



Financial Statements
June 30, 2022

City of Victorville, California
Measure I Fund

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

Correction of Error

As discussed in Note 7 to the financial statements, the City reclassified \$92,099 of expenditures into the Measure I Fund in the prior year, subsequent to the issuance of the 2021 Measure I Fund financial statements, as these expenditures were recorded in the incorrect fund in the prior year. Additionally, the City reclassified \$160,547 of expenditures out of the Measure I Fund in the prior year, subsequent to the issuance of the 2021 Measure I Fund financial statements, as these expenditures were related to other projects and funding sources. As a result, the Measure I Fund restated its beginning fund balance as of July 1, 2021, to correct the error. 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 schedule (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 May 11, 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
May 11, 2023

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

Assets	
Cash and investments	\$ 12,207,728
Receivables	
Taxes	1,783,921
Other	19,040
Deposits and prepaids	<u>1,105</u>
Total assets	<u><u>\$ 14,011,794</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities	
Accounts payable	\$ 47,993
Retentions payable	<u>72,232</u>
Total liabilities	<u>120,225</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>599,092</u>
Fund Balance	
Restricted	<u>13,292,477</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 14,011,794</u></u>

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

Revenues	
Measure I sales tax	\$ 6,456,951
Reimbursements	74,550
Interest income	<u>110</u>
Total revenues	<u>6,531,611</u>
Expenditures	
Capital	
Construction	<u>3,890,729</u>
Net Change in Fund Balance	2,640,882
Fund Balance, Beginning of Year, as restated	<u>10,651,595</u>
Fund Balance, End of Year	<u><u>\$ 13,292,477</u></u>

Note 1 - General Information

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Victorville, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 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 located at 14343 Civic Center Drive, Victorville, California 92393.

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 - Reimbursements

The City received \$74,550 of revenue related to traffic signal maintenance fees that the City charges to the City of Hesperia, the City of Adelanto, and the County of San Bernardino.

Note 6 - Allocated Costs

In accordance with the City’s cost allocation plan, \$323,433 of allocated costs have been charged to the Measure I Fund. These costs include allocations for departmental costs such as the city manager, risk management, city clerk, finance, information services, city attorney, human resources, fleet maintenance, and city facilities.

Note 7 - Prior Year Restatement

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

- The City reclassified \$92,099 of expenditures into the Measure I fund in the prior year, subsequent to the Fund audit, as these expenditures were recorded in the incorrect fund in the prior year.
- The City reclassified \$160,547 of expenditures out of the Measure I fund in the prior year, subsequent to the Fund audit, as these expenditures were related to other projects and funding sources.

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

Measure I Fund	June 30, 2021 Previously Presented	Restatement	July 1, 2021 Restated
Cash	\$ 8,801,573	\$ 68,448	\$ 8,870,021
Fund Balance	10,583,147	68,448	10,651,595



Required Supplementary Information
June 30, 2022

City of Victorville, California
Measure I Fund

City of Victorville, California

Measure I Fund

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

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 5,597,290	\$ 5,597,290	\$ 6,456,951	\$ 859,661
Reimbursements	42,500	42,500	74,550	32,050
Interest income	-	-	110	110
Total revenues	<u>5,639,790</u>	<u>5,639,790</u>	<u>6,531,611</u>	<u>891,821</u>
Expenditures				
Capital				
Construction	<u>8,013,202</u>	<u>11,766,805</u>	<u>3,890,729</u>	<u>7,876,076</u>
Net Change in Fund Balance	(2,373,412)	(6,127,015)	2,640,882	8,767,897
Fund Balance, Beginning of Year, as restated	<u>10,651,595</u>	<u>10,651,595</u>	<u>10,651,595</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,278,183</u>	<u>\$ 4,524,580</u>	<u>\$ 13,292,477</u>	<u>\$ 8,767,897</u>

