

Support Material Agenda Item No. 7

Board of Directors Meeting
April 3, 2024
10:00 a.m.

Location:

San Bernardino County Transportation Authority
First Floor Lobby Board Room
Santa Fe Depot, 1170 W. 3rd Street
San Bernardino, CA 92410

CONSENT CALENDAR

Administrative Matters

7. Measure I Compliance Audits for Fiscal Year 2022/2023

Review and make a finding that the Measure I expenditures for Fiscal Year 2022/2023 (excluding City of Adelanto and Town of Apple Valley) are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

Full financial reports are attached in the order listed below:

- *City of Barstow*
- *City of Big Bear Lake*
- *City of Chino*
- *City of Chino Hills*
- *City of Colton*
- *City of Fontana*
- *City of Grand Terrace*
- *City of Hesperia*
- *City of Highland*
- *City of Loma Linda*
- *City of Montclair*
- *City of Ontario*
- *City of Rancho Cucamonga*
- *City of Redlands*
- *City of San Bernardino*
- *City of Twentynine Palms*
- *City of Upland*
- *City of Victorville*
- *City of Yucaipa*
- *Town of Yucca Valley*
- *San Bernardino County*

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Barstow, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 20, 2023

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 2,578,107
Receivables	
Taxes (Note 4)	320,806
Due from other governments (Note 5)	718,293
Interest	<u>12,334</u>
 Total assets	 <u>\$ 3,629,540</u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities

Accounts payable	\$ 811,183
Due to SBCTA (6)	46,255
Due to the City of Barstow (7)	<u>1,700,000</u>
 Total liabilities	 <u>2,557,438</u>

Deferred Inflows of Resources

Unavailable revenue (Note 5)	<u>718,293</u>
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Fund balance - restricted

Unassigned	<u>353,809</u>
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Liabilities, deferred inflows of resources and fund balance	<u>\$ 3,629,540</u>
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See accompanying notes to financial statements

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 2,048,946
Investment income	10,284
Intergovernmental (Note 9)	<u>313</u>
Total revenues	<u>2,059,543</u>
Expenditures:	
Capital Projects	<u>9,020</u>
Total expenditures	<u>9,020</u>
Other Financing Sources (Uses)	
Transfers to the City of Barstow (Note 10)	<u>(1,029,047)</u>
Total other financing sources (uses)	<u>(1,029,047)</u>
Net change in fund balance	1,021,476
Fund (Deficit) balance at beginning of year	<u>(667,667)</u>
Fund balance at end of year	<u>\$ 353,809</u>

See accompanying notes to financial statements

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 Barstow, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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 90 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.

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, are based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

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 \$601,014.

Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

(3) **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.

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **Cash and Investments (Continued)**

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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$2,578,107.

(4) **Taxes Receivable**

The taxes receivable of \$320,806 represents Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

(5) **Due from other Governments**

Due from other governments in the amount of \$718,293 represents amounts owed to the Measure I fund for projects funded with revenues other than Measure I Local Streets and Roads funds, pending reimbursement from Measure I – Regional Bridge Project. This amount is also included in unavailable revenue.

(6) **Due to SBCTA**

At June 30, 2023, the Measure I 2010-2040 Fund owed SBCTA in the amount of \$46,255. The \$46,255 represents the amount that was refunded for the excess of condemnation deposits required as part of the First Avenue Bridge over BNSF project in relation to obtaining the necessary right-of-way for the project. The full condemnation deposit had been previously reimbursed to the City of Barstow by Caltrans and SBCTA; therefore, the refund received for the condemnation deposits are due to Caltrans and SBCTA.

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(7) Due to the City of Barstow

At June 30, 2023, the Measure I 2010-2040 Fund owed the City \$1,700,000. The \$1,700,000 represents the remaining balance of a \$2,000,000 advance from the City's General Fund in order to fund the completion of the Henderson/Cameron Area Road Project. The advance does not accrue interest and will be repaid over five years as funds are available. The first payment was made during fiscal year 2017-18. Payments of \$250,000 are due on or before June 30 each of the first four years with a \$1,000,000 payment due in the fifth year. The City did not make a payment in the current fiscal year due to a shortfall in available funds. It is anticipated that the City will continue making payments during fiscal year 2023-2024. If necessary, the City may revise the payment plan. However, at this time, no additional revision to the initial plan of repayment is proposed.

(8) 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.

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(8) **Measure I Fund (Continued)**

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

(9) **Intergovernmental Revenues**

The City recorded intergovernmental revenue in the amount of \$313 in the Measure I Fund. This revenue is primarily attributed to grants from various agencies funding projects related to the Measure I program.

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(10) Transfers to the City of Barstow

Transfers were made to the City's Capital Improvement Fund in the amount of \$1,012,747 to supplement costs incurred for bridge projects approved by Barstow City Council and SBCTA through independent agreements with SBCTA. Transfers were made to the City's General Fund in the amount of \$16,300 to supplement costs incurred for street improvement activities as approved in the City's Measure I Five-Year Plan.

<u>Transfers In</u>	<u>Transfers Out</u> <u>Measure I 2010-2040 Fund</u>
City of Barstow	\$1,029,047

(11) Restrictions

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five-Year Capital Improvement Program.

(12) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(13) 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.

Required Supplementary Information

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 1,623,043	\$ 1,623,043	\$ 2,048,946	\$ 425,903
Investment income	-	-	10,284	10,284
Intergovernmental (Note 9)	<u>4,782,460</u>	<u>4,782,773</u>	<u>313</u>	<u>(4,782,460)</u>
Total revenues	<u>6,405,503</u>	<u>6,405,816</u>	<u>2,059,543</u>	<u>(4,346,273)</u>
Expenditures:				
Construction, maintenance, and engineering	<u>-</u>	<u>33,963</u>	<u>9,020</u>	<u>24,943</u>
Total expenditures	<u>-</u>	<u>33,963</u>	<u>9,020</u>	<u>24,943</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,405,503</u>	<u>6,371,853</u>	<u>2,050,523</u>	<u>(4,321,330)</u>
Other Financing Sources (Uses):				
Transfers to the City of Barstow	<u>(5,253,032)</u>	<u>(4,446,487)</u>	<u>(1,029,047)</u>	<u>(3,417,440)</u>
Net change in fund balance	<u>\$ 1,152,471</u>	<u>\$ 1,925,366</u>	1,021,476	<u>\$ (903,890)</u>
Fund (Deficit) balance at beginning of year			<u>(667,667)</u>	
Fund balance at end of year			<u>\$ 353,809</u>	

Other Information

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 5105-2022 adopted August 15, 2022 and later amended August 21, 2023. 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
Pavement Management Program	\$ 33,963	\$ 9,020	\$ 24,943
Pavement Maintenance	16,300	16,300	-
First Avenue Bridge BNSF - Project Management	1,206,000	289,437	916,563
N First Avenue Bridge - BNSF Construction	850,000	705,430	144,570
Expenditures for Regional Funding Agreement	Project Estimate	Current Fiscal Year Expenditures	(Over)/Under Estimate
N. 1st Ave Bridge - Mojave River	\$ 800,000	\$ 1,908	\$ 798,092
N. 1st Ave Bridge - BNSF (PS&E)	205,674	15,874	189,800
N. 1st Ave Bridge - BNSF (ROW)	<u>1,443,936</u>	<u>98</u>	<u>1,443,838</u>
Total costs reported for projects on the Five-Year CIP		<u>\$ 1,038,067</u>	
Transfers to City in Measure I 2010-2040 Fund		\$ 1,029,047	
Expenditures in Measure I Fund		<u>9,020</u>	
Total expenditures at June 30, 2023		<u>\$ 1,038,067</u>	

CITY OF BARSTOW, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 1,458,719	\$ (601,014)	\$ 857,705	\$ 857,705
2011	1,991,867	(601,014)	1,390,853	2,248,558
2012	2,292,244	(601,014)	1,691,230	3,939,788
2013	1,495,321	(601,014)	894,307	4,834,095
2014	811,872	(601,014)	210,858	5,044,953
2015	489,166	(601,014)	(111,848)	4,933,105
2016	1,161,181	(601,014)	560,167	5,493,272
2017	1,008,724	(601,014)	407,710	5,900,982
2018	961,000	(601,014)	359,986	6,260,968
2019	1,120,922	(601,014)	519,908	6,780,876
2020	1,032,242	(601,014)	431,228	7,212,104
2021	788,319	(601,014)	187,305	7,399,409
2022	770,862	(601,014)	169,848	7,569,257



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

**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**

We have audited, in accordance with the 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 Barstow, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 20, 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements described in Measure I Ordinance (the “Ordinance”) as specified in the agreement between the City and San Bernardino County Transportation Authority (“SBCTA”) and certain provisions of laws, regulations, contracts, and grant agreements, 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 Ordinance as specified in the agreement between the City and SBCTA.

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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California
December 20, 2023

**CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 276 (Measure I Fund) of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 December 21, 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.


Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments	\$ 448,700
Receivables	
Taxes	183,476
Interest	<u>2,013</u>
 Total assets	 <u><u>\$ 634,189</u></u>

DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Deferred Inflows of resources	
Unavailable revenue	<u>\$ 60,415</u>
 Fund balance	
Restricted for transportation	<u>573,774</u>
 Total deferred inflows of resources and fund balance	 <u><u>\$ 634,189</u></u>

See notes to financial statements.

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

Revenue	
Measure I sales tax	\$ 613,862
Interest income	<u>5,443</u>
Total revenues	<u>619,305</u>
Other financing sources (uses)	
Transfer to other City funds	<u>(430,460)</u>
Net change in fund balance	188,845
Fund balance, beginning of year	<u>384,929</u>
Fund balance, end of year	<u><u>\$ 573,774</u></u>

See notes to financial statements.

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 276 (Measure I Fund) of the City of Big Bear Lake, 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, 2023, 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

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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

(Continued)

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unclassified inputs not defined as a Level 1, Level 2, or Level 3 input.

Deferred Inflows of Resources: Deferred inflows of resources-unavailable revenues represents an acquisition of net assets that applies to a future period. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represents amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

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 \$717,041.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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.

(Continued)

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

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 – TRANSFERS TO OTHER CITY FUNDS

During the year ended June 30, 2023, the Fund transferred \$80,000 to the City’s General Fund and \$350,460 to the City’s Capital Projects Fund for general street maintenance activities and street improvement activities in accordance with the City’s Measure I Five-Year Capital Improvement Plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BIG BEAR LAKE, CALIFORNIA
 MEASURE I FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
 BUDGET AND ACTUAL
 Year ended June 30, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance From Final Budget Positive (Negative)
Revenues				
Measure I sales tax	\$ 488,400	\$ 488,400	\$ 613,862	\$ 125,462
Interest income	<u>1,500</u>	<u>1,500</u>	<u>5,443</u>	<u>3,943</u>
Total revenues	489,900	489,900	619,305	129,405
Other financing sources (uses)				
Transfer to other City funds	<u>(430,460)</u>	<u>(430,460)</u>	<u>(430,460)</u>	-
Net change in fund balance	59,440	59,440	188,845	129,405
Fund balance, beginning of year	<u>384,929</u>	<u>384,929</u>	<u>384,929</u>	-
Fund balance, end of year	<u>\$ 444,369</u>	<u>\$ 444,369</u>	<u>\$ 573,774</u>	<u>\$ 129,405</u>

See Note to Required Supplementary Information.

CITY OF BIG BEAR LAKE, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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. Measure I costs are budgeted as transfers out of the Measure I Fund as those costs are incurred in the City's General Fund (\$80,000) and Capital Projects Fund (\$350,460) for general street maintenance activities and street improvement activities in accordance with the City's Measure I Five Year Capital Improvement Plan.

ADDITIONAL INFORMATION

CITY OF BIG BEAR LAKE, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-81. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Under/(Over) Estimate</u>
Local projects			
FY22/23 Street Rehabilitation Project	\$ 409,900	\$ <u>430,460</u>	\$ (20,560)
		<u>\$ 430,460</u>	
Total expenditures as of June 30, 2023		<u>\$ 430,460</u>	

* In total the City did not exceed the CIP budget

CITY OF BIG BEAR LAKE, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 1,761,749	\$ (717,041)	\$ 1,044,708	\$ 1,044,708
2011	638,102	(717,041)	(78,939)	965,769
2012	951,261	(717,041)	234,220	1,199,989
2013	609,116	(717,041)	(107,925)	1,092,064
2014	529,418	(717,041)	(187,623)	904,441
2015	835,865	(717,041)	118,824	1,023,265
2016	1,118,076	(717,041)	401,035	1,424,300
2017	1,902,815	(717,041)	1,185,774	2,610,074
2018	1,426,723	(717,041)	709,682	3,319,756
2019	1,979,992	(717,041)	1,262,951	4,582,707
2020	1,887,567	(717,041)	1,170,526	5,753,233
2021	1,731,605	(717,041)	1,014,564	6,767,797
2022	1,625,519	(717,041)	908,478	7,676,275

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

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 276 (Measure I Fund) of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2023, 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 December 21, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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, 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*.

(Continued)

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.


Crowe LLP

Los Angeles, California
December 21, 2023

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Big Bear Lake's (City), compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

(Continued)

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
December 21, 2023

**CITY OF CHINO, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Chino, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 December 20, 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.



Crowe LLP

Los Angeles, California
December 20, 2023

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

	<u>2023</u>
ASSETS	
Cash and investments	\$ 3,214,356
Receivables	
Taxes	628,836
Interest	<u>11,187</u>
 Total assets	 <u><u>\$ 3,854,379</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 77,544
 Fund balance	
Restricted for transportation	 <u>3,776,835</u>
 Total liabilities and fund balance	 <u><u>\$ 3,854,379</u></u>

See notes to financial statements.

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

	<u>2023</u>
Revenue	
Measure I sales tax	\$ 2,471,065
Interest income	<u>100,221</u>
Total revenues	<u>2,571,286</u>
Expenditures	
Capital	
Construction and engineering	<u>1,390,133</u>
Excess of revenues over expenditures	1,181,153
Other financing sources (uses)	
Transfers to the City of Chino transportation grants fund	<u>(1,235,532)</u>
Net change in fund balance	(54,379)
Fund balance, beginning of year	<u>3,831,214</u>
Fund balance, end of year	<u>\$ 3,776,835</u>

See notes to financial statements.

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 Chino, 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, 2023, 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

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, and within 6 months for grant, 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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

(Continued)

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, as well as on the City's website: www.cityofchino.org.

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.

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 \$383,567.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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.

(Continued)

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

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 – TRANSFERS TO THE CITY OF CHINO

During the year ended June 30, 2023, the Fund transferred \$1,235,532 to the City of Chino Transportation Grants fund for citywide categorial projects related to traffic control/signal maintenance, asphalt pavement/overlay, and concrete maintenance/graffiti abatement. These costs incurred qualified under the Measure I Ordinance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHINO, CALIFORNIA
 MEASURE I FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCE – BUDGET AND ACTUAL
 Year ended June 30, 2023

	Budget		<u>Actual</u>	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Measure I sales tax	\$ 2,300,000	\$ 2,300,000	\$ 2,471,065	\$ 171,065
Interest income	<u>62,000</u>	<u>62,000</u>	<u>100,221</u>	<u>38,221</u>
Total revenues	2,362,000	2,362,000	2,571,286	209,286
Expenditures				
Capital				
Construction and engineering	5,031,355	5,031,995	1,390,133	3,641,862
Other financing sources (uses)				
Transfers to the City of Chino transportation grants fund	<u>(1,150,000)</u>	<u>(1,150,000)</u>	<u>(1,235,532)</u>	<u>(85,532)</u>
Net change in fund balance	(3,819,355)	(3,819,995)	(54,379)	3,765,616
Fund balance, beginning of year	<u>3,831,214</u>	<u>3,831,214</u>	<u>3,831,214</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,859</u>	<u>\$ 11,219</u>	<u>\$ 3,776,835</u>	<u>\$ 3,765,616</u>

See Note to Required Supplementary Information.

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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. General government expenditures are budgeted as transfers out of the Measure I Fund as those costs are incurred in the City's Transportation Fund for general street maintenance activities and street improvement activities in accordance with the City's Measure I Five Year Capital Improvement Plan. For the Measure I report, these costs are reported as transfers to the City of Chino in the Measure I Fund. Additionally, amounts budgeted for the fund include carryover budget approved in previous years.

