



Financial Statements
June 30, 2022

Town of Apple Valley, 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 Town of Apple Valley, California (Town), 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 Town, as of June 30, 2022, and the changes in its financial position thereof 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 Town, 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 Town 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.

The Town previously reported a deferred outflow of resources related to a receivable balance of \$99,056. However, the Town also reported an allowance for doubtful accounts related to the same receivable. As a result, the Town has restated beginning fund balance on July 1, 2021, which is described in Note 7. 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 Town'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 February 17, 2023, on our consideration of the Town'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 Town'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 Town's internal control over financial reporting and compliance, as it relates to the Measure I Fund.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2023

Town of Apple Valley, California
Measure I Fund
Balance Sheet
June 30, 2022

Assets	
Cash and investments	\$ 4,314,702
Taxes receivable	460,989
Due from other governments	<u>104,758</u>
Total assets	<u><u>\$ 4,880,449</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 178,424
Accrued liabilities	<u>104,925</u>
Total liabilities	<u>283,349</u>
Fund Balance	
Restricted	<u>4,597,100</u>
Total liabilities and fund balance	<u><u>\$ 4,880,449</u></u>

Town of Apple Valley, California
Measure I Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2022

Revenues	
Measure I sales tax	\$ 2,795,662
Interest income	11,266
Refunds, reimbursements, and rebates	907,014
Intergovernmental	<u>2,228,090</u>
Total revenues	<u>5,942,032</u>
Expenditures	
Capital	
Construction and engineering	<u>5,478,464</u>
Net Change in Fund Balance	<u>463,568</u>
Fund Balance, Beginning of Year, as restated	<u>4,133,532</u>
Fund Balance, End of Year	<u><u>\$ 4,597,100</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 Town of Apple Valley, California (Town) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the Town, 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 Town 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 Town 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 Town 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 Town 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 Town considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the Town 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 Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town 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 Town Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the Town 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 Town's determined MOE base level is \$0.

Note 3 - Taxes receivable and Due from other governments

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2022. Due from other governments reflect other grant receivables due from CalTrans.

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 - Refunds, Reimbursements and Rebates

The Town recorded refunds, reimbursements and rebates in the amount of \$907,014 in the Measure I Fund. This revenue is primarily attributed to grants from the California Department of Transportation related to projects recorded within the Measure I Fund.

Note 6 - Intergovernmental Revenues

The Town recorded intergovernmental revenue in the amount of \$2,228,090 in the Measure I Fund. This revenue is primarily attributed to grants from various agencies funding projects related to the Measure I program.

Note 7 - Restatement

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

- Going back multiple years, the Town Measure I Fund had reported a receivable balance of \$99,948. During fiscal year 2020-2021, the Town recorded an allowance for these receivables of \$99,948, but a deferred inflow of resources – unavailable revenue of \$99,056 was erroneously included in the report as of June 30, 2021. Subsequent to the prior year Measure I Fund report date, the Town removed the receivables and reversed the allowance of \$99,948. As a result of the erroneous unavailable revenue of \$99,056 included in the report, a restatement was necessary to correct the understatement of fund balance due to reporting the unavailable revenues 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:

Measure I Fund	June 30, 2021 Previously Presented	Restatement	July 1, 2021 Restated
Fund Balance	\$ 4,034,476	\$ 99,056	\$ 4,133,532



Required Supplementary Information
June 30, 2022

Town of Apple Valley, California
Measure I Fund

Town of Apple Valley, 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
	Original	Final		Final Budget Positive (Negative)
Revenues				
Measure I sales tax	\$ 1,970,000	\$ 1,970,000	\$ 2,795,662	\$ 825,662
Interest income	25,000	25,000	11,266	(13,734)
Refunds, reimbursements, and rebates	52,000	52,000	907,014	855,014
Intergovernmental	3,934,750	3,934,750	2,228,090	(1,706,660)
Total revenues	5,981,750	5,981,750	5,942,032	(39,718)
Expenditures				
Capital				
Construction and engineering	6,252,875	5,855,363	5,478,464	376,899
Net Change in Fund Balance	(271,125)	126,387	463,568	337,181
Fund Balance, Beginning of Year, as restated	4,133,532	4,133,532	4,133,532	-
Fund Balance, End of Year	\$ 3,862,407	\$ 4,259,919	\$ 4,597,100	\$ 337,181

