



Financial Statements  
June 30, 2022

City of Rialto, California  
Measure I Fund

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Measure I Fund of the City of Rialto, 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 opinions.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only 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.

#### ***Correction of Error***

As discussed in Note 5 to the financial statements, the City recorded two journal entries, adjusting their interest allocation and engineering allocation, respectively. The City did not present these journal entries during the fiscal year 2021 audit, resulting in \$61,496 of expenditures being erroneously included in the report as of June 30, 2021. Accordingly, a restatement has been made to restate fund balance on July 1, 2021, which is described in Note 5. 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 (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 17, 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.

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

Rancho Cucamonga, California  
March 17, 2023

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

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Assets	
Cash and investments	\$ 7,812,626
Receivables	
Taxes	<u>701,102</u>
Total assets	<u>\$ 8,513,728</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 301,731
Accrued payroll	9,658
Payroll clearing	5,296
Retentions payable	<u>8,654</u>
Total liabilities	<u>325,339</u>
Fund Balance	
Restricted	<u>8,188,389</u>
Total liabilities and fund balance	<u>\$ 8,513,728</u>

City of Rialto, California  
**Measure I Fund**  
Statement of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2022

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Revenues	
Measure I sales tax	\$ 2,692,998
Investment income	<u>19,829</u>
Total revenues	<u>2,712,827</u>
Expenditures	
Current	
General government	<u>1,440,666</u>
Revenues over Expenditures	<u>1,272,161</u>
Net Change in Fund Balance	1,272,161
Fund Balance, Beginning of Year, as restated	<u>6,916,228</u>
Fund Balance, End of Year	<u><u>\$ 8,188,389</u></u>

## **Note 1 - General Information**

### **Reporting Entity**

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Rialto, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 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 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, 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 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 - Restatement**

The City has restated fund balance as of July 1, 2021 to properly reflect beginning fund balance as a result of the following:

- During the fiscal year 2020-2021 City-wide audit, the City recorded two journal entries, adjusting their interest allocation and engineering allocation, respectively. The City did not present these journal entries to the MSI audit team at the time, resulting in \$61,496 of expenditures being erroneously included in the report as of June 30, 2021. As a result, a restatement was necessary to correct the overstatement of fund balance due to reporting the expenditures in the June 30, 2021 Measure I Fund financial statements.

The following table describes the effect of the restatement on the July 1, 2021 fund balance:

<u>Measure I Fund</u>	<u>June 30, 2021 Previously Presented</u>	<u>Restatement</u>	<u>July 1, 2021 Restated</u>
Fund Balance	\$ 6,977,724	\$ (61,496)	\$ 6,916,228



Required Supplementary Information  
June 30, 2022

**City of Rialto, California**  
**Measure I Fund**

City of Rialto, California

Measure I Fund

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

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,864,733	\$ 1,864,733	\$ 2,692,998	\$ 828,265
Investment income	72,080	72,080	19,829	(52,251)
Total revenues	1,936,813	1,936,813	2,712,827	776,014
Expenditures				
Current				
General government	2,036,234	8,245,388	1,440,666	6,804,722
Net Change in Fund Balance	(99,421)	(6,308,575)	1,272,161	7,580,736
Fund Balance, Beginning of Year, as restated	6,916,228	6,916,228	6,916,228	-
Fund Balance, End of Year	\$ 6,816,807	\$ 607,653	\$ 8,188,389	\$ 7,580,736

**Note 1 - Budgetary Data**

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund.



Other Information  
June 30, 2022

# City of Rialto, California Measure I Fund



City of Rialto, California

Measure I Fund

Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures  
Year Ended June 30, 2022

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 7761 and amended by Council Resolution No. 7767. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Under/(Over) Estimate
Sr2s-cycle 10 Cedar Improvements	\$ 97,009	\$ 15,323	\$ 81,686
Randall Widening	23,253	2,395	20,858
(HSIP7) Baseline Street Improvements (Medians)	94,783	783	94,000
(HSIP) Class II Bike Lanes Merrill	2,717	229	2,488
City-wide Speed Survey With Truck Counts	32,335	14,913	17,422
Street Rehabilitation (overlay) - Riverside - Slover To City Limits	3,587,388	186,856	3,400,532
Climate Adaptation Plan (Planning Match)	31,403	31,961	(558)
Traffic Signal @ Pepper & Winchester	44,136	8,790	35,346
Street Rehabilitation (overlay)-pepper-baseline/city Limits	1,300,000	4,001	1,295,999
Ada Transition Plan- Public Right Of Way	350,000	4,058	345,942
Easton & Acacia Sidewalk Project	661,829	598,462	63,367
Pacific Electric Trail Expansion Feasibility Study	30,715	22,231	8,484
Street Rehabilitation (overlay)	3,694,207	296,237	3,397,970
Street Rehabilitation (overlay) I-210 To Foothill	600,000	211,477	388,523
1193 W Merrill Avenue Widening	330,000	33,486	296,514
<b>Categorical Projects</b>			
Citywide Minor Street Improvements & Other Misc Costs (Grant Activities)	250,000	9,464	240,536
Total expenditures at June 30, 2022		<u>\$1,440,666</u>	



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Measure I Compliance Requirements**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of Rialto, California (City), as of and for the year ended June 30, 2022, 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 March 17, 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. Our report also included an emphasis of matter regarding the restatement of fund balance as of July 1, 2021.

**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. However, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

## **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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
March 17, 2023

**2022-001      Restatement of Beginning Fund Balance/Financial Statement Preparation  
Material Weakness**

***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 our audit, we noted that the beginning fund balance did not agree to the prior fiscal year ending fund balance by \$61,496.

***Cause:***

Adjustments were made to the fund after the fiscal year 2021 audit was finalized.

***Effect:***

The Measure I fund financial statements were restated to correct beginning fund balance as of July 1, 2021.

***Recommendation:***

We recommend the City review its Measure I fund financial statement closing procedures. While the City did identify and correct the condition described above, procedures should be developed to allow for errors to be identified prior to issuing the reports each year.

***Management's Response:***

Management agrees with the recommendation and has both reviewed its Measure I fund statement closing procedures and put controls in place to prevent this from happening in the future.