ADDITIONAL INFORMATION

CITY OF CHINO, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-069. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
Local projects			
MS181 Local Street Overlay-Measure I & Gen Fund	\$ 230,750	\$ 61,946	\$ 168,804
MS202 Sidewalk/Crossing Cedro Imp	224,256	368,010	(143,754)
MS222 Preserve/College Park Slurry Project	882,198	29,463	852,735
NC231 Asphalt Maintenance	585,000	500,000	85,000
SN211 Alley/Sanitation 13th to 14th Streets - AMENDED	343,826	65,854	277,972
ST061 Pine Ave Connection SR71	350,000	10,820	339,180
ST182 Bicycle, Pedestrian & Transit Improvements	332,890	258,269	74,621
ST222 Kimball/El Prado/Central Traffic Improvements	-	560	(560)
TR151 Edison Ave TSM and Interconnect	-	77,116	(77,116)
TR172 TSM-Ramona Avenue/Schaefer Avenue	17,364	6,971	10,393
TR212 TS Install-Monte Vista Ave at Walnut Ave	50,000	11,125	38,875
Traffic Control/ Signal Maintenance- Citywide	295,000	315,994	(20,994)
Asphalt Pavement/Overlay - Citywide	585,000	511,280	73,720
Concrete Maintenance/Graffiti Abatement - Citywide	270,000	<u>408,257</u>	(138,257)
Total expenditures, net		<u>\$ 2,625,665</u>	

CITY OF CHINO, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each subsequent year are follows

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ -	\$ (383,567)	\$ (383,567)	\$ (383,567)
2011	-	(383,567)	(383,567)	(767,134)
2012	-	(383,567)	(383,567)	(1,150,701)
2013	806,470	(383,567)	422,903	(727,798)
2014	317,938	(383,567)	(65,629)	(793,427)
2015	3,473,235	(383,567)	3,089,668	2,296,241
2016	4,508,010	(383,567)	4,124,443	6,420,684
2017	3,198,958	(383,567)	2,815,391	9,236,075
2018	3,597,841	(383,567)	3,214,274	12,450,349
2019	3,915,510	(383,567)	3,531,943	15,982,292
2020	7,454,152	(383,567)	7,070,585	23,052,877
2021	7,967,997	(383,567)	7,584,430	30,637,307
2022	6,736,765	(383,567)	6,353,198	36,990,505

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

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 (Measure I Fund) of the City of Chino, California (City), as of and for the year ended June 30, 2023, 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 December 20, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item #2023-001, that we consider 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 City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

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 black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Los Angeles, California
December 20, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Chino's (City), compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Ordinance and which is described in the accompanying schedule of findings and responses as item 2023-001. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Ordinance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Ordinance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Ordinance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.

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

Crowe LLP

Los Angeles, California
December 20, 2023

CITY OF CHINO, CALIFORNIA
MEASURE I FUND
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

2023-001 – Ineligible Project Expenditures (Significant Deficiency)

Criteria:

Valley Local Street (VLS) Program, Measure I 2010-2040 Strategic Plan, Policy VLS-11: The Five-Year Capital Improvement Plan shall be the basis for the annual audit. Jurisdictions will have flexibility in adding and/or deleting projects in their current Five-Year Capital Improvement Plan based on the necessities of the jurisdiction, and subject to eligibility requirements listed in Section D below. However, in order for a project to be eligible for expenditure of Local Street Program funds, it must be listed in the current Five-Year Capital Improvement Plan. If a revised Capital Improvement Plan is necessary to reflect added projects, it must be adopted by resolution of the governing body and provided to SBCTA by September 1 of each fiscal year for use in the annual audit. If the Capital Improvement Plan is not modified to reflect the changes to the project list, an audit finding will result. If the audit finding is not corrected, the project will not be eligible for expenditures of Local Street Program funds.

Condition:

Two projects that incurred Measure I expenditures in FY23 were not listed in the Five-Year Capital Improvement Plan for FY23-27.

Cause:

The City had substantial turnover during the year, and consequently staff were not knowledgeable of the requirements.

Effect:

The two projects not listed on the Five-Year Capital Improvement Plan were deemed ineligible.

Questioned Costs:

\$77,676

Recommendation:

We recommend that all upcoming and ongoing projects be evaluated for inclusion to the Five-Year Capital Improvement Plan and that any budget amendments be approved and submitted timely to SBCTA.

Views of responsible officials and planned corrective actions:

The City recognizes the importance of updating the Fiscal Year 22-23 Measure I 5-Year CIP list and amending Resolution 2022-069 to include projects TR151 and ST222. It's noteworthy that both projects align with the criteria for Measure I funding, adding \$77,676 to its allocation. The City understands the significance of including new projects in the yearly Council resolution submitted to SBCTA before the September 1st deadline. Admittedly, significant staff turnover in the past three years has posed challenges. However, our newly onboarded team members are now well-versed in navigating Measure I procedures and reporting timelines. To address these issues proactively, City Staff has implemented internal measures, such as setting annual reminders and ensuring the adoption of Measure I gets scheduled for the City Council meeting in July. In addition, City Staff will ensure the council approved list is submitted to SBCTA in a timely manner.

**CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Chino Hills, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 December 6, 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.


Crowe LLP

Los Angeles, California
December 6, 2023

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments	\$ 1,757,178
Taxes receivable	499,606
Interest receivable	<u>816</u>
 Total assets	 <u><u>\$ 2,257,600</u></u>

LIABILITIES

Liabilities	
Accounts payable	\$ 784
Contract retainage payable	<u>60,057</u>
 Total liabilities	 <u>60,841</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable Measure I sales tax revenue	<u>174,365</u>
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FUND BALANCES

Restricted for transportation	<u>2,022,394</u>
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Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 2,257,600</u></u>
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See notes to financial statements.

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

Revenue

Measure I sales tax	\$ 1,886,251
Net increase/(decrease) in fair value of investments	(15,559)
Interest income (loss)	<u>17,722</u>
Total revenues	1,888,414

Expenditures

Current	
Administrative	6,555
Capital	
Construction	<u>1,002,019</u>
Total expenditures	1,008,574

Net change in fund balance	879,840
Fund balance, beginning of year	<u>1,142,554</u>
Fund balance, end of year	<u><u>\$ 2,022,394</u></u>

See notes to financial statements.

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 Chino Hills, 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, 2023, 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

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.

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.

Deferred Inflows of Resources. Deferred inflows of resources-unavailable revenues represents and acquisition of net assets that applies to a future period. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

(Continued)

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Investments: Cash and investments are pooled in the City investment pool 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 or by visiting the City's website at www.chinohills.org.

The Measure I Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Fund's deposits and withdrawals in the City investment pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City investment pool is measured based on inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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 \$140,313.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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.

(Continued)

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

Early in the second decade of Measure I, it became apparent that continuation of the half-cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SBCTA member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half-cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I.

Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in the Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SBCTA Board of Directors based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL
Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,678,843	\$ 1,678,843	\$ 1,886,251	\$ 207,408
Net increase/(decrease) in fair value of investments	-	-	(15,559)	(15,559)
Interest income (loss)	-	-	17,722	17,722
Total revenues	<u>1,678,843</u>	<u>1,678,843</u>	<u>1,888,414</u>	<u>209,571</u>
Expenditures				
Current				
Administrative	7,406	7,406	6,555	851
Capital				
Construction	<u>1,804,046</u>	<u>2,886,321</u>	<u>1,002,019</u>	<u>1,884,302</u>
Total expenditures	<u>1,811,452</u>	<u>2,893,727</u>	<u>1,008,574</u>	<u>1,885,153</u>
Net change in fund balance	(132,609)	(1,214,884)	879,840	2,094,724
Fund balance, beginning of year	<u>1,142,554</u>	<u>1,142,554</u>	<u>1,142,554</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,009,945</u>	<u>\$ (72,330)</u>	<u>\$ 2,022,394</u>	<u>\$ 2,094,724</u>

See Note to Required Supplementary Information.

CITY OF CHINO HILLS, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF CHINO HILLS, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022R-079 and amended by Council Resolution 2023R-057. 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	Under/(Over) Estimate
ST200003 FY 2019/20 Striping Program	\$ 50,000	\$ 49,938	\$ 62
ST210005 Los Serranos Safe Routes to School East	485,106	286,449	198,657
ST22009 FY 2021/22 Street Improvement Program	1,450,000	427,338	1,022,662
ST22013 Traffic Signal Modification	150,000	21,827	128,173
ST23002 Montecito Drive Transit Access Improvements	73,306	2,334	70,972
ST23003 FY 2022/23 Sidewalk Replacement Program	250,000	155,073	94,927
ST23004 Sierra Vista Dr & Del Norte Ave Improvements	50,740	10,651	40,089
ST23005 FY 2022/23 Street Improvement Program	1,570,000	<u>48,408</u>	1,521,592
Total expenditures as of June 30, 2023		<u>\$ 1,002,018</u>	

CITY OF CHINO HILLS, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 250,740	\$ (140,313)	\$ 110,427	\$ 110,427
2011	81,319	(140,313)	(58,994)	51,433
2012	120,607	(140,313)	(19,706)	31,727
2013	281,620	(140,313)	141,307	173,034
2014	254,158	(140,313)	113,845	286,879
2015	465,151	(140,313)	324,838	611,717
2016	950,281	(140,313)	809,968	1,421,685
2017	489,931	(140,313)	349,618	1,771,303
2018	462,182	(140,313)	321,869	2,093,172
2019	621,308	(140,313)	480,995	2,574,167
2020	562,007	(140,313)	421,694	2,995,861
2021	362,700	(140,313)	222,387	3,218,248
2022	474,384	(140,313)	334,071	3,552,319

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

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 (Measure I Fund) of the City of Chino Hills, California (City), as of and for the year ended June 30, 2023, 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 December 6, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

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, 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*.

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.


Crowe LLP

Los Angeles, California
December 6, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Chino Hills' ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
December 6, 2023

CITY OF COLTON, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF COLTON, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Colton, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 21, 2023

CITY OF COLTON, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 4,215,812
Receivables	
Taxes (Note 4)	346,435
Interest	<u>24,692</u>
 Total assets	 <u>\$ 4,586,939</u>

Liabilities, Deferred Inflows of Resources, and Fund Balance

Liabilities

Accounts payable	<u>\$ 79,178</u>
 Total liabilities	 <u>79,178</u>

Deferred Inflows of Resources

Unavailable revenue	<u>120,276</u>
 Fund balance - restricted	 <u>4,387,485</u>

Liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,586,939</u>
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CITY OF COLTON, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 1,421,542
Interest income	<u>50,414</u>
Total revenues	<u>1,471,956</u>
Expenditures:	
Construction, maintenance, and engineering	<u>708,937</u>
Total expenditures	<u>708,937</u>
Excess (deficiency) of revenues over (under) expenditures	763,019
Fund balance at beginning of year	<u>3,624,466</u>
Fund balance at end of year	<u>\$ 4,387,485</u>

CITY OF COLTON, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 Colton, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF COLTON, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

CITY OF COLTON, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Maintenance of Effort

ort

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 \$313,796.

Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represent revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

(3) **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.

CITY OF COLTON, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **Cash and Investments (Continued)**

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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$4,215,812.

(4) **Taxes Receivable**

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the SBCTA after June 30, 2023.

(5) **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.

CITY OF COLTON, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

CITY OF COLTON, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(6) Restriction

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

(7) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(8) 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.

Required Supplementary Information

CITY OF COLTON, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 1,124,935	\$ 1,390,534	\$ 1,421,542	\$ 31,008
Interest income	1,000	101,000	50,414	(50,586)
Total revenues	<u>1,125,935</u>	<u>1,491,534</u>	<u>1,471,956</u>	<u>(19,578)</u>
Expenditures:				
Construction, maintenance, and engineering	1,124,935	2,761,072	708,937	2,052,135
Total expenditures	<u>1,124,935</u>	<u>2,761,072</u>	<u>708,937</u>	<u>2,052,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,000</u>	<u>\$ (1,269,538)</u>	763,019	<u>\$ 2,032,557</u>
Fund balance at beginning of year			3,624,466	
Fund balance at end of year			<u>\$ 4,387,485</u>	

Other Information

CITY OF COLTON, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. R-95-22. 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
FY2020-21 Citywide Traffic & Street Improvements	\$ 3,264	\$ 4,500	\$ (1,236)
Bridge Retrofit - Mt. Vernon Ave. over Santa Ana River	9,755	5,481	4,274
Local Road Safety Plan	386	2,005	(1,619)
Pavement Rehabilitation - Cooley Drive (Valleywood to Ashley Way)	82,000	77,900	4,100
Pavement Rehabilitation: Pennsylvania Ave. (C St. to F St.)	75,100	71,345	3,755
Pavement Rehabilitation: Olive Ave (6th to Rancho Ave.; City Limit to Meridian Ave)	163,469	136,174	27,295
Pavement Rehabilitation: Laurel Ave. (La Cadena to Mt. Vernon Ave.)	64,200	60,990	3,210
Pavement Rehabilitation: La Cadena Dr. - South bound - Iowa to I-215 on ramp	87,400	83,030	4,370
Pavement Rehabilitation: La Cadena Drive - NB/Litton to Tropica Rancho	41,000	38,950	2,050
San Bernardino Ave. St. Improvement bet. Pepper and Indigo (installation curb, gutter, sidewalk, striping & signs)	140,000	3,571	136,429
FY 21/22 Citywide Striping Project	12,959	6,614	6,345
FY 21/22 Citywide Slurry Seal/Surface Treatment Project	136,880	91,967	44,913
FY 21/22 Citywide Street and Traffic Improvement	14,336	14,633	(297)
Pavement Rehabilitation: Cooley Drive (I-215 Bridge to Ashley Way)	450,442	33,673	416,769
Pavement Rehabilitation: 7th Street (Valley Blvd. to H St.)	51,832	6,950	44,882
Pavement Rehabilitation: Rancho Ave. (South of N St. to Cement Plant Rd.)	235,333	16,445	218,888
Pavement Rehabilitation: Citrus St. (Bordwell to La Cadena)	124,395	11,965	112,430
Rosedale Ave. - City Limit Only (Litton Ave. to Cordova St.)	56,020	5,464	50,556
Pavement Rehabilitation: Litton Ave (La Cadena to Bostick Ave.)	95,514	5,913	89,601
O Street Improvement Project (La Cadena to 6th St.)	185,415	8,550	176,865
Citywide Sidewalk and ADA Project	173,054	7,313	165,741
City Wide Street and Traffic Improvement	18,529	15,504	3,025
Total costs reported for projects on the Five Year CIP		\$ 708,937	

CITY OF COLTON, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 313,796	\$ (313,796)	\$ -	\$ -
2011	349,291	(313,796)	35,495	35,495
2012	410,257	(313,796)	96,461	131,956
2013	448,785	(313,796)	134,989	266,945
2014	428,050	(313,796)	114,254	381,199
2015	594,430	(313,796)	280,634	661,833
2016	369,749	(313,796)	55,953	717,786
2017	313,416	(313,796)	(380)	717,406
2018	550,299	(313,796)	236,503	953,909
2019	687,561	(313,796)	373,765	1,327,674
2020	611,514	(313,796)	297,718	1,625,392
2021	480,867	(313,796)	167,071	1,792,463
2022	520,779	(313,796)	206,983	1,999,446



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

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

We have audited, in accordance with the 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 Colton, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 21, 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements described in Measure I Ordinance (the "Ordinance") as specified in the agreement between the City and San Bernardino County Transportation Authority ("SBCTA") and certain provisions of laws, regulations, contracts, and grant agreements, 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.

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 entity'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.



Lake Forest, California
December 21, 2023



December 21, 2023

Mr. William R. Smith
City of Colton
650 N. La Cadena Drive
Colton, CA 92324

We have audited the financial statements of the Measure I Fund (collectively "Program Funds"), of the City of Colton ("City"), as of and for the year ended June 30, 2023, and have issued our report thereon dated December 21, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, as well as certain information related to the planned scope and timing of our audit. Professional standards also require we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City Program Funds are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as

Mr. William R. Smith
City of Colton

a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Program Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The City utilized Fund 218 to fund Measure I MSI local pass-thru (Local Streets and Reads) and Valley Measure I Arterial Sub-program (VMI) projects. As the VMI projects are not part of the MSI audit, the City should track and exclude all expenditures incurred and reimbursements on these projects from the MSI financial statements.

Restriction on Use

This information is intended solely for the use of those charged with governance and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Best regards,



Lake Forest, CA
December 21, 2023

**CITY OF FONTANA, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS

June 30, 2023

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 (Measure I Fund) of the City of Fontana, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 December 21, 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.



Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

	<u>2023</u>
ASSETS	
Cash and investments	\$ 20,796,224
Prepaid expense	8,446
Receivables	
Taxes receivable	1,010,003
Interest receivable	104,794
Other receivable	<u>12,343</u>
 Total assets	 <u>\$ 21,931,810</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 822,172
Retention payable	24,216
Accrued liabilities	<u>46,693</u>
Total liabilities	893,081
 Fund balance	
Restricted for transportation	<u>21,038,729</u>
 Total liabilities and fund balance	 <u>\$ 21,931,810</u>

See notes to financial statements.

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

	<u>2023</u>
Revenue	
Measure I sales tax	\$ 7,077,852
Interest income	<u>163,972</u>
Total revenues	7,241,824
Expenditures	
Capital	
Construction	<u>5,688,524</u>
Total expenditures	<u>5,688,524</u>
Revenues over/(under) expenditures	1,553,300
Other financing sources (uses)	
Transfers from other City funds	<u>21,602</u>
Net change in fund balance	1,574,902
Fund balance, beginning of year	<u>19,463,827</u>
Fund balance, end of year	<u><u>\$ 21,038,729</u></u>

See notes to financial statements.

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – GENERAL INFORMATION

Reporting Entity: The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Fontana, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, 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

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, and within 180 days for grants, 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.

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.

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.

(Continued)

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Investments: Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The Measure I Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Fund's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

Maintenance of Effort: In accordance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the San Bernardino County Transportation Authority (SBCTA), Local Street Program funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes. The maintenance of effort (MOE) base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in fiscal year 2008/2009. The MOE base year level as approved by the SBCTA Board of Directors shall remain in effect until the expiration of Measure I 2010-2040. General Fund expenditures in excess of the MOE base year level will carry over to subsequent fiscal years and can be applied in a future year to offset the amount the local agency may need to meet the MOE requirement. The City's determined MOE base level is \$1,901,831.

Deferred Inflows of Resources: Deferred inflows of resources unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized as revenues in the period that the amounts become available.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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.

(Continued)

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SBCTA member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I.

Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in the Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SBCTA Board of Directors based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
Year ended June 30, 2023

	Budget		Actual	Variance
	Original	Final		
Revenues				
Measure I sales tax	\$ 3,545,800	\$ 5,045,800	\$ 7,077,852	\$ 2,032,052
Interest income	<u>159,000</u>	<u>159,000</u>	<u>163,972</u>	<u>4,972</u>
Total revenues	3,704,800	5,204,800	7,241,824	2,037,024
Expenditures				
Capital				
Construction	<u>1,654,880</u>	<u>26,069,646</u>	<u>5,688,524</u>	<u>20,381,122</u>
Revenues over/(under) expenditures	2,049,920	(20,864,846)	1,553,300	22,418,146
Other financing sources (uses)				
Transfers from other City funds	<u>-</u>	<u>-</u>	<u>21,602</u>	<u>21,602</u>
Net change in fund balance	2,049,920	(20,864,846)	1,574,902	22,439,748
Fund balance, beginning of year	<u>19,463,827</u>	<u>19,463,827</u>	<u>19,463,827</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 21,513,747</u></u>	<u><u>\$ (1,401,019)</u></u>	<u><u>\$ 21,038,729</u></u>	<u><u>\$ 22,439,748</u></u>

See Note to Required Supplementary Information.

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF FONTANA, CALIFORNIA
MEASURE I FUND
PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
TO CURRENT YEAR EXPENDITURES
Year ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2023-056. The following programs were affected during the current fiscal year:

	5-Year Plan Project Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Local projects			
W Liberty Parkway/Miller TS (0002)	\$ 785,000	\$ 73,897	\$ 711,103
Fontana SRTS Gap Closure (0003)	2,012,088	66,098	1,945,990
Local Roadway Safety Plan (0012)	23,565	16,282	7,283
Santa Ana Landscape:Cypress/Juniper (0017)	435,527	424,196	11,331
Fiber Optic / Heritage Cir & Sierra TS Connectivity (0023)	405,000	21,023	383,977
Kathy Binks Elem. Sch. SRTS TDA 21 (0024)	511,307	52,396	458,911
Citywide Centracs Expansion (0027)	187,000	148,090	38,910
Cherry Ave. and S. Highland Ave. TS (0030)	455,000	57,304	397,696
Baseline Ave and Palmetto Ave TS (0031)	800,000	32,052	767,948
Cypress Ave at Summit Ave TS (0038) (ADDITION)	260,000	3,135	256,865
Etiwanda Ave TS Video Detect System (0043) (ADDITION)	26,877	26,877	-
Randall Ave Improvements (0048) (ADDITION)	880,000	81,963	798,037
Valley/Almond Traffic Signal (3307)	1,465,400	432,583	1,032,817
Valley/Oleander Traffic Signal (3310)	1,678,413	348,522	1,329,891
Sierra/Riverside TS (3329)	1,039,310	62,030	977,280
Alder-Locust-Ramona SRTS (3339)	2,760,000	292,824	2,467,176
Cherry/Live Oak Traffic Signal Mod (3341)	1,336,000	79,731	1,256,269
San Sevaine Trail PH I Seg 2 (3345)	724,402	14,631	709,771
Arrow/Tokay TS (3354)	1,512,000	92,417	1,419,583
Citrus/Ceres Traffic Signal (3355)	1,533,000	874,082	658,918
Cypress Ave TS/ Intersection Improvements (3361)	500,000	47,960	452,040
Alder Middle School S/W (3367)	983,036	41,512	941,524
Foothill/Alder Curb Ramp (3370)	362,378	289,443	72,935
Mango/So Highland TS (3382)	1,389,000	87,518	1,301,482
FS 78 Citrus/Chase TS (3384)	965,000	68,373	896,627
Arrow/Cypress TS (3386)	1,380,000	97,276	1,282,724
Citywide Measure I Traffic Engineering Studies 24636007	452,600	92,277	360,323
Citywide Measure I Customer Relations 24636008	453,600	93,225	360,375
Citywide Measure I Street Lighting Related 24636009	818,700	119,545	699,155
Citywide Measure I Street Striping Related 24636010	284,700	55,840	228,860
Measure I 2010-2040 Local Cost Allocation 24636011	499,500	99,900	399,600
Measure I 2010-2040 Local Vehicle Maintenance 24636012	371,700	74,340	297,360
Citywide Measure I Street Related Activities 24636013	670,440	102,400	568,040
Citywide Measure I System (Traffic Controller Cabs) 24636014	656,980	152,194	504,786
Citywide Measure I System (Traffic Controller Equip) 24636015	424,650	94,754	329,896
Citywide Measure I System (Traffic Signal Equip) 24636016	485,175	110,451	374,724
Citywide Measure I System (Preventative Sig Maint) 24636017	424,250	80,193	344,057
Citywide Measure I System (Traffic Signal Maint) 24636018	479,150	94,657	384,493
Citywide Measure I Traffic-Related Signage 24636019	285,210	26,844	258,366
Citywide Measure I Emergency Reserve Equipment 24636020	584,935	117,629	467,306
Citywide Measure I Traffic Signal Maint Support 24636021	425,700	99,268	326,432
Citywide Measure I Traffic Signal Installation Support 24636022	425,700	99,268	326,432
Citywide Measure I Traffic Signal Communication Support 24636023	354,150	81,593	272,557
Citywide Measure I Traffic Signal Modification/Upgrade 24636024	422,550	94,979	327,571
Citywide Measure I Traffic Signal Timing Sync 24636025	450,300	97,333	352,967
Citywide Measure I Traffic System Improvements 24636026	582,525	69,619	512,906
Total expenditures at June 30, 2023		<u>\$ 5,688,524</u>	

CITY OF FONTANA, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 6,006,076	\$ (1,901,831)	\$ 4,104,245	\$ 4,104,245
2011	1,147,020	(1,901,831)	(754,811)	3,349,434
2012	(31,166)	(1,901,831)	(1,932,997)	1,416,437
2013	1,797,372	(1,901,831)	(104,459)	1,311,978
2014	4,268,833	(1,901,831)	2,367,002	3,678,980
2015	3,311,336	(1,901,831)	1,409,505	5,088,485
2016	2,055,478	(1,901,831)	153,647	5,242,132
2017	3,233,240	(1,901,831)	1,331,409	6,573,541
2018	3,367,571	(1,901,831)	1,465,740	8,039,281
2019	3,693,660	(1,901,831)	1,791,829	9,831,110
2020	3,551,484	(1,901,831)	1,649,653	11,480,763
2021	2,428,830	(1,901,831)	526,999	12,007,762
2022	6,710,273	(1,901,831)	4,808,442	16,816,204

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*

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 (Measure I Fund) of the City of Fontana, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure I Fund basic financial statements, and have issued our report thereon dated December 21, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

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, 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.

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 black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Los Angeles, California
December 21, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Fontana's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.

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

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Grand Terrace, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 11, 2023

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Balance Sheets

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 400,287
Taxes Receivable (Note 4)	<u>56,704</u>
Total assets	<u>\$ 456,991</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ <u>8,412</u>
Fund balance - restricted	<u>448,579</u>
Liabilities and fund balance	<u>\$ 456,991</u>

See accompanying notes to financial statements

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Fiscal Years Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 343,344
Investment income	10,900
Unrealized loss in investments	<u>(172)</u>
Total revenues	<u>354,072</u>
Expenditures:	
Construction, maintenance, and engineering	<u>46,672</u>
Total expenditures	<u>46,672</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>307,400</u>
Other Financing Sources (Uses)	
Transfers to City of Grand Terrace (Note 6)	<u>(283,000)</u>
Net change in fund balance	24,400
Fund balance at beginning of year	<u>424,179</u>
Fund balance at end of year	<u><u>\$ 448,579</u></u>

See accompanying notes to financial statements

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 Grand Terrace, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

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 \$115,156.

(3) **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.

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **Cash and Investments (Continued)**

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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$400,287.

(4) **Taxes Receivable**

Taxes receivable in the amount of \$56,704 represent the Measure I sales tax receipts received from SBCTA after June 30, 2023.

(5) **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.

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(6) Transfers to the City of Grand Terrace

During the year ended June 30, 2023, \$283,000 was transferred to the City which represents activity related to the Measure I general street maintenance activities and the pavement management program in accordance with the City's Measure I Five Year Capital Improvement Plan.

(7) Restrictions

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(9) 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.

Required Supplementary Information

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 300,000	\$ 300,000	\$ 343,344	\$ 43,344
Investment income	400	400	10,900	10,500
Unrealized loss in investments	-	-	(172)	(172)
Total revenues	<u>300,400</u>	<u>300,400</u>	<u>354,072</u>	<u>53,672</u>
Expenditures:				
Construction, maintenance, and engineering	<u>86,272</u>	<u>86,272</u>	<u>46,672</u>	<u>39,600</u>
Total expenditures	<u>86,272</u>	<u>86,272</u>	<u>46,672</u>	<u>39,600</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>214,128</u>	<u>214,128</u>	<u>307,400</u>	<u>93,272</u>
Other Financing Sources (Uses)				
Transfers to City of Grand Terrace	<u>33,000</u>	<u>283,000</u>	<u>283,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 181,128</u>	<u>\$ (68,872)</u>	24,400	<u>\$ 93,272</u>
Fund balance at beginning of year			<u>424,179</u>	
Fund balance at end of year			<u>\$ 448,579</u>	

Other Information

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-45. 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
Tree Trimming Program	\$ 334,734	<u>\$ 46,672</u>	\$ 288,062
Total Measure I Fund Expenditures		<u>\$ 46,672</u>	
Measure I Fund Transfers to City of Grand Terrace		<u>283,000</u>	
	Total	<u>\$ 329,672</u>	

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund		Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
	Street and Highway Funds	Base Level Amount		
2010	\$ 40,142	\$ (115,156)	\$ (75,014)	\$ (75,014)
2011	160,298	(115,156)	45,142	(29,872)
2012	72,664	(115,156)	(42,492)	(72,364)
2013	89,957	(115,156)	(25,199)	(97,563)
2014	99,332	(115,156)	(15,824)	(113,387)
2015	91,999	(115,156)	(23,157)	(136,544)
2016	116,749	(115,156)	1,593	(134,951)
2017	148,773	(115,156)	33,617	(101,334)
2018	206,192	(115,156)	91,036	(10,298)
2019	208,718	(115,156)	93,562	83,264
2020	151,991	(115,156)	36,835	120,099
2021	118,280	(115,156)	3,124	123,223
2022	137,766	(115,156)	22,610	145,833



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

**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**

We have audited, in accordance with the 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 Grand Terrace, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider 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 City are free from material misstatement, we performed tests of its compliance with requirements described in Measure I Ordinance (the “Ordinance”) as specified in the agreement between the City and San Bernardino County Transportation Authority (“SBCTA”) and certain provisions of laws, regulations, contracts, and grant agreements, 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 Ordinance as specified in the agreement between the City and SBCTA.

City’s Response to the Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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.



Lake Forest, California
December 11, 2023

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

**2023-01 Bank Reconciliations
Significant Weakness**

Criteria:

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

Condition:

During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not prepared until September 2023.

Cause:

The City did not perform a timely bank reconciliation due to the City having three staff in their finance division and conflicting priorities.

Effect:

The bank reconciliation was not reviewed and approved until September 2023.

Recommendation:

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

View of Responsible Officials:

Staff will review the bank statements immediately upon receiving them and complete the bank reconciliations in a timely manner.

CITY OF GRAND TERRACE, CALIFORNIA

Measure I Fund

Summary Schedule of Prior Audit Findings

Fiscal Year Ended June 30, 2023

None reported.

**CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Hesperia, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters***Reporting Entity***

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position 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.

Change in Accounting Policy

As discussed in Note 6, the City has elected to change its policy related to the revenue availability criterion effective July 1, 2022. Our opinion is not modified with respect to this matter.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 December 21, 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.


Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments	\$ 9,764,152
Receivables	
Taxes	1,090,613
Interest	<u>69,898</u>
 Total assets	 <u>\$ 10,924,663</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 8,124
Accrued payables	1,075
Retention payable	<u>9,663</u>
Total liabilities	18,862
 Fund balance	
Restricted for transportation	<u>10,905,801</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 10,924,663</u>

See notes to financial statements.

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

Revenues	
Measure I sales tax	\$ 4,172,016
Miscellaneous	1,703
Interest income	189,755
Loss on fair market value	<u>(39,542)</u>
Total revenues	<u>4,323,932</u>
Expenditures	
Capital	
Construction	<u>116,389</u>
Excess of revenues over expenditures	4,207,543
Other financing sources (uses)	
Transfer to other City funds	<u>(1,750,000)</u>
Net change in fund balance	2,457,543
Fund balance, beginning of year	8,097,587
Effect of change in accounting policy (Note 6)	<u>350,671</u>
Fund balance, beginning of year, as restated	<u>8,448,258</u>
Fund balance, end of year	<u>\$ 10,905,801</u>

See notes to financial statements.

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 Hesperia, 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, 2023, and the changes in financial position thereof for the year then ended in conformity 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 5 for a detailed description of the Measure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 90 days of the end of the fiscal period. In the fiscal year ended June 30, 2022, the City considered revenues measurable and available if collected within 60 days after 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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

(Continued)

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 with inputs that are uncategorized and not defined as Level 1, Level 2, or Level 3.

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 \$29,429.

NOTE 3 – TAXES RECEIVABLE

The taxes receivable represents the Measure I sales tax revenues in the amount of \$1,090,613 from SBCTA.

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.

(Continued)

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

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 – TRANSFERS TO OTHER CITY FUNDS

Transfers to other City funds of \$1,750,000 represent the Measure I funded costs incurred in the City's Street Maintenance Fund for the Citywide Preservation and Maintenance project.

(Continued)

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 – CHANGE IN ACCOUNTING POLICY

The City reassessed the revenue availability criterion in fiscal year 2023 and determined that revenues collected within 90 days of the fiscal year end is a more accurate representation of when revenues are available to pay liabilities of the current period. This is changed from the fiscal year 2022 accounting policy in which revenues were determined to be available if collected within 60 days of fiscal year end. As a result, revenues previously considered unavailable as of June 30, 2022, fell within the new availability period upon adoption, and were removed from the financial statements. Fund balance as of July 1, 2022 was increased by \$350,671 as a result of the change in accounting principle.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL
Year ended June 30, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance From Final Budget Positive (Negative)
Revenues				
Measure I sales tax	\$ 3,580,000	\$ 3,580,000	\$ 4,172,016	\$ 592,016
Miscellaneous	-	-	1,703	1,703
Interest income	18,916	18,916	189,755	170,839
Loss on fair market value	-	-	(39,542)	(39,542)
Total revenues	<u>3,598,916</u>	<u>3,598,916</u>	<u>4,323,932</u>	<u>725,016</u>
Expenditures				
Capital				
Construction	<u>1,652,933</u>	<u>1,652,933</u>	<u>116,389</u>	<u>1,536,544</u>
Excess of revenues over expenditures	1,945,983	1,945,983	4,207,543	2,261,560
Other financing sources (uses)				
Transfer to other City funds	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>-</u>
Net change in fund balance	195,983	195,983	2,457,543	2,261,560
Fund balance, beginning of year	8,097,587	8,097,587	8,097,587	-
Effect of change in accounting policy (Note 6)	<u>350,671</u>	<u>350,671</u>	<u>350,671</u>	<u>-</u>
Fund balance, beginning of year, as restated	<u>8,448,258</u>	<u>8,448,258</u>	<u>8,448,258</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,644,241</u>	<u>\$ 8,644,241</u>	<u>\$ 10,905,801</u>	<u>\$ 2,261,560</u>

See note to required supplementary information.

CITY OF HESPERIA, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF HESPERIA, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-65. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Under/(Over) Estimate</u>
Highway 395 and Joshua Street Park and Ride Expansion Project	\$ 3,000	\$ 652	\$ 2,348
Main and Sultana/Timberline Traffic Signal	302,366	85,429	216,937
Ranchero Road Improvements-7th to Mariposa	100,000	1,349	98,651
Ranchero Road Aqueduct Crossing	100,000	1,349	98,651
Maple Avenue Street Improvements	100,000	500	99,500
Cedar Street Roadway Improvements	425,000	575	424,425
Ranchero Road Undercrossing	443,533	<u>26,535</u>	416,998
 Total expenditures		 <u>116,389</u>	
 Total expenditures in Measure I Fund		 116,389	
Total transfers to City of Hesperia in Measure I Fund		<u>1,750,000</u>	
 Total expenditures at June 30, 2023		 <u>\$ 1,866,389</u>	

CITY OF HESPERIA, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 125,286	\$ (29,429)	\$ 95,857	\$ 95,857
2011	-	(29,429)	(29,429)	66,428
2012	-	(29,429)	(29,429)	36,999
2013	-	(29,429)	(29,429)	7,570
2014	-	(29,429)	(29,429)	(21,859)
2015	-	(29,429)	(29,429)	(51,288)
2016	-	(29,429)	(29,429)	(80,717)
2017	-	(29,429)	(29,429)	(110,146)
2018	500,000	(29,429)	470,571	360,425
2019	-	(29,429)	(29,429)	330,996
2020	-	(29,429)	(29,429)	301,567
2021	63,033	(29,429)	33,604	335,171
2022	43,363	(29,429)	13,934	349,105

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

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 (Measure I Fund) of the City of Hesperia, California (City), as of and for the year ended June 30, 2023, 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 December 21, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

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, 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*.

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.