Note 1 - Budgetary Data

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



Other Information
June 30, 2022

City of Victorville, California
Measure I Fund

City of Victorville, California

Measure I Fund

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

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 21-091 and amended by Resolution No. 22-093. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Projects	5-Year Plan Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Named Projects			
7th St, south of D St, Replace & Upgrade Archway Lighting & Signage	\$ 160,864	\$ 145,864	\$ 15,000
Arrowhead Dr, Green Tree Blvd to Nisqualli Rd, Pavement Rehab., bike lanes, sidewalk	262,353	262,353	-
Bear Valley Rd - Bridge Widening at BNSF Railroad & Road Approaches Industrial Blvd	-	244 *	(244)
Concrete Sidewalk, Install or Repair per location list	371,650	143,045	228,605
Curb Access Ramps - per Location List	110,000	40,149	69,851
La Mesa Rd - Cantina Rd to Mesa View, New road, Install traffic signal at US-395	50,438	50,438	-
Liberty Village - Pavement Rehabilitation, per location list	51,569	1,036,419	(984,850)
Mariposa Rd at Yates Rd, Construct New Traffic Signal	1,563	176,934	(175,371)
Mojave Dr at Condor Dr, Construct New Traffic Signal	40,000	73,331	(33,331)
Mountain View Acres Pavement Rehabilitation - per location list	102,000	90,686	11,314
Nisqualli Rd / I-15 Interchange, Environmental Monitoring & Reporting	11,592	38,835	(27,243)
Seventh Ave, Nisqualli Rd to Bear Valley Rd, Pavement Rehabilitation, Bike Lanes & Sidewalk	1,033,000	44,084	988,916
Silica Rd, Hesperia Rd to Industrial Blvd, Pavement Rehabilitation & Replace Storm Drain	95,156	71,548	23,608
Safe Routes to Schools	-	(338,245) *	338,245
Traffic Signal Maintenance Bucket Truck	253,000	15,238	237,762
Categorical Projects:			
Cost Allocation	1,700,071	323,433	1,376,638
Engineering Services	757,174	28,404	728,770
Traffic Control - Signing & Striping	5,990,486	1,058,603	4,931,883
Traffic Engineering	2,614,861	398,329	2,216,532
Traffic Signal Maintenance	1,692,164	231,037	1,461,127
Total expenditures		<u>\$ 3,890,729</u>	

* The City noted the \$244 charge to the Bear Valley Rd – Bridge Widening at BNSF Railroad & Road Approaches Industrial Blvd project were miscoded to MSI and will be reclassified to the correct fund in FY23.

* The \$338,245 related to the Safe Routes to Schools project was due to expenditures recorded by the City in a prior year. The City was seeking damage charges from the Vendor and recorded the expenditures in the full amount as it did not expect it would be able to recover the charges. The City recovered the amount in 2022.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of Victorville, California (City), as of and for the year ended June 30, 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 May 11, 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 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting of the Measure I Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 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 the Measure I as specified in the agreement between the City and SBCTA.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
May 11, 2023

2022-001

**Restatement of Beginning Fund Balance
Material Weakness**

Criteria:

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

Condition:

During procedures over beginning fund balance, we noted that the beginning fund balance did not reconcile to the previous year Measure I audit fund balance by \$68,448.

Cause:

The condition above was caused by adjustments made by the City after the prior year's audit.

Effect:

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

Recommendation:

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

View of Responsible Officials:

Throughout the 2021-22 fiscal year, the finance department added staff to enhance its internal controls and efficiency in preparation for monthly and annual close. During the City of Victorville's 2020-21 fiscal year audit, entries were needed to be made which then caused a restatement for the SBCTA Measure I audit as it had already been completed. The additional staff and training have enabled implementation of additional controls in the form of secondary reviews of both fund balance and project reconciliations as part of its annual audit preparation.

As part of the FY23-24 budgeting process, the City's Executive Management Team will be requesting the addition of an Internal Auditor position to the Table of Organization to help to identify potential audit issues on an ongoing basis, prior to the external auditing process.

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

Criteria:

The Victor Valley Local Street (VVLS) Program, Measure I 2010-2040 Strategic Plan, Section VVLS -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.

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.

View of Responsible Officials:

Per VVLS-16c Direct Costs include compensation of employees for the time devoted and identified to the performance of the eligible street or road projects. The employees charging to the funding are assigned specific tasks or areas of the city which comply with the VVLS-16b maintenance expenditures listing. Although we believe that the work performed by the individuals is qualified to be charged to this funding source, we will review and discuss the suggested methods to ensure implementation of an appropriate method reflecting this compliance.

As part of the FY23-24 budgeting process, the City's Executive Management Team will be requesting the addition of an Internal Auditor position to the Table of Organization to help to identify potential audit issues on an ongoing basis, prior to the external auditing process.

City of Victorville, California
Measure I Fund
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Finding No.	Description	Status
2021-001	Expenditure Recognition	Implemented