Note 1 - Budgetary Data

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



Other Information
June 30, 2022

Town of Apple Valley, California
Measure I Fund

Town of Apple Valley, 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. 2021-31 and 2022-037. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects	5-Year Plan Project Estimate	Current Fiscal Year Expenditures	(Over)/Under Estimate
Measure I Funded Projects			
Apple Valley Road and SR 18 Realignment	\$ 140,250	\$ 2,136,559	\$ (1,996,309)
Bear Valley Bridge Rehabilitation (Mojave River Bridge)	2,450,299	810,626	1,639,673
Bear Valley Intersection Improvements	525,000	488,734	36,266
Central Road from SR 18 to Bear Valley Road	1,840,000	45,494	1,794,506
Dale Evans Parkway at Waalew Road Realignment	1,285,000	95	1,284,905
Resurfacing 2021 (to include resurfacing portions of westerly Apple Valley north of Highway 18 and east of Navajo Road)	5,000,000	827,460	4,172,540
Standing Rock Realignment Signal	1,089,755	89,755	1,000,000
Stoddard Wells Road Widening	22,000	857,830	(835,830)
Town-Wide School Zone Analysis/LRSP	100,000	172,064	(72,064)
Traffic Control Device Deployment	29,438	2,015	27,423
Yucca Loma Elementary School Safe Routes to School Phase 2	986,000	33,048	952,952
SanBag Congestion Mgmt Plan Contribution	784	784	-
		<u>\$ 5,464,464</u>	
Measure I Fund Expenditures Funded By Other Sources			
Apple Valley South Safe Routes to School	11,000	<u>14,000</u>	(3,000)
		<u>\$ 14,000</u>	
		<u>\$ 5,478,464</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 Town of Apple Valley, California (Town), 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 February 17, 2023. 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 Town 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 Town’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 Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. 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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Scheduling of Findings and Responses as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiency, 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 item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the Town 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 Town and San Bernardino County Transportation Authority (SBCTA), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I as specified in the agreement between the Town and SBCTA.

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Town'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 Town'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.



Rancho Cucamonga, California
February 17, 2023

**2022-001 Expenditure Accrual
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 \$104,925, which related to 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 Town did not properly reflect the expenditures, or verify the cutoff, for the year.

Effect:

The adjustment was proposed and posted to the Town fund's financials statements to include the \$104,925 accrual.

Recommendation:

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

View of Responsible Officials:

We agreed with the proposed adjustment of \$104,925, and have posted the accrual to the Town's general ledger.

**2022-002 Bank Reconciliations
Material Weakness**

Criteria:

Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, and reviewed and approved in a timely manner.

Condition:

During procedures over cash and investments, we noted the Town's bank reconciliation for June 2022 was not prepared until December 2022. Further, the interest allocation to funds was not performed until December 2022.

Cause:

The Town did not perform a timely bank reconciliation or interest allocation.

Effect:

The audit was delayed.

Recommendation:

We recommend that the Town review the timing of its reconciliation procedures.

View of Responsible Officials:

We agree that bank reconciliation must occur on a more timely basis. We have taken steps to properly train applicable personnel.

**2022-003 Restatement of Beginning Fund Balance/Financial Statement Preparation
Significant Deficiency**

Criteria:

Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Each year, the beginning fund balance (equity) should be reconciled to the previous audit reports, as well as underlying accounting records of the Town, to ensure accuracy of the financial activity reported within the Measure I fund each year.

Condition:

During procedures over beginning fund balance, we noted that the beginning fund balance didn't agree to the previous year Measure I audit fund balance by \$99,056.

Going back multiple years, the Town Measure I Fund had reported a receivable balance of \$99,948. During fiscal year 2020-2021, the Town recorded an allowance for these receivables of \$99,948, but a deferred inflow of resources – unavailable revenue of \$99,056 was erroneously included in the report as of June 30, 2021. Subsequent to the prior year Measure I Fund report date, the Town removed the receivables and reversed the allowance of \$99,948. As a result of the erroneous unavailable revenue of \$99,056 included in the report, a restatement was necessary to correct the understatement of fund balance due to reporting the unavailable revenues in the June 30, 2021 Measure I Fund financial statements.

Cause:

The Town's internal control allowed for the identification and correction of the error described in the condition above during the June 30, 2022 fiscal year. However, it was not corrected during the prior audit of the June 30, 2021 Measure I fund, resulting in a restatement to the fund as of July 1, 2021.

Effect:

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

Recommendation:

We recommend that the Town review its Measure I fund financial statement closing procedures. While the Town 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.

View of Responsible Officials:

We agree that restatement was necessary in this financial statement but was not necessary in the Town's financial statement because the Town did not include such a transaction in the trial balance nor in the Town's audited financial statements. We recognize the serious responsibility of identifying and correcting errors prior to issuance of financial statements as demonstrated in the prior year's audit wherein we indicated to the auditors that the item was incorrectly presented. We have broadened our financial statement review processes to include adequate communication with the audit engagement staff to ensure we clearly express the Town's position when presented with issues such as the condition described above.

Town of Apple Valley, California
Measure I Fund
Summary Schedule of Prior Audit Findings
June 30, 2022

None reported.