Crowe LLP

Los Angeles, California
December 21, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Hesperia's (City), compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Highland, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
October 30, 2023

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 2,678,978
Taxes receivable (Note 4)	253,441
Interest receivable	<u>18,513</u>
Total assets	<u>\$ 2,950,932</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 65,554
Retention payable	<u>1,146</u>
Total liabilities	<u>66,700</u>
Fund balance - restricted	<u>2,884,232</u>
Liabilities and fund balance	<u>\$ 2,950,932</u>

See accompanying notes to financial statements

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:		
Measure I sales tax	\$	1,496,223
Interest income		<u>23,349</u>
Total revenues		<u>1,519,572</u>
Expenditures:		
Construction, maintenance, and engineering		<u>412,817</u>
Total expenditures		<u>412,817</u>
Excess (deficiency) of revenues over (under) expenditures		1,106,755
Fund balance at beginning of year		<u>1,777,477</u>
Fund balance at end of year	\$	<u><u>2,884,232</u></u>

See accompanying notes to financial statements

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 Highland, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) Summary of Significant Accounting Policies (Continued)

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet, and revenue is recognized.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – Amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; such as, inventories and prepaid amounts.
- *Restricted Fund Balance* – Amounts that are restricted for specific purposes by external resource providers, constitutionally, through enabling legislation, or restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

- *Committed Fund Balance* – Amounts that can only be used for the specific purposes determined by a formal adopted resolution of the City Council. Commitments may be changed or lifted only by a formal adopted resolution of the City Council.
- *Assigned Fund Balance* – Amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council to which the assigned amounts are to be used for specific purposes; such as, continued capital projects, capital improvement plan, and budget. The City Council did not delegate another body to assign fund balances.

Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund that are not classified as nonspendable, restricted, or committed.

- *Unassigned Fund Balance* – Residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts also include any residual negative amounts in governmental funds.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

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.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, unavailable revenues, represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$2,678,978.

(4) **Taxes Receivable**

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023 in the amount of \$253,441.

(5) **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.

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(6) Restrictions

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

(7) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(8) 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.

Required Supplementary Information

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 1,168,255	\$ 1,168,255	\$ 1,496,223	\$ 327,968
Interest income	<u>19,000</u>	<u>19,000</u>	<u>23,349</u>	<u>4,349</u>
Total revenues	<u>1,187,255</u>	<u>1,187,255</u>	<u>1,519,572</u>	<u>332,317</u>
Expenditures:				
Construction, maintenance, and engineering	<u>431,250</u>	<u>431,250</u>	<u>412,817</u>	<u>18,433</u>
Total expenditures	<u>431,250</u>	<u>431,250</u>	<u>412,817</u>	<u>18,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 756,005</u>	<u>\$ 756,005</u>	1,106,755	<u>\$ 350,750</u>
Fund balance at beginning of year			<u>1,777,477</u>	
Fund balance at end of year			<u>\$ 2,884,232</u>	

Other Information

CITY OF HIGHLAND, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-044. 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
CDBG 21/22 Rehab-Cunningham St (Base Line to 9th St.)	\$ 101,544	\$ 19,026	\$ 82,518
CDBG 22/23 Rehab-McKinley Ave (Base Line to 9th St.)	45,000	19,562	25,438
Pavement Rehab & Street Imps - 9th Street Cunningham Street to Palm Avenue) and Church Avenue/Norwood Street Intersection	2,000	546	1,454
Pavement Rehab & Street Imps - McKinley Street (9th Street to Base Line) and Base Line/ Valaria Drive Intersection	2,000	421	1,579
Street Improvements-10th Street, Drummond Ave., Cole Ave. and 14th Street (SR2S)	149,230	149,230	-
Bikeway Improvements - City Creek/Alabama Street Bikeways (ATP Cycle 3)	328,133	100,988	227,145
Sector E Pavement Rehabilitation and Maintenance (Locations per Attachments " F" and " G")	2,000	2,316	(316)
Pavement Rehab & Street Imps - Tippecanoe Avenue (3rd Street - Vine St.) - Joint Project with SB County	2,000	1,208	792
Transit-Stops, Sidewalk and Bikeway Improvements on 9th St (Eucalyptus Dr to Victoria Dr)	23,705	777	22,928
Transit-Stop Access Improvements on Base Line, Boulder, 9th St, and Olive Tree Lane	66,774	32,931	33,843
Messina Street & Seine Avenue Sidewalk Gap Closures	73,646	15,305	58,341
Categorical Project-Miscellaneous City-Wide Street Repair	<u>250,000</u>	<u>70,507</u>	<u>179,493</u>
Total expenditures at June 30, 2023		<u>\$ 412,817</u>	



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

**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**

We have audited, in accordance with the 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 Highland, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 30, 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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 entity'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.



Lake Forest, California
October 30, 2023

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Loma Linda, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 21, 2023

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$	227,923
Receivables:		
Taxes		165,530
Interest		<u>1,426</u>
Total assets	\$	<u>394,879</u>

Deferred Inflows of Resources and Fund Balance

Deferred Inflows of Resources

Unavailable revenue	\$	<u>57,085</u>
Fund balance - restricted		<u>337,794</u>
Deferred inflows of resources and fund balance	\$	<u>394,879</u>

See accompanying notes to financial statements

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures,
and Change in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 673,597
Interest income	7,503
Unrealized gain on investment	<u>2,946</u>
Total revenues	<u>684,046</u>
Expenditures:	
Construction, maintenance, and engineering	<u>962,942</u>
Total expenditures	<u>962,942</u>
Net change in fund balance	(278,896)
Fund balance at beginning of year	<u>616,690</u>
Fund balance at end of year	<u><u>\$ 337,794</u></u>

See accompanying notes to financial statements

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 Loma Linda, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) Summary of Significant Accounting Policies (Continued)

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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 \$184,626.

Deferred Inflows of Resources

Deferred inflows of resources- unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

(3) **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. The Measure I Fund's cash and investments as of June 30, 2023 was \$227,923.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(4) Taxes Receivable

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023 in the amount of \$165,530.

(5) 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.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

(6) **Restrictions**

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five-Year Capital Improvement Program.

(7) **Contingencies**

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(8) **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.

Required Supplementary Information

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues:				
Measure I sales tax	\$ 638,700	\$ 638,700	\$ 673,597	\$ 34,897
Interest income	1,000	6,000	7,503	1,503
Unrealized gain on investment	-	-	2,946	2,946
Total revenues	<u>639,700</u>	<u>644,700</u>	<u>684,046</u>	<u>39,346</u>
Expenditures:				
Construction, maintenance, and engineering	<u>810,000</u>	<u>990,700</u>	<u>962,942</u>	<u>27,758</u>
Total expenditures	<u>810,000</u>	<u>990,700</u>	<u>962,942</u>	<u>27,758</u>
Net change in fund balance	<u>\$ (170,300)</u>	<u>\$ (346,000)</u>	(278,896)	<u>\$ 67,104</u>
Fund balance at beginning of year			<u>616,690</u>	
Fund balance at end of year			<u>\$ 337,794</u>	

Other Information

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 3143. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>(Over)/Under Estimate</u>
Pavement rehabilitation on Tracts 3099, 3415, 8517, 9004, 9103, 9152, 9276, 9277, 9292, 9389, 10075, 10794, 15422, 15700 and Mountain View Avenue from Redlands Blvd to Van Leuven St.	\$ 810,000	\$ 860,433	\$ (50,433)
ADA Access Ramps/Sidewalk Improvements *	-	<u>102,509</u>	(102,509)
Total expenditures at June 30, 2023		<u>\$ 962,942</u>	

* Note: The ADA Access Ramps/Sidewalk Improvement project was not on the SBCTA approved Five-Year CIP, see Finding 2023-01.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund		Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
	Street and Highway Funds Utilized				
2010	\$ 535,323	\$	(184,626)	\$ 350,697	\$ 350,697
2011	541,524		(184,626)	356,898	707,595
2012	502,065		(184,626)	317,439	1,025,034
2013	436,564		(184,626)	251,938	1,276,972
2014	454,912		(184,626)	270,286	1,547,258
2015	475,461		(184,626)	290,835	1,838,093
2016	633,436		(184,626)	448,810	2,286,903
2017	502,809		(184,626)	318,183	2,605,086
2018	626,901		(184,626)	442,275	3,047,361
2019	577,510		(184,626)	392,884	3,440,245
2020	711,649		(184,626)	527,023	3,967,268
2021	688,724		(184,626)	504,098	4,471,366
2022	759,482		(184,626)	574,856	5,046,222



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

**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**

We have audited, in accordance with the 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 Loma Linda, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 21, 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 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 requirements described in Measure I Ordinance (the "Ordinance") as specified in the agreement between the City and San Bernardino County Transportation Authority ("SBCTA") and certain provisions of laws, regulations, contracts, and grant agreements, including requirements of the Ordinance 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2023-01.

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 entity'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.



Lake Forest, California
December 21, 2023

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

2023-01 Expenditure Incurred on Projects Not Approved on the Five-Year CIP Material Weakness

The City utilized Measure I monies to fund costs for certain projects and recorded all expenditures incurred on these projects in its Measure I fund (Fund 126). We noted one project in the amount of \$102,509 was not included on the FY 2022/23 Five-Year Capital Improvement Plan ("CIP") approved by SBCTA. Pursuant to our discussion with the City, it was communicated that the project was included in the approved CIP for fiscal years 2021/2022 through 2025/2026 but not the CIP for FY 2022/23 through 2026/2027.

Criteria:

The Measure I Strategic Plan states that each local jurisdiction is required to annually adopt a 5-Year Capital Improvement Plan which details the specific projects to be funded using Measure I Local Pass-Through Funds. Expenditures of Measure I Local Pass-Through Funds must be detailed in the Five-Year Capital Improvement Plan and adopted by resolution of the governing body.

The Measure I Strategic Plan further states that the 5-Year Capital Improvement Plan shall be the basis for the annual audit. For a project to be eligible for Measure I funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year.

Condition:

The City utilized Measure I funds for a certain project that was not included in the current CIP.

Cause:

The City failed to include a certain project in the approved CIP.

Effect:

Measure I resources were utilized for costs on a project that was not included in the current CIP.

Recommendation:

We recommend the City enhance its procedures to ensure that projects that have activity are included in the current CIP. This can be achieved through submitting a revised CIP to SBCTA as necessary.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

View of Responsible Officials:

Agree with finding. The project in question was included in prior approved Five-Year Capital Improvement Plans under Categorical Projects covering Fiscal Year (FY) 2022/2023, specifically in the plans for FY 2019/2020 through 2023/2024, FY 2020/2021 through 2024/2025, and FY 2021/2022 through 2025/2026. Although the City intended to include the project, it was inadvertently left out of the current five-year plan forms provided by SBCTA for FY 2022/2023 through 2026/2027, which is the plan subject to this audit. The City is reviewing active and planned projects to ensure that the projects are included in the current approved five-year plan. A revised five-year plan will be submitted as necessary.

CITY OF LOMA LINDA, CALIFORNIA

Measure I Fund

Summary Schedule of Prior Audit Findings

Fiscal Year Ended June 30, 2022

None reported.



December 21, 2023

Mr. T. Jarb Thaipejr
City of Loma Linda
25541 Barton Road
Loma Linda, CA92354

We have audited the financial statements of the Transportation Development Act Article 3 (TDA 3) Fund and Measure I (MSI) Fund (collectively "Program Funds"), of the City of Loma Linda ("City"), as of and for the year ended June 30, 2023, and have issued our report thereon dated December 18, 2023 and December 21, 2023, respectively. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, as well as certain information related to the planned scope and timing of our audit. Professional standards also require we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City Program Funds are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters for the TDA 3 and the MSI Funds dated December 18, 2023 and December 21, 2023, respectively.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Program Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Deficiency #1: During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not prepared until September 2023. 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. The City stated that June 2023 bank reconciliation was not completed timely due to final journal entries that affect cash balance would not be finalized until end of August 2023

Recommendation: We recommend that the City review the timing of its reconciliation procedures.

Deficiency #2: During procedures over cash and investments, we noted the existence of outstanding checks, listed in the citywide Accounts Payable Check Reconciliation Register, that had an open status for over three years. The twelve outstanding checks we noted totaled \$649, out of \$2,107,919 of outstanding checks. As the total amount was low was not material to the Measure I audit, it was passed on.

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

Mr. T. Jarb Thaipejr
City of Loma Linda
Loma Linda

Restriction on Use

This information is intended solely for the use of those charged with governance and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Best regards,

Conrad LLP

Lake Forest, CA
December 21, 2023



City of Loma Linda

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Sister Cities: Manipal, Karnataka, India - Libertadore, San Martin, Argentina, Puntarenas, Costa Rica • www.lomalinda-ca.gov

February 15, 2024

Board of Directors
San Bernardino County Transportation Authority
San Bernardino, CA

In connection with the City of Loma Linda's Measure I (MSI) and Transportation Development Act Article 3 (TDA 3) audit for the year ended June 30, 2023, City management respectfully submits this letter as a response to the deficiencies noted by the auditors, Conrad LLP, as reported on the Loma Linda MSI and TDA Management Letter FY 2023 (Management Letter) dated December 21, 2023.

The following is a response to the findings in the management letter. The deficiency comments were extracted from the letter and followed by our response.

Deficiency #1: During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not prepared until September 2023. 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. The City stated that June 2023 bank reconciliation was not completed timely due to final journal entries that affect cash balance would not be finalized until end of August 2023

Recommendation: We recommend that the City review the timing of its reconciliation procedures.

City of Loma Linda Management Response:

Agree with finding. The City's bank reconciliation process schedule begins right after the end of the previous month. For the June 2023 year-end, due to certain allocation journal entries and year-end accruals that affect cash balance by fund, the bank reconciliation process was not finalized until all year-end closing adjustments were posted which occurred towards the end of August 2023. For the upcoming 2023-2024 year-end and going forward, the City will ensure timely reconciliation of June bank balances.

Deficiency #2: During procedures over cash and investments, we noted the existence of outstanding checks, listed in the citywide Accounts Payable Check Reconciliation Register, that had an open status for over three years. The twelve outstanding checks we noted totaled \$649, out of \$2,107,919 of outstanding checks. As the total amount was low was not material to the Measure I audit, it was passed on.

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

City of Loma Linda Management Response:

Agree with finding. As of February 2024, the City has reported stale checks that had an open status for over three years to the State Controller's Office.

Respectfully,



T. Jarb Thaipejr

City Manager

**CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Montclair, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 January 17, 2024, 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.


Crowe LLP

Los Angeles, California
January 17, 2024

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

	<u>2023</u>
ASSETS	
Cash and investments	\$ 5,681,124
Due from other City funds	442,941
Taxes receivable	<u>170,057</u>
 Total assets	 <u><u>\$ 6,294,122</u></u>
 LIABILITIES	
Total Liabilities	\$ -
 FUND BALANCE	
Restricted for transportation	<u>6,294,122</u>
 Total liabilities and fund balance	 <u><u>\$ 6,294,122</u></u>

See notes to financial statements.

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

	<u>2023</u>
Revenues	
Measure I sales tax	\$ 1,001,845
Interest income	<u>45,577</u>
Total revenues	<u>1,047,422</u>
 Net change in fund balance	 1,047,422
 Fund balance, beginning of year	 <u>5,246,700</u>
 Fund balance, end of year	 <u><u>\$ 6,294,122</u></u>

See notes to financial statements.

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 Montclair, 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, 2023, and the changes in financial position thereof for the year then ended in conformity 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

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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

(Continued)

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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 \$894,728.

NOTE 3 – TAXES RECEIVABLE

The taxes receivable represent the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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 was authorized to administer the programs described in the Measure.

(Continued)

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

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 – DUE FROM OTHER CITY FUNDS

Due from other City funds in the amount of \$442,941 represents amounts borrowed by the City’s Development Impact Fee Regional Fund. The provided resources to pay the SBCTA Development Impact Fees (DIF) are associated with the City’s Monte Vista Avenue/Union Pacific Grade Separation Project, as required by the SBCTA Nexus Study. The amount will be repaid to the Measure I Fund as DIF are collected.

(Continued)

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 – AGREEMENTS

The City has entered into an agreement with SBCTA for the construction of the Monte Vista Avenue/Union Pacific Grade Separation Project. The cooperative agreement was entered into on August 3, 2015 and amended June 6, 2016. The agreement states that the project is identified in the SBCTA Nexus Study and that the project will be carried out in accordance with the policies of the Measure I 2010-2040 Strategic Plan. The agreement specifies responsibilities for both the City and SBCTA. The estimated project cost is \$27,404,902 and the City is responsible for a share of the estimated project costs in the amount not to exceed \$2,435,131 of which \$2,379,873 has been paid through the fiscal year ended June 30, 2023. The agreement also specifies that in the occurrence of any uncured event of default, SBCTA is authorized to withhold Valley Major Street Arterial Sub-Program Funds or Local Street Program pass-through funds equivalent to the loan amount outstanding at the time of default.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTCLAIR, CALIFORNIA
 MEASURE I FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCE – BUDGET AND ACTUAL
 Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 900,000	\$ 900,000	\$ 1,001,845	\$ 101,845
Interest income	10,000	10,000	45,577	35,577
Total revenues	910,000	910,000	1,047,422	137,422
Net change in fund balance	910,000	910,000	1,047,422	137,422
Fund balance, beginning of year	5,246,700	5,246,700	5,246,700	-
Fund balance, end of year	\$ 6,156,700	\$ 6,156,700	\$ 6,294,122	\$ 137,422

See Note to Required Supplementary Information.

