal Year 2020-21 was the implementation year of the City's new payroll system in which the City began using an allocation based on employee certified time instead of a detailed timesheet. Due to Employee turnover of key personnel in the Engineering department, the original source documentation for Fiscal Year 2021-22 was not found. This documentation issue has been corrected retroactively with employee time certifications for FY 2021-22 and Fiscal Year 2022-23. Additionally, timesheets will be tracked with project detail.

City of Fontana, California
Measure I Fund
Summary Schedule of Prior Audit Findings
June 30, 2022

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2021-001	Financial Closing and Reporting Controls	Partially Implemented
2021-002	Payroll Expenditures Not Supported	Partially Implemented