

**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		<u>Actual</u>	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
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		<u>Actual</u>	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
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.