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF MONTCLAIR, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNTS
 TO ANNUAL EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Bond Proceeds Utilized for Street Improvements	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 602,490	\$ -	\$ (894,728)	\$ (292,238)	\$ (292,238)
2011	610,777	-	(894,728)	(283,951)	(576,189)
2012	326,710	-	(894,728)	(568,018)	(1,144,207)
2013	26,527	-	(894,728)	(868,201)	(2,012,408)
2014	110,894	-	(894,728)	(783,834)	(2,796,242)
2015	180,227	559,529	(894,728)	(154,972)	(2,951,214)
2016	414,274	1,389,341	(894,728)	908,887	(2,042,327)
2017	679,071	3,616,653	(894,728)	3,400,996	1,358,669
2018	693,366	3,802,868	(894,728)	3,601,506	4,960,175
2019	799,066	5,023,153	(894,728)	4,927,491	9,887,666
2020	583,053	6,748,830	(894,728)	6,437,155	16,324,821
2021	472,784	3,227,715	(894,728)	2,805,771	19,130,592
2022	813,937	1,722,114	(894,728)	1,641,323	20,771,915

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

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 (Measure I Fund) of the City of Montclair, California (City), as of and for the year ended June 30, 2023, 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 January 17, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a material weakness.

(Continued)

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, 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.

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.


Crowe LLP

Los Angeles, California
January 17, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Montclair's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
January 17, 2024

CITY OF MONTCLAIR, CALIFORNIA
MEASURE I FUND
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2023

FINANCIAL STATEMENT FINDINGS - GOVERNMENT AUDITING STANDARDS

2023-001 – FAIR VALUE ADJUSTMENT - (Material Weakness)

Criteria:

Investments are required to be reported at fair value in accordance with U.S. Generally Accepted Accounting Principles.

Condition/Context:

The LAIF investment balance, which is tracked based on amortized cost, was not reported at fair value.

Cause:

The City did not record or allocate an adjustment to the Measure I Fund at fiscal year end.

Effect:

The Measure I Fund cash and investments balance was overstated by \$44,288 prior to audit adjustment.

Recommendation:

We recommend that the City incorporate procedures to record fair market value adjustments for the LAIF investment balances held in the Measure I Fund.

Views of responsible officials and planned corrective actions:

In Fiscal Year 2013-14 the allocation procedures for City held investments was consolidated in the General Fund and the interest earned on those investments was allocated to other funds at year-end. After this change the Fair Value Adjustment was only distributed in the General Fund. The independent auditors of Crowe LLP brought this oversight to our attention. Beginning with Fiscal Year 2023-24 the City will change our procedure regarding the distribution of the Fair Value Adjustment and will distribute the change in the same manner as the interest earned.

**CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Ontario, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 7, 2024, 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.



Crowe LLP

Los Angeles, California
February 7, 2024

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments	\$ 8,006,828
Receivables	
Taxes	1,208,869
Interest	50,177
Other	<u>26,877</u>
 Total assets	 <u><u>\$ 9,292,751</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 323,687
Retentions payable	<u>171,777</u>
Total liabilities	495,464
 Fund balance	
Restricted for transportation	<u>8,797,287</u>
 Total liabilities and fund balance	 <u><u>\$ 9,292,751</u></u>

See notes to financial statements.

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

Revenue	
Measure I sales tax	\$ 4,803,172
Interest income	97,173
Other revenue	<u>26,877</u>
Total revenues	4,927,222
Expenditures	
Capital	
Construction	<u>3,514,815</u>
Revenues over/(under) expenditures	<u>1,412,407</u>
Net change in fund balance	1,412,407
Fund balance, beginning of year	<u>7,384,880</u>
Fund balance, end of year	<u><u>\$ 8,797,287</u></u>

See notes to financial statements.

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2023

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 Ontario, 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, 2023, 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

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, the City considers revenues to be available if collected within 60 days of the end of the current 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.

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.

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.

(Continued)

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 \$4,214,559.

Retentions Payable: Retentions payable is comprised of amounts withheld by the City until the project is completed

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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.

(Continued)

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SBCTA member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I.

Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in the Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SBCTA Board of Directors based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, CALIFORNIA
 MEASURE I FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCE – BUDGET AND ACTUAL
 Year ended June 30, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues				
Measure I sales tax	\$ 3,724,908	\$ 3,724,908	\$ 4,803,172	\$ 1,078,264
Interest income	25,959	25,959	97,173	71,214
Other revenue	-	-	26,877	26,877
Total revenues	<u>3,750,867</u>	<u>3,750,867</u>	<u>4,927,222</u>	<u>1,176,355</u>
Expenditures				
Capital				
Construction	<u>660,000</u>	<u>660,000</u>	<u>3,514,815</u>	<u>(2,854,815)</u>
Net change in fund balance	3,090,867	3,090,867	1,412,407	(1,678,460)
Fund balance, beginning of year	<u>7,384,880</u>	<u>7,384,880</u>	<u>7,384,880</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,475,747</u>	<u>\$ 10,475,747</u>	<u>\$ 8,797,287</u>	<u>\$ (1,678,460)</u>

See Note to Required Supplementary Information.

CITY OF ONTARIO, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF ONTARIO, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-045. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
Local & categorical projects			
Barrington Ave. Rehab (Fourth to Gilbralter St.)	\$ 450,000	\$ 450,000	\$ -
Campus Ave and Philadelphia St Improvements	200,000	200,000	-
Campus Rehab (Francis to Belmont)	650,000	650,000	-
Concours Street Rehab (Wineville to Barrington)	350,000	350,000	-
Etiwanda Rehab (Jurupa to Santa Ana)	475,000	475,000	-
G St Rehab (Benson to Mountain)	450,000	450,000	-
Grove Ave Rehab (500 feet North and 500 feet South of SR60 Freeway)	315,000	289,771	25,229
Philadelphia St Pavement Rehab (Wineville to Etiwanda Ave)	500,000	44	499,956
FY 2022-23 Slurry Seal Program	650,000	<u>650,000</u>	-
Total expenditures		<u>\$ 3,514,815</u>	

CITY OF ONTARIO, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Fund Street and Highway Funds Utilized</u>	<u>Base Level Amount</u>	<u>Excess/ (Deficiency)</u>	<u>Cumulative Excess/ (Deficiency)</u>
2010	\$ 4,911,977	\$ (4,214,559)	\$ 697,418	\$ 697,418
2011	5,183,794	(4,214,559)	969,235	1,666,653
2012	4,846,513	(4,214,559)	631,954	2,298,607
2013	4,777,199	(4,214,559)	562,640	2,861,247
2014	4,579,741	(4,214,559)	365,182	3,226,429
2015	5,438,970	(4,214,559)	1,224,411	4,450,840
2016	5,621,116	(4,214,559)	1,406,557	5,857,397
2017	6,400,591	(4,214,559)	2,186,032	8,043,429
2018	6,548,828	(4,214,559)	2,334,269	10,377,698
2019	6,630,838	(4,214,559)	2,416,279	12,793,977
2020	6,907,265	(4,214,559)	2,692,706	15,486,683
2021	5,947,224	(4,214,559)	1,732,665	17,219,348
2022	5,769,591	(4,214,559)	1,555,032	18,774,380

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

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 (Measure I Fund) of the City of Ontario, California (City), as of and for the year ended June 30, 2023, 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 7, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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, 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.

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 black ink that reads "Crowe LLP". The signature is written in a cursive, professional style.

Crowe LLP

Los Angeles, California
February 7, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Ontario's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.

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

Crowe LLP

Los Angeles, California
February 7, 2024

**CITY OF RANCHO CUCAMONGA, CALIFORNIA
MEASURE I FUNDS**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF RANCHO CUCAMONGA, CALIFORNIA
MEASURE I FUNDS
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2023, 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 Funds of the City, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds, governmental funds, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 December 21, 2023, on our consideration of the City’s internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance, as it relates to the Measure I Funds.


Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF RANCHO CUCAMONGA, CALIFORNIA
 MEASURE I FUNDS
 BALANCE SHEET
 June 30, 2023

	Measure I 1990-2010	Measure I 2010-2040
ASSETS		
Cash and investments	\$ 65,507	\$ 8,466,209
Accounts receivable	-	11,400
Taxes receivable	-	1,137,587
Interest receivable	308	36,395
 Total assets	 \$ 65,815	 \$ 9,651,591
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 249,154
Retention payables	-	17,750
Accrued payroll	-	10,937
Total liabilities	-	277,841
DEFERRED INFLOW OF RESOURCES		
Unavailable Measure I sales tax revenue	-	392,693
FUND BALANCES		
Restricted for transportation	65,815	8,981,057
 Total liabilities, deferred inflow of resources and fund balance	 \$ 65,815	 \$ 9,651,591

See notes to financial statements.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
 MEASURE I FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 Year ended June 30, 2023

	Measure I 1990-2010	Measure I 2010-2040
Revenue		
Measure I sales tax	\$ -	\$ 4,634,809
Other revenues		11,400
Interest income	808	13,534
Total revenues	808	4,659,743
Expenditures		
Current		
General government	240	1,449,929
Capital		
Construction	-	816,118
Total expenditures	240	2,266,047
Net change in fund balance	568	2,393,696
Fund balance, beginning of year	65,247	6,587,361
Fund balance, end of year	\$ 65,815	\$ 8,981,057

See notes to financial statements.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, 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, 2023, and the changes in financial position thereof for the year then ended in conformity 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

Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I 1990-2010 and Measure I 2010-2040 Special Revenue Funds.

Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

Measurement Focus and Basis of Accounting: The special revenue funds of the City are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.

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.

Deferred Inflows of Resources. Deferred inflows of resources-unavailable revenues represents an acquisition of net assets that applies to a future period. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

(Continued)

CITY OF RANCHO CUCAMONGA, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Investments: Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall or by visiting the City's website at www.cityofrc.us.

The Measure I Funds' cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Funds' deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the City Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

Deferred Inflow of Resources: Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

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 was \$1,107,006 for Fiscal Years 2009/2010 through 2013/2014. Beginning with Fiscal Year 2014/2015, the City's MOE base level was increased to \$2,225,757.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023. Of this amount, \$392,693 is reported as unavailable revenue, as it was received more than 60 days after year-end.

(Continued)

CITY OF RANCHO CUCAMONGA, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUNDS

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 San Bernardino Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
 - Major Local Highway Program
 - Senior and Disabled Transit Program
-

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RANCHO CUCAMONGA, CALIFORNIA
 MEASURE I FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – BUDGET AND ACTUAL
 MEASURE I 1990-2010 FUND
 Year ended June 30, 2023

	Budget		<u>Actual</u>	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income (loss)	\$ 770	\$ 1,110	\$ 808	\$ (302)
Total revenues	770	1,110	808	(302)
Expenditures				
Current				
General government	230	240	240	-
Total expenditures	230	240	240	-
Net change in fund balance	540	870	568	(302)
Fund balance, beginning of year	65,247	65,247	65,247	-
Fund balance, end of year	<u>\$ 65,787</u>	<u>\$ 66,117</u>	<u>\$ 65,815</u>	<u>\$ (302)</u>

See Note to Required Supplementary Information.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
 MEASURE I FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – BUDGET AND ACTUAL
 MEASURE I 2010-2040 FUND
 Year ended June 30, 2023

	Budget		<u>Actual</u>	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Measure I sales tax	\$ 3,710,670	\$ 4,493,200	\$ 4,634,809	\$ 141,609
Other revenue	-	-	11,400	11,400
Interest income (loss)	46,720	121,250	13,534	(107,716)
Total revenues	<u>3,757,390</u>	<u>4,614,450</u>	4,659,743	45,293
Expenditures				
Current				
General government	1,685,700	1,731,500	1,449,929	281,571
Capital				
Construction	<u>2,250,000</u>	<u>2,666,260</u>	816,118	1,850,142
Total expenditures	<u>3,935,700</u>	<u>4,397,760</u>	2,266,047	2,131,713
Net change in fund balance	(178,310)	216,690	2,393,696	2,177,006
Fund balance, beginning of year	<u>6,587,361</u>	<u>6,587,361</u>	<u>6,587,361</u>	-
Fund balance, end of year	<u>\$ 6,409,051</u>	<u>\$ 6,804,051</u>	<u>\$ 8,981,057</u>	<u>\$ 2,177,006</u>

See Note to Required Supplementary Information.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
MEASURE I FUNDS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF RANCHO CUCAMONGA, CALIFORNIA
 MEASURE I FUNDS
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-120. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
Local projects			
Local Street Rehab - Citywide	\$ 3,000,000	\$ 145,117	\$ 2,854,883
Banyan St from Haven Ave to Rochester Ave - Pavement Rehabilitation	550,000	116,889	433,111
Lemon Ave from Haven Ave to Marbella Dr - Pavement Rehabilitation	645,000	84,697	560,303
Rochester Ave from 6th St to Arrow Rte - Pavement Rehabilitation	125,000	51,015	73,985
ADA Corrective Measures - City Wide	1,775,000	418,400	1,356,600
Signal Contract Services - Maintenance City Wide	4,243,090	843,090	3,400,000
Striping Contract Services - Maintenance City Wide	750,000	147,938	602,062
Major Traffic Signal Repair	870,100	<u>25,529</u>	844,571
		1,832,675	
Measure I 1990 - 2010 Engineering Administrative Costs		240	
Measure I 2010 - 2040 Engineering Administrative Costs		<u>433,372</u>	
Total expenditures as of June 30, 2023		<u>\$ 2,266,287</u>	
Total expenditures reported in Measure I 1990 - 2010 Fund		\$ 240	
Total expenditures reported in Measure I 2010 - 2040 Fund		<u>2,266,047</u>	
Total expenditures as of June 30, 2023		<u>\$ 2,266,287</u>	

CITY OF RANCHO CUCAMONGA, CALIFORNIA
 MEASURE I FUNDS
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT TO
 ANNUAL EXPENDITURES
 Year ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 and 2013/14 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Stree and Highway Fund Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 1,042,227	\$ (1,107,006)	\$ (64,779)	\$ (64,779)
2011	1,068,595	(1,107,006)	(38,411)	(103,190)
2012	1,009,692	(1,107,006)	(97,314)	(200,504)
2013	1,007,144	(1,107,006)	(99,862)	(300,366)
2014	1,318,173	(1,107,006)	211,167	(89,199)
2015	2,244,083	(2,225,757)	18,326	(70,873)
2016	3,463,750	(2,225,757)	1,237,993	1,167,120
2017	2,662,311	(2,225,757)	436,554	1,603,674
2018	2,431,763	(2,225,757)	206,006	1,809,680
2019	2,448,659	(2,225,757)	222,902	2,032,582
2020	2,472,070	(2,225,757)	246,313	2,278,895
2021	2,690,852	(2,225,757)	465,095	2,743,990
2022	1,989,620	(2,225,757)	(236,137)	2,507,853

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2023 and the related notes to financial statements and have issued our report thereon dated December 21, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

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.


Crowe LLP

Los Angeles, California
December 21, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Rancho Cucamonga's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Fiscal Year End June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Redlands, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 13, 2023

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Balance Sheets

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 1,762,743
Taxes receivable (Note 4)	<u>469,239</u>
Total assets	<u>\$ 2,231,982</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	<u>\$ -</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>162,857</u>
Fund balance - restricted	<u>2,069,125</u>
Total liabilities and fund balance	<u>\$ 2,231,982</u>

See accompanying notes to financial statements

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Comparative Statement of Revenues, Expenditures, and Change in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 1,924,654
Interest income	<u>22,068</u>
Total revenues	<u>1,946,722</u>
Expenditures:	
Highway and Streets	15,740
Construction, maintenance, and engineering	<u>588,713</u>
Total expenditures	<u>604,453</u>
Excess (deficiency) of revenues over (under) expenditures	1,342,269
Fund balance at beginning of year	<u>726,856</u>
Fund balance at end of year	<u>\$ 2,069,125</u>

See accompanying notes to financial statements

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 Redlands, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) Summary of Significant Accounting Policies (Continued)

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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 \$845,866.

(3) **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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$1,762,743.

(4) **Taxes Receivable**

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023 in the amount of \$469,239.

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **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

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

(6) **Restrictions**

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

(7) **Contingencies**

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(8) **Budgetary Data**

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Expenditures in the Measure I Fund are budgeted as transfers to other City Funds to fund costs incurred for Measure I related projects. The transfers are classified as expenditures in the Measure I financial statements. The legal level of budgetary control for the City is the fund.

Required Supplementary Information

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 1,825,567	\$ 1,825,567	\$ 1,924,654	\$ 99,087
Interest income	-	-	22,068	22,068
	<u>1,825,567</u>	<u>1,825,567</u>	<u>1,946,722</u>	<u>121,155</u>
Total revenues				
Expenditures:				
Highway and Streets	15,740	15,740	15,740	-
Construction, maintenance, and engineering	<u>2,704,233</u>	<u>2,704,233</u>	<u>588,713</u>	<u>2,115,520</u>
	<u>2,719,973</u>	<u>2,719,973</u>	<u>604,453</u>	<u>2,115,520</u>
Total expenditures				
Net change in fund balance	<u>\$ (894,406)</u>	<u>\$ (894,406)</u>	1,342,269	<u>\$ 2,236,675</u>
Fund balance at beginning of year			<u>726,856</u>	
Fund balance at end of year			<u>\$ 2,069,125</u>	

Other Information

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 8345. 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
PMP 2022 Street Resurfacing Project	<u>\$ 2,719,973</u>	<u>\$ 604,453</u>	<u>\$ 2,115,520</u>
Total expenditures at June 30, 2023		<u>\$ 604,453</u>	

CITY OF REDLANDS, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 1,172,269	\$ (845,866)	\$ 326,403	\$ 326,403
2011	419,896	(845,866)	(425,970)	(99,567)
2012	584,399	(845,866)	(261,467)	(361,034)
2013	344,725	(845,866)	(501,141)	(862,175)
2014	60,326	(845,866)	(785,540)	(1,647,715)
2015	625,320	(845,866)	(220,546)	(1,868,261)
2016	1,155,990	(845,866)	310,124	(1,558,137)
2017	2,974,320	(845,866)	2,128,454	570,317
2018	1,690,419	(845,866)	844,553	1,414,870
2019	1,637,189	(845,866)	791,323	2,206,193
2020	1,443,441	(845,866)	597,575	2,803,768
2021	1,641,601	(845,866)	795,735	3,599,503
2022	2,117,828	(845,866)	1,271,962	4,871,465



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

**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**

We have audited, in accordance with the 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 Redlands, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 13, 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, 2023.

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 ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements described in Measure I Ordinance (the “Ordinance”) certain provisions of laws, regulations, contracts, and grant agreements, including requirements of the Ordinance 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 Ordinance as specified in the agreement between the City and SBCTA.

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 entity’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.



Lake Forest, California
December 13, 2023

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of San Bernardino, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the

preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures and Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
February 8, 2024

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$	9,561,454
Taxes receivable (Note 4)		2,049,590
Interest receivable		<u>15,639</u>
Total assets	\$	<u>11,626,683</u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities

Accounts payable	\$	304,763
Retentions payable		<u>286,648</u>
Total liabilities		<u>591,411</u>

Deferred Inflows of Resources

Unavailable revenue		<u>505,119</u>
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Fund balance - restricted		<u>10,530,153</u>
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Liabilities, deferred inflows of resources and fund balance	\$	<u>11,626,683</u>
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See accompanying notes to financial statements

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 5,921,861
Interest income	<u>106,766</u>
Total revenues	<u>6,028,627</u>
Expenditures:	
Construction	6,970,627
Engineering	<u>55,324</u>
Total expenditures	<u>7,025,951</u>
Excess (deficiency) of revenues over (under) expenditures	(997,324)
Fund balance at beginning of year, as previously stated	11,600,169
Prior period adjustment (Note 6)	<u>(72,692)</u>
Fund balance at beginning of year, as restated	<u>11,527,477</u>
Fund balance at end of year	<u>\$ 10,530,153</u>

See accompanying notes to financial statements

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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 San Bernardino, 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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet, and revenue is recognized.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Maintenance of Effort

In accordance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the San Bernardino County Transportation Authority (SBCTA), Local Street Program funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes. The maintenance of effort (MOE) base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in fiscal year 2008/2009. The MOE base year level as approved by the SBCTA Board of Directors shall remain in effect until the expiration of Measure I 2010-2040. General Fund expenditures in excess of the MOE base year level will carry over to subsequent fiscal years and can be applied in a future year to offset the amount the local agency may need to meet the MOE requirement. The City's determined MOE base level is \$1,075,643.

Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represent revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$9,561,454.

(4) **Taxes Receivables**

Taxes receivable in the amount of \$2,049,590 represent the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

(5) **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.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(6) Prior Period Adjustment

The City restated fund balance as of July 1, 2022 to properly reflect beginning equity as a result of the following:

- The City posted an interest accrual adjusting journal entry of \$6,394 to the Measure I fund in the prior year, subsequent to the Fund audit.
- The City accrued \$65,770 of construction expenditures into the Measure I fund in the prior year, subsequent to the Fund audit.
- The City accrued \$528 of engineering expenditures into the Measure I fund in the prior year, subsequent to the Fund audit.

The following table describes the effects of the restatement on the July 1, 2022 fund balance:

<u>Measure I Fund</u>	<u>June 30, 2022 Previously Presented</u>	<u>Restatement</u>	<u>July 1, 2022 Restated</u>
Interest receivable	\$ 15,931	\$ (6,394)	\$ 9,537
Other accrued liabilities	-	65,770	65,770
Salaries payable	-	528	528
Fund balance	\$ 11,600,169	\$ (72,692)	\$ 11,527,477

(7) Restrictions

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(9) 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.

Required Supplementary Information

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 4,772,000	\$ 4,772,000	\$ 5,921,861	\$ 1,149,861
Interest income	28,000	28,000	106,766	78,766
Total revenues	4,800,000	4,800,000	6,028,627	1,228,627
Expenditures:				
Construction	-	22,586,907	6,970,627	15,616,280
Engineering	-	-	55,324	(55,324)
Total expenditures	-	22,586,907	7,025,951	15,560,956
Excess (deficiency) of revenues over (under) expenditures:	\$ 4,800,000	\$ (17,786,907)	(997,324)	\$ 16,789,583
Fund balance at beginning of year			11,600,169	
Prior period adjustment (Note 6)			(72,692)	
Fund balance at beginning of year, as restated			11,527,477	
Fund balance at end of year			\$ 10,530,153	

Other Information

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-150. 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	Current Fiscal	(Over)/Under
	Project Estimate	Year Expenditures	Estimate
University Parkway & I-215 Improvements	\$ 850,000	\$ 125,207	\$ 724,793
Co-op with City of Highland for Pacific Street from Buckeye Street to Boulder Avenue	850,000	271,127	578,873
Pepper Ave. Rehabilitation from Baseline Rd. to Mill St.	7,500,000	1,943,788	5,556,212
Bellevue Reconstruction from Mt. Vernon to K Street	215,000	25	214,975
27th Street Rehabilitation from Little Mountain Avenue to K Street	165,000	25	164,975
Temple Street Rehabilitation from Medical Center Drive to end	165,000	25	164,975
Pavement Management System	1,000,000	1,624,549	(624,549)
Mill & K St Traffic Signal Upgrade *	-	209,122	(209,122)
Mill St & Arrowhead Traffic Sign *	-	220,256	(220,256)
City Wide Bus Stop Improvements *	-	99,700	(99,700)
Sierra Way from 9th to 40th - Street Pavement and Concrete Work Improvements *	-	2,395,945	(2,395,945)
Waterman Ave at State route 210 - On ramp improvements, and street signage and signal improvements *	-	101,078	(101,078)
Bicycle Lane Extension along G Street and Rialto Avenue *	-	35,104	(35,104)
Total Measure I Fund expenditures at June 30, 2023		\$ 7,025,951	

* Note: Project was not on the SBCTA approved Five-Year CIP, see Finding 2023-01.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 1,081,305	\$ (1,075,643)	\$ 5,662	\$ 5,662
2011	(766,984)	(1,075,643)	(1,842,627)	(1,836,965)
2012	(511,222)	(1,075,643)	(1,586,865)	(3,423,830)
2013	4,877	(1,075,643)	(1,070,766)	(4,494,596)
2014	4,580	(1,075,643)	(1,071,063)	(5,565,659)
2015	457,374	(1,075,643)	(618,269)	(6,183,928)
2016	260,138	(1,075,643)	(815,505)	(6,999,433)
2017	395,511	(1,075,643)	(680,132)	(7,679,565)
2018	887,745	(1,075,643)	(187,898)	(7,867,463)
2019	8,437,051	(1,075,643)	7,361,408	(506,055)
2020	3,245,402	(1,075,643)	2,169,759	1,663,704
2021	3,405,521	(1,075,643)	2,329,878	3,993,582
2022	6,590,827	(1,075,643)	5,515,184	9,508,766



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

**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**

We have audited, in accordance with the 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 San Bernardino, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2024. 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-02 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 requirements described in Measure I Ordinance (the “Ordinance”) as specified in the agreement between the City and San Bernardino County Transportation Authority (“SBCTA”) and certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, including the Measure I requirements as specified in the agreement between the City and SBCTA, which is described in the accompanying schedule of findings and responses as item 2023-01.

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 entity’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.



Lake Forest, California
February 8, 2024

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

2023-01 Expenditure Incurred on Projects Not Approved on the 5-Year CIP Material Weakness

Criteria:

The Measure I Strategic Plan states that each local jurisdiction is required to annually adopt a 5-Year Capital Improvement Plan ("CIP) which details the specific projects to be funded using Measure I Local Pass-Through Funds. Expenditures of Measure I Local Pass-Through Funds must be detailed in the 5-Year CIP and adopted by resolution of the governing body.

The Measure I Strategic Plan further states that the 5-Year CIP shall be the basis for the annual audit. For a project to be eligible for Measure I funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year.

Condition:

The City utilized MSI monies to fund costs for certain projects. While the costs were considered allowable project expenditure in accordance with the strategic plan, the six projects totaling \$3,061,205 were not included in the FY 2022/23 5-Year Capital Improvement Plan approved by SBCTA.

Cause:

The City did not submit an amended CIP.

Effect:

Measure I resources were utilized for costs on projects that were not included in the current Five-Year CIP.

Recommendation:

We recommend the City enhance its procedures to ensure that projects that have activity are included in the current Five-Year CIP. This can be achieved through submitting a revised 5-Year CIP to SBCTA as necessary.

View of Responsible Officials:

Due to the change in personnel, a revised 5-year CIP was not submitted as required. Going forward, the City will create a comprehensive checklist to ensure that all eligible projects are submitted and reflected on the 5-year CIP and any occurring adjustments will be submitted through a revised 5-year CIP.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Summary Schedule of Prior Audit Findings

Fiscal Year Ended June 30, 2023

**2023-02 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 \$72,692.

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, 2022.

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:

Due to the change in personnel, the City's audited financials for FY2021-22 was in March-2023. The Measure I information was submitted to SBCTA auditors in December-2022 to meet SBCTA deadlines. Unfortunately, additional changes were made to the City's financials to close the year. Going forward, the City will improve procedures to ensure that year-end closing is completed in a timely manner and pertaining reports will be reviewed for accuracy.

CITY OF SAN BERNARDINO, CALIFORNIA

Measure I Fund

Summary Schedule of Prior Audit Findings

Fiscal Year Ended June 30, 2023

None reported.

**SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS**

FINANCIAL STATEMENTS

June 30, 2023

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the San Bernardino County, California (County), as of and for the year ended June 30, 2023, 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 Funds of the County, as of June 30, 2023, and the changes in their 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 County, 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 Funds, as governmental funds, and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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 County'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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status – Comparison of 5-Year Plan Project to Current Year Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 January 11, 2024, on our consideration of the County’s internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’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 County’s internal control over financial reporting and compliance, as it relates to the Measure I Funds.


Crowe LLP

Los Angeles, California
January 11, 2024

SAN BERNARDINO COUNTY, CALIFORNIA
 MEASURE I FUNDS
 BALANCE SHEET
 June 30, 2023

	Measure I	
	<u>1990-2010</u>	<u>2010-2040</u>
ASSETS		
Cash and investments	\$ 1,316,444	\$ 33,003,028
Receivables		
Taxes	<u>-</u>	<u>2,040,968</u>
Total assets	<u>\$ 1,316,444</u>	<u>\$ 35,043,996</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 32,077	\$ 2,061,165
Due to other County funds	<u>24,522</u>	<u>443,913</u>
Total liabilities	56,599	2,505,078
Fund balance		
Restricted for transportation	<u>1,259,845</u>	<u>32,538,918</u>
Total liabilities and fund balance	<u>\$ 1,316,444</u>	<u>\$ 35,043,996</u>

See notes to financial statements.

SAN BERNARDINO COUNTY, CALIFORNIA
 MEASURE I FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 Year ended June 30, 2023

	Measure I	
	<u>1990-2010</u>	<u>2010-2040</u>
Revenue		
Measure I sales tax	\$ -	\$ 8,484,423
Interest income	27,873	599,166
Other revenue	109,303	-
Total revenues	<u>137,176</u>	<u>9,083,589</u>
Expenditures		
Current		
General government	150,355	1,465,907
Capital		
Construction, maintenance, and engineering	104,438	10,782,641
Total expenditures	<u>254,793</u>	<u>12,248,548</u>
Net change in fund balance	(117,617)	(3,164,959)
Fund balance, beginning of year	<u>1,377,462</u>	<u>35,703,877</u>
Fund balance, end of year	<u>\$ 1,259,845</u>	<u>\$ 32,538,918</u>

See notes to financial statements.

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the San Bernardino County, California (County) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2023, 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

Fund Accounting: The accounts of the County 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 County accounts for the Measure activities within its Measure I 1990-2010 Fund and Measure I 2010-2040 Fund special revenue funds.

Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

Measurement Focus and Basis of Accounting: The special revenue funds of the County 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 270 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.

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.

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.

(Continued)

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 County considers restricted funds to have been spent first.

Cash and Investments: Cash and investments are pooled by the County to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Funds, are those of the County and are disclosed in the County's basic financial statements. The County's basic financial statements can be obtained at the Auditor-Controller/Treasure/Tax Collector's office or website.

The Measure I Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Funds' deposits and withdrawals in the County Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the County Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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 County'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, 2023.

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.

(Continued)

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

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. The County accounted for the funding sources in separate Funds which are referred to a Measure I 1990-2010 and Measure I 2010-2040 Funds in these financial statements.

Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in the Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SBCTA Board of Directors based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

NOTE 5 – DUE TO/FROM OTHER COUNTY FUNDS

Several of the County’s transportation related projects are funded by Prop 1B, TDA allocations and Department of Transportation grants in addition to Measure I and other funding sources. These various funding sources are tracked in separate funds and transferred into the fund where the project costs are being recorded, resulting in monies due to/from other funds within the County as projects progress.

(Continued)

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - OTHER REVENUE

Other revenue in the amount of \$109,303 represent the multiple funding sources of several of the County's Measure I projects. When these resources are received in the Measure I Fund, the receipts are recorded as other revenue. This segregates the Measure I sales tax revenues from the other revenue sources utilized in the funding of the projects.

NOTE 7 - RELATED PARTY

The County entered a Project Funding Agreement with SBCTA for the Ranchero Road Widening Project. Expenditures totaling \$824,305 were reported in the Measure I Funds during the year ended June 30, 2023 related to this Project Funding Agreement.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO COUNTY, CALIFORNIA
 MEASURE I FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
 BUDGET AND ACTUAL
 Measure I 1990-2010 Fund
 Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 15,000	\$ 15,000	\$ 27,873	\$ 12,873
Other revenue	<u>750,000</u>	<u>750,000</u>	<u>109,303</u>	<u>(640,697)</u>
Total revenues	765,000	765,000	137,176	(627,824)
Expenditures				
Current				
General government	150,000	150,500	150,355	145
Capital				
Construction, maintenance, and engineering	<u>50,000</u>	<u>99,500</u>	<u>104,438</u>	<u>(4,938)</u>
Total expenditures	<u>200,000</u>	<u>250,000</u>	<u>254,793</u>	<u>(4,793)</u>
Net change in fund balance	565,000	515,000	(117,617)	(632,617)
Fund balance, beginning of year	<u>1,377,462</u>	<u>1,377,462</u>	<u>1,377,462</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,942,462</u>	<u>\$ 1,892,462</u>	<u>\$ 1,259,845</u>	<u>\$ (632,617)</u>

See Note to Required Supplementary Information.

SAN BERNARDINO COUNTY, CALIFORNIA
 MEASURE I FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
 BUDGET AND ACTUAL
 Measure I 2010-2040 Fund
 Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 7,369,124	\$ 7,369,124	\$ 8,484,423	\$ 1,115,299
Interest income	304,000	\$ 304,000	599,166	295,166
Other revenue	-	-	-	-
Total revenues	<u>7,673,124</u>	<u>7,673,124</u>	<u>9,083,589</u>	<u>1,410,465</u>
Expenditures				
Current				
General government	5,214,500	5,436,500	1,465,907	3,970,593
Capital				
Construction, maintenance, and engineering	<u>23,610,000</u>	<u>24,539,000</u>	<u>10,782,641</u>	<u>13,756,359</u>
Total expenditures	<u>28,824,500</u>	<u>29,975,500</u>	<u>12,248,548</u>	<u>17,726,952</u>
Net change in fund balance	(21,151,376)	(22,302,376)	(3,164,959)	19,137,417
Fund balance, beginning of year	<u>35,703,877</u>	<u>35,703,877</u>	<u>35,703,877</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,552,501</u>	<u>\$ 13,401,501</u>	<u>\$ 32,538,918</u>	<u>\$ 19,137,417</u>

See Note to Required Supplementary Information.

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

NOTE 1 – BUDGETARY DATA

The County adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Administration expenditures in the Measure I Funds are budgeted as transfers to other County Funds to cover for costs incurred for Measure I related projects. The transfers are classified as expenditures in the Measure I report. The Measure I 1990-2010 Fund total expenditures exceeded the budgeted expenditures by \$4,938 for the year ended June 30, 2023.

ADDITIONAL INFORMATION

SAN BERNARDINO COUNTY, CALIFORNIA
 MEASURE I FUNDS
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by the County Board of Supervisors through Resolution No.2022-179. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
Local projects			
Morongo Road and Other Roads Leveling	\$ 1,530,000	\$ 61,938	\$ 1,468,062
Baker Blvd and Park Avenue, Contract Overlay	3,050,000	118,669	2,931,331
Barstow Skyline North ADA Ramps	910,000	45,831	864,169
Barstow Irwin Estates ADA Ramps	1,050,000	151,552	898,448
Irwin Road and Other Roads Maintenance Overlay	200,000	252,780	(52,780)
Lake Gregory Dr and Lake Dr SAMI, Leveling Course, Mill and Overlay	1,632,000	98,017	1,533,983
Old Waterman Canyon Rd and Other Roads (Crestline Area) - Crack Seal, Chip Seal, Fog Seal, SAMI, Leveling Course and Overlay	1,170,000	2,391	1,167,609
Riverside Drive Mill and Overlay	1,891,000	45,143	1,845,857
Bloomington Ave - Cedar Ave to 0.11 miles NE of Larch Ave, Pavement Reconstruction and Storm Drain Replacement (Design Only)	58,000	137,607	(79,607)
Cajon Blvd Guardrail - Kenwood Ave to Cleghorn Ave	777,000	124,519	652,481
Linden Ave and Other Roads Rehab and Reconstruction	1,817,000	1,408,713	408,287
Wabash Ave and Other Roads Slurry Seal	2,760,600	3,601,308	(840,708)
Banana Ave and Other Roads Mill and Overlay	5,348,000	211,142	5,136,858
Redwood Ave and Other Roads Mill and Overlay	2,428,000	2,970,221	(542,221)
Independence Ave and Other Roads Slurry Seal	114,000	131,182	(17,182)
Little Third Street and Little Tippecanoe Avenue - New Asphalt Concrete, Widening, Mill and Overlay, Sidewalk and ADA Ramps (Palm Lane E/Little Tippecanoe Ave N/Tippecanoe Ave)	1,465,000	76,614	1,388,386
Ranchero Road, .30M E, Mariposa E/1M E, Escondido Ave - Widening ROW	320,000	254,793	65,207
Ranchero Road, .30M E, Mariposa E/1M E, Escondido Ave - Widening Construction	1,000,000	569,512	430,488
Baldy Mesa and Other Roads - Chip Seal	939,000	661,320	277,680
Phelan Road Rehabilitation	322,000	162,653	159,347
Mountain Road and Other Roads - Chip Seal	1,145,000	1,297,060	(152,060)
Wilson Ranch Road and Other Roads - Chip Seal and Leveling	683,000	<u>120,376</u>	562,624
		<u>\$ 12,503,341</u>	
Measure 1990-2010 Fund expenditures		\$ 254,793	
Measure 2010-2040 Fund expenditures		<u>12,248,548</u>	
Total expenditures for the year ending June 30, 2023		<u>\$ 12,503,341</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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds), of the San Bernardino County, California (County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements and have issued our report thereon dated January 11, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the County are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

County's Response to Finding

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


Crowe LLP

Los Angeles, California
January 11, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited San Bernardino County, California (County) compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the County's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
January 11, 2024

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2023

FINANCIAL STATEMENT FINDINGS

2023-001 ACCOUNTS PAYABLE CUT-OFF – (Material Weakness)

Criteria:

Expenditures should be recognized during the period incurred, and accruals posted to the general ledger when applicable.

Condition/Context:

Two expense invoices related to services received during the period ended June 30, 2023, were not appropriately accrued as liabilities in the Measure I Funds. The amounts that should have been accrued for Measure I 1990-2010 and Measure I 2010-2040 as of June 30, 2023 were \$32,077 and \$25,161, respectively.

Cause:

The County received the invoices after the Auditor-Controller's accrual deadline and did not have a sufficient control in place to ensure top level adjustments are recorded to the Measure I Fund financial statements for material amounts.

Effect:

An audit adjustment of \$32,077 was posted to recognize the expenditures and associated payable in the June 30, 2023 Measure I 1990-2010 fund activity. The remaining \$25,161 expenditure related to 2010-2040 was immaterial and the audit adjustment was waived.

Recommendation:

We recommend that management establish controls to review invoices received after the Auditor-Controller's cutoff date for any material activity that would necessitate a top-level adjustment related to the Measure I Funds.

Views of responsible officials and planned corrective actions:

The County concurs with the auditor's findings. The County will add administrative procedures for year-end accrual processing to ensure all expenditures are recorded in the year the expense was incurred. Communication with other divisions at year-end will be increased to ensure all invoices for goods and services are recorded in the proper year.

(Continued)

SAN BERNARDINO COUNTY, CALIFORNIA
MEASURE I FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2023

FINANCIAL STATEMENT FINDINGS (Continued)

2023-002 REVENUE RECOGNITION – (Material Weakness)

Criteria:

Standards for the modified accrual recognition of governmental fund revenues require that revenues from a derived tax transaction should be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first.

Condition/Context:

One derived tax revenue payment related to exchange transactions on which the tax was imposed prior to the fiscal year end of June 30, 2023 was not appropriately accrued in the Measure I Funds. The additional amount that should have been accrued for Measure I 2010-2040 as of June 30, 2023 was \$643,611.

Cause:

The County did not have sufficient control precision related to the revenue recognition control utilized to ensure completeness of Measure I revenue for the fiscal year, including significant amounts received within the County's period of availability.

Effect:

An audit adjustment of \$643,611 was posted to recognize the Measure I sales tax revenue and an associated receivable in the June 30, 2023 Measure I 2010-2040 fund activity.

Recommendation:

We recommend that management enhance the precision of their revenue recognition controls at the fund level to review revenue transactions for completeness for any significant activity to the fund that would necessitate adjustment related to the Measure I Funds.

Views of responsible officials and planned corrective actions:

The County concurs with the auditor's finding. The County will update administrative procedures to review the collection of revenue related to Measure I sales tax prior to and after year-end to ensure all 12 months of revenue are recorded.

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Twentynine Palms, California (City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 November 29, 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.



Crowe LLP

Los Angeles, California
November 29, 2023

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments	\$ 1,786,244
Taxes receivable	101,983
Interest receivable	<u>13,941</u>
 Total assets	 <u>\$ 1,902,168</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 3,240
 Fund balance	
Restricted for transportation	<u>1,898,928</u>
 Total liabilities and fund balance	 <u>\$ 1,902,168</u>

See notes to financial statements.

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

Revenue	
Measure I sales tax	\$ 638,062
Interest income	29,333
Total revenues	<u>667,395</u>
Expenditures	
Capital	
Construction	<u>86,639</u>
Revenues over expenditures	580,756
Other financing sources (uses)	
Transfer to the City of Twentynine Palms	<u>(10,000)</u>
Net change in fund balance	570,756
Fund balance, beginning of year	<u>1,328,172</u>
Fund balance, end of year	<u><u>\$ 1,898,928</u></u>

See notes to financial statements.

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 2010-2040 (Measure I Fund) of the City of Twentynine Palms, 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, 2023, 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

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, and within 6 months for grant, 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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

(Continued)

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2023.

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.

(Continued)

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

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 – TRANSFERS TO THE CITY OF TWENTYNINE PALMS

During the year ended June 30, 2023, the Fund transferred \$10,000 to the City of Twentynine Palms for administrative expenses associated with the Fund, including payroll, invoicing, staff reports, and 5-year plan reporting.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL
Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 672,105	\$ 672,105	\$ 638,062	\$ (34,043)
Interest income	-	-	29,333	29,333
Total revenues	<u>672,105</u>	<u>672,105</u>	<u>667,395</u>	<u>(4,710)</u>
Expenditures				
Capital				
Construction	<u>1,201,681</u>	<u>1,201,681</u>	<u>86,639</u>	<u>1,115,042</u>
Revenues over/(under) expenditures	(529,576)	(529,576)	580,756	1,110,332
Other financing sources (uses)				
Transfers to the City of Twentynine Palms	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	(539,576)	(539,576)	570,756	1,110,332
Fund balance, beginning of year	<u>1,328,172</u>	<u>1,328,172</u>	<u>1,328,172</u>	<u>-</u>
Fund balance, end of year	<u>\$ 788,596</u>	<u>\$ 788,596</u>	<u>\$ 1,898,928</u>	<u>\$ 1,110,332</u>

See Note to Required Supplementary Information.

CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF TWENTYNINE PALMS, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 22-18. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
Local Projects			
HSIP Safety Improvements	\$ 63,990	\$ 8,497	\$ 55,493
Neighborhood Safety Project	156,000	41,932	114,068
Raised Concrete Median	86,250	36,210	50,040
Administrative costs	10,000	<u>10,000</u>	-
Total expenditures as of June 30, 2023		<u>\$ 96,639</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

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 (Measure I Fund) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2023, 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 November 29, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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, , 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*

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 black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Los Angeles, California
November 29, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Twentynine Palm's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Los Angeles, California
November 29, 2023

**CITY OF UPLAND, CALIFORNIA
MEASURE I FUND**

FINANCIAL STATEMENTS
June 30, 2023

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 Upland, California (City), as of and for the year ended June 30, 2023, 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, 2023, 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, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures and Maintenance of Effort: Comparison of Base Level Amounts to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional 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 December 14, 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.



Crowe LLP

Los Angeles, California
December 14, 2023

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments	\$ 8,100,204
Taxes receivable	<u>509,924</u>
 Total assets	 <u><u>\$ 8,610,128</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 122,756
Retentions payable	6,460
Accrued salaries	<u>1,246</u>
Total liabilities	130,462
 Fund balance	
Restricted for transportation	<u>8,479,666</u>
 Total liabilities and fund balance	 <u><u>\$ 8,610,128</u></u>

See notes to financial statements.

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

Revenue	
Measure I sales tax	\$ 2,094,460
Interest income (loss)	(34,344)
Total revenues	<u>2,060,116</u>
Expenditures	
Capital	
Construction	<u>554,239</u>
Total expenditures	<u>554,239</u>
Net change in fund balance	1,505,877
Fund balance, beginning of year	<u>6,973,789</u>
Fund balance, end of year	<u><u>\$ 8,479,666</u></u>

See notes to financial statements.

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2023

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 Upland, 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, 2023, 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

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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

(Continued)

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 \$3,088,257.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

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.

(Continued)

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2023

NOTE 4 – MEASURE I FUND (Continued)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SBCTA member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I.

Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in the Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SBCTA Board of Directors based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) subareas. In the San Bernardino Valley subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UPLAND, CALIFORNIA
 MEASURE I FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCE – BUDGET AND ACTUAL
 Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,623,180	\$ 1,623,180	\$ 2,094,460	\$ 471,280
Interest income (loss)	-	-	(34,344)	(34,344)
Total revenues	1,623,180	1,623,180	2,060,116	436,936
Expenditures				
Capital				
Construction	2,399,460	2,583,240	554,239	2,029,001
Total expenditures	2,399,460	2,583,240	554,239	2,029,001
Net change in fund balance	(776,280)	(960,060)	1,505,877	2,465,937
Fund balance, beginning of year	6,973,789	6,973,789	6,973,789	-
Fund balance, end of year	<u>\$ 6,197,509</u>	<u>\$ 6,013,729</u>	<u>\$ 8,479,666</u>	<u>\$ 2,465,937</u>

See Note to Required Supplementary Information.

CITY OF UPLAND, CALIFORNIA
MEASURE I FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF UPLAND, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 6682. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
17th Street Reconstruction (San Antonio to Euclid)	\$ 1,300,000	\$ 347,368	\$ 952,632
19th Street Rehabilitation (Mountain to Euclid)	1,450,000	32,578	1,417,422
Campus Avenue Rehabilitation (South City Limit to Foothill Blvd.)	2,590,000	15,149	2,574,851
Citywide Pavement Maintenance 2021/2022	134,000	134,000	-
Citywide Pavement Maintenance 2022/2023	250,000	12,827	237,173
Grove Avenue Rehabilitation (Foothill to 15th St.)	2,134,000	180	2,133,820
Phase II of the Metrolink Station Accessibility Improvement Project (ATP Cycle 4)	38,400	<u>12,137</u>	26,263
Total expenditures as of June 30, 2023		<u>\$ 554,239</u>	

CITY OF UPLAND, CALIFORNIA
 MEASURE I FUND
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
 TO ANNUAL EXPENDITURES
 Year ended June 30, 2023

<u>Fiscal Year Ending June 30.</u>	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 2,829,924	\$ (3,088,257)	\$ (258,333)	\$ (258,333)
2011	5,279,130	(3,088,257)	2,190,873	1,932,540
2012	2,875,715	(3,088,257)	(212,542)	1,719,998
2013	2,900,568	(3,088,257)	(187,689)	1,532,309
2014	2,852,095	(3,088,257)	(236,162)	1,296,147
2015	2,574,191	(3,088,257)	(514,066)	782,081
2016	2,724,239	(3,088,257)	(364,018)	418,063
2017	2,772,554	(3,088,257)	(315,703)	102,360
2018	3,701,820	(3,088,257)	613,563	715,923
2019	3,412,582	(3,088,257)	324,325	1,040,248
2020	3,410,567	(3,088,257)	322,310	1,362,558
2021	3,345,516	(3,088,257)	257,259	1,619,817
2022	3,772,922	(3,088,257)	684,665	2,304,482

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*

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 (Measure I Fund) of the City of Upland, California (City), as of and for the year ended June 30, 2023, 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 December 14, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

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, 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*.

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.



Crowe LLP

Los Angeles, California
December 14, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited City of Upland's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.

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

Crowe LLP

Los Angeles, California
December 14, 2023

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Victorville, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 21, 2023

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 15,597,051
Receivables	
Taxes (Note 4)	1,865,972
Other	15,284
Deposits and prepaids	<u>1,133</u>
 Total assets	 <u>\$ 17,479,440</u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities

Accounts payable	\$ 116,267
Retentions payable	<u>20,437</u>
 Total liabilities	 <u>136,704</u>

Deferred Inflows of Resources

Unavailable revenue	<u>613,144</u>
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Fund balance - restricted	<u>16,729,592</u>
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Liabilities, deferred inflows of resources, and fund balance	<u>\$ 17,479,440</u>
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See accompanying notes to financial statements

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 7,144,314
Reimbursements (Note 6)	46,545
Interest income	<u>395,074</u>
Total revenues	<u>7,585,933</u>
Expenditures:	
Construction, maintenance, and engineering (Note 7)	<u>4,148,818</u>
Total expenditures	<u>4,148,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,437,115</u>
Fund balance at beginning of year	<u>13,292,477</u>
Fund balance at end of year	<u>\$ 16,729,592</u>

See accompanying notes to financial statements

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(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, 2023, 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 5 for a detailed description of the Measure.

(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.

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.

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

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.

Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

(3) **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.

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **Cash and Investments (Continued)**

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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$15,597,051.

(4) **Taxes Receivable**

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

(5) **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.

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(5) **Measure I Fund (Continued)**

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

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(6) Reimbursements

The City received \$46,545 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.

(7) Allocated Costs

In accordance with the City's cost allocation plan, \$470,970 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.

(8) Restrictions

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

(9) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(10) 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.

Required Supplementary Information

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 6,794,032	\$ 6,794,032	\$ 7,144,314	\$ 350,282
Reimbursements	57,500	57,500	46,545	(10,955)
Interest income	<u>-</u>	<u>-</u>	<u>395,074</u>	<u>395,074</u>
Total revenues	<u>6,851,532</u>	<u>6,851,532</u>	<u>7,585,933</u>	<u>734,401</u>
Expenditures:				
Construction, maintenance, and engineering	<u>4,211,958</u>	<u>10,594,344</u>	<u>4,148,818</u>	<u>6,445,526</u>
Total expenditures	<u>4,211,958</u>	<u>10,594,344</u>	<u>4,148,818</u>	<u>6,445,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,639,574</u>	<u>\$ (3,742,812)</u>	3,437,115	<u>\$ 7,179,927</u>
Fund balance at beginning of year			<u>13,292,477</u>	
Fund balance at end of year			<u>\$ 16,729,592</u>	

Other Information

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council 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:

Local Projects	5-Year Plan Project Estimate	Current Fiscal Year Expenditures	(Over)/Under Estimate
7th St, Traffic Signal Modifications	\$ 22,500	\$ 15,317	\$ 7,183
Bear Valley Rd, Amethyst Rd to US-395, Pavement Rehabilitation	3,000,000	12,106	2,987,894
Civic Area Slurry Seal	1,296,000	1,539	1,294,461
Concrete Sidewalk, Install or Repair per location list	1,973,140	144,389	1,828,751
Curb Access Ramps - per Location List	584,005	61,269	522,736
Guardrail Replacement - Various Locations	175,000	5,653	169,347
Local Roadway Safety Plan	14,000	721	13,279
Mojave Dr at Condor Dr, Construct New Traffic Signal	42,000	22,465	19,535
Nisqualli Rd / I-15 Interchange, Environmental Monitoring & Reporting	60,000	44,358	15,642
Old Town Sidewalk Phase 1 - per location list	250,000	434,807	(184,807)
Seventh Ave. Nisqualli Rd. to Bear Valley Rd. Pavement Rehabilitation, Bike Lanes & Sidewalk	750,000	348,316	401,684
Village Dr. at Tawney Ridge Ln. Install new traffic Signals	30,000	25,443	4,557
Striping Truck	435,000	468,946	(33,946)
Bucket Truck for Traffic Signal Maintenance	193,000	67,302	125,698
Various Equipment for Traffic Signal Maintenance	85,000	88,123	(3,123)
Various Equipment for Traffic Control Maintenance	57,000	27,627	29,373
Cost Allocation	2,500,444	470,970	2,029,474
Engineering Services	911,664	71,341	840,323
Traffic Engineering	2,686,938	494,569	2,192,369
Traffic Signal Maintenance	1,246,819	200,023	1,046,796
Traffic Control - Signing & Striping	6,665,254	1,143,534	5,521,720
Total expenditures at June 30, 2023		\$ 4,148,818	



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

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

We have audited, in accordance with the 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, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 21, 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness and item 2023-02 that we consider 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 City are free from material misstatement, we performed tests of its compliance with requirements described in Measure I Ordinance (“Ordinance”) as specified in the agreement between the City and San Bernardino County Transportation Authority (“SBCTA”) and certain provisions of laws, regulations, contracts, and grant agreements, 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 Ordinance as specified in the agreement between the City and SBCTA.

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 entity’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.



Lake Forest, California
December 21, 2023

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

2023-01 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. This is a repeated finding from fiscal year 2021-22. The City did not implement any corrective actions in fiscal year 2022-23, as the audit was not complete until May 2023.

Cause:

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

Effect:

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

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:

The corrective action moving forward for FY2024. The City plans to evaluate the current method of estimating the employee's allocation percentage to MSI and TDA and assess the work performed by each employee to correctly attribute the correct charge to TDA and MSI. The City plans to accomplish this by meeting with department heads to discover a method of tracking time spent on TDA and MSI eligible activities to prepare a true-up entry each quarter.

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

2023-02 Bank Reconciliations Significant Deficiency

Criteria:

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

Condition:

During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not completed until November 2023.

Cause:

The City did not perform a timely bank reconciliation due to the departure of the accountant who prepared the monthly bank reconciliation and other unforeseen technical issues with the City's accounting systems.

Effect:

The bank reconciliation was not reviewed and approved until November 2023.

Recommendation:

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

View of Responsible Officials:

The City is working towards streamlining the Bank Reconciliation process by implementing new methods of reconciling the different funding sources and cross-training Finance Technicians and Accountant on the accounting process. With additional help and with streamlining our reports and process, the City believes it will achieve a timely Bank Reconciliation.

CITY OF VICTORVILLE, CALIFORNIA

Measure I Fund

Summary Schedule of Prior Audit Findings

Fiscal Year Ended June 30, 2023

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2022-001	Restatement of Beginning Fund Balance	Implemented
2022-002	Payroll Expenditures Not Supported	Not Implemented, See 2023-01

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Financial Statements

Fiscal Year Ended June 30, 2023

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Fiscal Year Ended June 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Measure I Fund of the City of Yucaipa, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position of the Measure I Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Matters

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Measure I Fund 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The *Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures* listed as Other Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the City's internal control over financial reporting for the Measure I Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Lake Forest, California
December 19, 2023

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Balance Sheet

June 30, 2023

Assets

Cash and investments (Note 3)	\$ 2,404,340
Taxes Receivable (Note 5)	<u>351,525</u>
Total assets	<u>\$ 2,755,865</u>

Liabilities, Deferred Inflows of Resources, and Fund Balance

Deferred Inflows of Resources

Unavailable revenue	<u>\$ 122,170</u>
Fund Balance	
Restricted	<u>2,633,695</u>
Liabilities, deferred Inflows of resources, and fund balance	<u>\$ 2,755,865</u>

See accompanying notes to financial statements

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Fiscal Year Ended June 30, 2023

Revenues:	
Measure I sales tax	\$ 1,320,444
Interest	9,011
Unrealized gain (loss) on investment	<u>(15,709)</u>
Total revenues	<u>1,313,746</u>
Expenditures:	
Public works	<u>274,573</u>
Excess of revenues over expenditures	1,039,173
Fund balance at beginning of year	<u>1,594,522</u>
Fund balance at end of year	<u>\$ 2,633,695</u>

See accompanying notes to financial statements

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(1) **General Information**

Reporting Entity

The financial statements are intended to reflect the financial position and changes in the financial position of the Measure I Fund of the City of Yucaipa, 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, 2023, 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.

(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.

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.

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

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.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under Measure I possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Measure I are recognized in the period when all eligibility requirements have been met.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(2) **Summary of Significant Accounting Policies (Continued)**

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

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 \$175,764.

Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

(3) **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.

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(3) **Cash and Investments (Continued)**

The Measure I Fund's cash and investments pool balance is 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.

The Measure I Fund's cash and investments as of June 30, 2023 was \$2,404,340.

(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

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(4) **Measure I Fund (Continued)**

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

(5) **Taxes Receivable**

Taxes receivable represent the Measure I sales tax revenues in the amount of \$351,525 for the fiscal year received from SBCTA after June 30, 2023.

(6) **Restrictions**

Funds received pursuant to the Measure I Ordinance 04-01 and the Expenditure Plan, adopted by SBCTA relating to the expenditure of Measure I revenue may only be used for transportation improvement and traffic management programs authorized in the Measure I Five Year Capital Improvement Program.

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2023

(7) 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.

Required Supplementary Information

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Measure I sales tax	\$ 1,421,662	\$ 1,421,662	\$ 1,320,444	\$ (101,218)
Interest	10,000	10,000	9,011	(989)
Unrealized gain (loss) on investment	<u>-</u>	<u>-</u>	<u>(15,709)</u>	<u>(15,709)</u>
Total revenues	<u>1,431,662</u>	<u>1,431,662</u>	<u>1,313,746</u>	<u>(117,916)</u>
Expenditures:				
Public works	<u>980,000</u>	<u>980,000</u>	<u>274,573</u>	<u>705,427</u>
Net change in fund balance	<u>\$ 451,662</u>	<u>\$ 451,662</u>	1,039,173	<u>\$ 587,511</u>
Fund balance at beginning of year			<u>1,594,522</u>	
Fund balance at end of year			<u>\$ 2,633,695</u>	

Other Information

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2022-32. 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
Annual Pavement Management Program	<u>\$ 15,091,674</u>	<u>\$ 274,573</u>	<u>\$ 14,817,101</u>
Total expenditures at June 30, 2023		<u>\$ 274,573</u>	

CITY OF YUCAIPA, CALIFORNIA

Measure I Fund

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

Fiscal Year Ended June 30, 2023

The maintenance of effort base level amount was determined based upon fiscal year 2008/09 spending levels. Excess/(deficient) amounts are carried forward in accordance with the Measure I Strategic Plan. Actual amounts expended in relation to the base level amount in each year subsequent to the base year are as follows:

Fiscal Year Ending June 30,	General Fund		Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
	Street and Highway Funds Utilized	Base Level Amount		
2010	\$ 400,000	\$ (175,764)	\$ 224,236	\$ 224,236
2011	600,000	(175,764)	424,236	648,472
2012	200,000	(175,764)	24,236	672,708
2013	600,000	(175,764)	424,236	1,096,944
2014	400,000	(175,764)	224,236	1,321,180
2015	400,000	(175,764)	224,236	1,545,416
2016	400,000	(175,764)	224,236	1,769,652
2017	400,000	(175,764)	224,236	1,993,888
2018	400,000	(175,764)	224,236	2,218,124
2019	500,000	(175,764)	324,236	2,542,360
2020	456,800	(175,764)	281,036	2,823,396
2021	160,000	(175,764)	(15,764)	2,807,632
2022	310,000	(175,764)	134,236	2,941,868



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

**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**

We have audited, in accordance with the 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 Yucaipa, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 19, 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, 2023.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements described in Measure I Ordinance (the "Ordinance") as specified in the agreement between the City and San Bernardino County Transportation Authority ("SBCTA") and certain provisions of laws, regulations, contracts, and grant agreements, 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 Ordinance as specified in the agreement between the City and SBCTA.

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 entity'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.



Lake Forest, California
December 19, 2023

**TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS**

FINANCIAL STATEMENTS

June 30, 2023

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
San Bernardino, California

FINANCIAL STATEMENTS
June 30, 2023

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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 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2023, 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 Funds of the Town, as of June 30, 2023, 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 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds, governmental funds, and do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2023, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying Program Status: Comparison of 5-Year Plan Project Budget to Current Year Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional 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 January 3, 2024, on our consideration of the Town’s internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Funds.



Crowe LLC

Los Angeles, California
January 3, 2024

TOWN OF YUCCA VALLEY, CALIFORNIA
 MEASURE I FUNDS
 BALANCE SHEETS
 June 30, 2023

	Measure I <u>1990-2010</u>	Measure I <u>2010-2040</u>
ASSETS		
Cash and investments	\$ -	\$ 1,382,460
Taxes receivable	<u>-</u>	<u>195,098</u>
 Total assets	 <u>\$ -</u>	 <u>\$ 1,577,558</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 10,085
Wages payable	<u>-</u>	<u>6,319</u>
Total liabilities	-	16,404
Fund balance		
Restricted for transportation	<u>-</u>	<u>1,561,154</u>
Total fund balance	<u>-</u>	<u>1,561,154</u>
 Total liabilities and fund balance	 <u>\$ -</u>	 <u>\$ 1,577,558</u>

See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA
 MEASURE I FUNDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 Year ended June 30, 2023

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
Revenue		
Measure I sales tax	\$ -	\$ 1,066,089
Interest income (loss)	-	9,291
Total revenues	<u>-</u>	<u>1,075,380</u>
Expenditures		
Current		
General government	-	345,277
Capital		
Construction and engineering	<u>2,126</u>	<u>163,390</u>
Total expenditures	<u>2,126</u>	<u>508,667</u>
Revenues over/(under) expenditures	(2,126)	566,713
Other financing sources (uses)		
Transfers out to other Town funds	<u>-</u>	<u>(879,000)</u>
Net change in fund balance	(2,126)	(312,287)
Fund balance, beginning of year	<u>2,126</u>	<u>1,873,441</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,561,154</u></u>

See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 1990-2010 Fund and Measure I 2010-2040 Fund (Measure I Funds) of the Town of Yucca 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, 2023, 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

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 1990-2010 and Measure I 2010-2040 as special revenue funds.

Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

Measurement Focus and Basis of Accounting: The special revenue funds of the 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.

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.

Fund Balance: Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first.

(Continued)

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Funds, are those of the Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall as well as on the Town's website: www.yucca-valley.org.

The Measure I Funds' cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Funds' deposits and withdrawals in the Town Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Funds' investment in the Town Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from SBCTA after June 30, 2023.

NOTE 4 – MEASURE I FUNDS

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.

(Continued)

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – MEASURE I FUNDS (Continued)

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 – TRANSFERS TO THE OTHER TOWN FUNDS

During the year ended June 30, 2023, the Fund transferred out a total of \$879,000 to the Town’s Active Transportation Program (ATP) Grant Fund 536 for the Onaga Trail and Little League Drive Safety Improvement Project.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF YUCCA VALLEY, CALIFORNIA
 MEASURE I FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
 BUDGET AND ACTUAL – MEASURE I 1990-2010 FUND
 Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Capital				
Construction and engineering	2,126	2,126	2,126	-
Revenues over/(under) expenditures	(2,126)	(2,126)	(2,126)	-
Net change in fund balance	(2,126)	(2,126)	(2,126)	-
Fund balance, beginning of year	2,126	2,126	2,126	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

See note to required supplementary information.

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – MEASURE I 2010-2040 FUND
Year ended June 30, 2023

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure I sales tax	\$ 1,000,000	\$ 1,000,000	\$ 1,066,089	\$ 66,089
Interest income (loss)	-	-	9,291	9,291
Total revenues	1,000,000	1,000,000	1,075,380	75,380
Expenditures				
Current				
General government	332,600	332,600	345,277	(12,677)
Capital				
Construction and engineering	214,500	214,500	163,390	51,110
Total expenditures	547,100	547,100	508,667	38,433
Revenues over expenditures	452,900	452,900	566,713	113,813
Other financing sources (uses)				
Transfers out to other Town funds	(879,000)	(879,000)	(879,000)	-
Net change in fund balance	(426,100)	(426,100)	(312,287)	113,813
Fund balance, beginning of year	1,873,441	1,873,441	1,873,441	-
Fund balance, end of year	<u>\$ 1,447,341</u>	<u>\$ 1,447,341</u>	<u>\$ 1,561,154</u>	<u>\$ 113,813</u>

See note to required supplementary information.

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

TOWN OF YUCCA VALLEY, CALIFORNIA
 MEASURE I FUNDS
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2023

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 22-38. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Under/(Over) Estimate</u>
Fund 522 - Measure I - 1990-2010			
Major Arterials and Collectors Crack Seal and Slurry Seal	\$ 222,000	\$ 2,126	\$ 219,874
Fund 524 - Measure I - 2010-2040			
Onaga Trail Safety Project (between Acorna and Sage)	1,069,000	779,000	290,000
Little League Drive Safety Project (ATP)	210,000	100,000	110,000
Annual Traffic Census	61,800	11,435	50,365
Utilities (Street Lights)	308,000	73,885	234,115
SR62 Median Maintenance	325,000	28,070	296,930
Street Maintenance Program Personnel Costs	1,738,100	345,277	1,392,823
Indirect Cost Recovery	250,000	<u>50,000</u>	200,000
		<u>\$ 1,389,793</u>	
Total Measure I 1990-2010 fund expenditures		\$ 2,126	
Total Measure I 2010-2040 fund expenditures		<u>508,667</u>	
Total expenditures as of June 30, 2023		510,793	
Total transfers out as of June 30, 2023		<u>879,000</u>	
Total		<u>\$ 1,389,793</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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements and have issued our report thereon dated January 3, 2024.

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 Funds (internal control) as the 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.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the Town are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding 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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Crowe LLP

Los Angeles, California
January 3, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE I COMPLIANCE
REQUIREMENTS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with the Measure I Ordinance

We have audited Town of Yucca Valley's (Town) compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the Town's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

Basis for Opinion on the Ordinance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the Ordinance.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid, with the "C" being particularly large and stylized.

Crowe LLP

Los Angeles, California
January 3, 2024

TOWN OF YUCCA VALLEY, CALIFORNIA
MEASURE I FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2023

FINANCIAL STATEMENT FINDINGS

2023-001 REVENUE RECOGNITION – (Significant Deficiency)

Criteria:

Standards for the modified accrual recognition of governmental fund revenues require that revenues from a derived tax transaction should be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first.

Condition/Context:

One derived tax revenue payment related to exchange transactions on which the tax was imposed prior to the fiscal year end of June 30, 2023 was not appropriately accrued in the Measure I Funds. The additional amount that should have been accrued for Measure I 2010-2040 as of June 30, 2023 was \$97,323.

Cause:

The Town did not have sufficient control precision related to the revenue recognition control utilized to ensure completeness of Measure I revenue for the fiscal year, including significant amounts received within the Town's period of availability.

Effect:

An audit adjustment of \$97,323 was posted to recognize the Measure I sales tax revenue and an associated receivable in the June 30, 2023 Measure I 2010-2040 fund activity.

Recommendation:

We recommend that management enhance the precision of their revenue recognition controls at the fund level to review revenue transactions for completeness for any significant activity to the fund that would necessitate adjustment related to the Measure I Funds.

Views of responsible officials and planned corrective actions:

In response to the Independent Auditors Report on Internal Control over Financial Reporting's determination of a significant deficiency in the Town's Internal Control over the financial report of the Measure I Fund Financial Statements, Town management provides the following context and details to provide clarity and full understanding for the users of the Internal Control Report. Firstly, Town management maintains that the organization's internal controls have been implemented, upheld, and fully executed to the best of their ability in the current fiscal year as they have been over the past 31 years since incorporation. While internal controls are designed and maintained to assist with mitigation of the risk of material misstatement it is always important to note that they cannot mitigate every chance of human error, as was the case with this accrual transaction. The transaction noted in this report was received, recorded, and reviewed properly by Finance staff and within the Town's current policies and procedures. The factors that contributed to the transaction not being accrued into the period of performance for the receipt are as follows:

- 1) The receipt's remittance report received by the Town from the SBCTA on August 30, 2023 was reported with the period of 6/29/23. This was the second of two receipts received after the year-end closing date for the June period, indicating that it may be for the July 2023 performance period.
- 2) Over the past two years, the SBCTA has provided the June's performance period receipts much later than that of prior years, with the June 2022 payment received on August 31st, 2022 and the June 2023 payment received on August 30, 2023. These later payments leave the municipalities with less flexibility and room for review due to the time of year end close and conflicts with our 60-day cut-off accrual period.

(Continued)

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- 3) Historically, the Town has received twelve monthly payments each year for the Measure I revenues however it would not be correct for it to be assumed by Town staff that this will always be the procedure and therefore the additional information provided above led to the decision not to accrue this receipt. Annual revenues were within budgeted expectations and did not indicate that additional receipts were necessary.

Town staff recorded this transaction with the information available at the time of receipt. Additional review is always beneficial to ensure accuracy and Town staff strives to provide the appropriate level of attention to detail for every financial transaction that would be considered material to the financial statements. While this transaction did receive the Town staff's attention, additional information from SBCTA would be beneficial to assist in the future. It is the Town's request that the SBCTA and its governing board take into consideration that the municipalities rely on the information provided by SBCTA with the remittances to properly record the transaction. Therefore, it is requested that the remittance reports provided monthly be sent earlier, particularly at the fiscal year end and with additional information, such as the period of performance reports that are available on the SBCTA's financial report webpage.

The Town of Yucca Valley appreciates the opportunity to respond to the finding of the audit report and communicate what is needed to ensure ongoing compliance and best practices for the SBCTA and the Town's cooperative effort to provide the region with the best service and transparent reporting for the transportation revenues utilized by both jurisdictions. The Town of Yucca Valley continues to monitor and improve its internal processes and reporting and will continue to prioritize excellence in financial reporting for the upcoming years.

SBCTA Response:

To reduce ambiguity and ensure an adequate level of detail is provided to Measure I recipients, SBCTA has done the following:

- Modified the description on the Measure I disbursement check stub to clearly identify the first and last day of the period of performance.
- Modified the description on the Measure I monthly disbursement reports to clearly identify the first and last day of the period of performance.
- Is now posting the State's schedule for releasing sales tax information on the SBCTA website.