

**TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND**

**FINANCIAL STATEMENTS**

June 30, 2024

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
San Bernardino, California

FINANCIAL STATEMENTS  
June 30, 2024

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## INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of the Measure I Fund of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the Town, as of June 30, 2024, 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 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 Town as of June 30, 2024, 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.

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(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 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.

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(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 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 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 18, 2024, on our consideration of the Town’s internal control over financial reporting of the Measure I Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance, as it relates to the Measure I Fund.

  
Crowe LLP

Los Angeles, California  
December 18, 2024

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
BALANCE SHEET  
June 30, 2024

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**ASSETS**

Cash and investments	\$ 1,103,163
Taxes receivable	<u>188,127</u>
 Total assets	 <u><u>\$ 1,291,290</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities

Accounts payable	\$ 5,028
Wages payable	<u>7,164</u>
Total liabilities	12,192

Fund balance

Restricted for transportation	<u>1,279,098</u>
Total fund balance	<u>1,279,098</u>

Total liabilities and fund balance	<u><u>\$ 1,291,290</u></u>
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See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA  
 MEASURE I FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 Year ended June 30, 2024

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Revenue	
Measure I sales tax	\$ 1,011,739
Interest income	<u>8,487</u>
Total revenues	1,020,226
Expenditures	
Current	
General government	369,087
Capital	
Construction and engineering	<u>183,195</u>
Total expenditures	<u>552,282</u>
Revenues over expenditures	467,944
Other financing sources (uses)	
Transfers out to other Town funds	<u>(750,000)</u>
Net change in fund balance	(282,056)
Fund balance, beginning of year	<u>1,561,154</u>
<b>Fund balance, end of year</b>	<b><u>\$ 1,279,098</u></b>

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See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**NOTE 1 – GENERAL INFORMATION**

Reporting Entity: The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the Town of 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, 2024, 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 activities within its Measure I Special Revenue Fund.

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

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

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.

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(Continued)



TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure I Fund, are those of the Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall as well as on the Town's website: [www.yucca-valley.org](http://www.yucca-valley.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 Town Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure I Fund's investment in the Town Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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, 2024.

**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.

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(Continued)

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**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 OTHER TOWN FUNDS**

During the year ended June 30, 2024, the Fund transferred out a total of \$750,000 to the Town’s Active Transportation Program (ATP) Grant Fund 536 for the Onaga Trail Safety Improvement Project.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF YUCCA VALLEY, CALIFORNIA  
 MEASURE I FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –  
 BUDGET AND ACTUAL  
 Year ended June 30, 2024

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Measure I sales tax	\$ 1,000,000	\$ 1,000,000	\$ 1,011,739	\$ 11,739
Interest income	-	-	8,487	8,487
Total revenues	1,000,000	1,000,000	1,020,226	20,226
<b>Expenditures</b>				
<b>Current</b>				
General government	372,600	394,600	369,087	25,513
<b>Capital</b>				
Construction and engineering	865,500	865,500	183,195	682,305
Total expenditures	1,238,100	1,260,100	552,282	707,818
Revenues over expenditures	(238,100)	(260,100)	467,944	728,044
<b>Other financing sources (uses)</b>				
Transfers out to other Town funds	-	(750,000)	(750,000)	-
Net change in fund balance	(238,100)	(1,010,100)	(282,056)	728,044
Fund balance, beginning of year	1,561,154	1,561,154	1,561,154	-
Fund balance, end of year	<u>\$ 1,323,054</u>	<u>\$ 551,054</u>	<u>\$ 1,279,098</u>	<u>\$ 728,044</u>

See note to required supplementary information.

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2024

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**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 FUND  
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET  
 TO CURRENT YEAR EXPENDITURES  
 Year ended June 30, 2024

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The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 23-30. 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 524 - Measure I - 2010-2040			
Onaga Trail Safety Project (between Acorna and Sage) *	-	750,000	(750,000)
Annual Traffic Census	62,400	11,435	50,965
Utilities (Street Lights)	310,000	67,679	242,321
SR62 Median Maintenance	325,000	54,080	270,920
Street Maintenance Program Personnel Costs	1,775,500	369,088	1,406,412
Indirect Cost Recovery	250,000	<u>50,000</u>	200,000
		<u>\$ 1,302,282</u>	
Total expenditures as of June 30, 2024		552,282	
Total transfers out as of June 30, 2024		<u>750,000</u>	
Total		<u>\$ 1,302,282</u>	

\* Note: The Onaga Trail Safety Project was not on the 2024-2028 Measure I Five Year Capital Improvement Plan. See Finding 2024-001.

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 of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2024, 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 18, 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 Fund (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. 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.

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(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 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 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 2024-001.

## **The Town's Response to Findings**

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

## **Purpose of this Report**

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



Crowe LLP

Los Angeles, California  
December 18, 2024



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE 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, 2024.

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, 2024.

### ***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.

### ***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 2024-001. Our opinion is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our audit 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 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.

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(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 2024-001 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.

  
Crowe LLP

Los Angeles, California  
December 18, 2024

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUNDS  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2024

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**2024-001 – Expenditure Incurred on Project Not Approved on the Five Year Capital Improvement Plan (Significant Deficiency)**

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

**Cause:** The specific project, the Onaga Trail Safety Project, was included on the CIP for fiscal year 2023, but was not added to the CIP for fiscal year 2024.

**Context:** During our comparison of current year expenditures to the 5-Year Plan Project Budget, we noted that Town transferred out funds for this project but did not include the project name on the current CIP.

**Effect:** The Town incurred a \$750,000 transfer out during fiscal year 2024 as a reimbursement for prior year expenditures incurred for the Onaga Trail Safety Project, which was not included on the current CIP.

**Recommendation:** We recommend that management keep projects on their current CIP in the instance there is a delay in Measure I funds reimbursing other Town funds for project expenses. Management could also issue an amended CIP in instances where a project needs to be added during the year.

**Views of responsible officials and planned corrective actions:** In response to the Independent Auditors Report on Compliance and Other Matters's determination of a significant deficiency in the Town's Expenditures Incurred on Project Not Approved on the Five-Year Capital Improvement Plan, Town management provides the following context and details to provide clarity and full understanding for the users of the Compliance Report. Firstly, Town management maintains that the organization strives to uphold transparent financial reporting and compliance over all revenue funds utilized for the Town's projects and services. The Town has historically maintained compliant Measure I expenditures since the inception of the funding program and intends to maintain compliant reporting and expenditure of awarded funds according to the SBCTA's policies and procedures.

The transaction identified is a reimbursement of the Onaga Trail Safety Project, approved for total Measure I funding of \$1,069,000 on the Five-Year Capital Improvement Plan submitted in FY2023. The project was completed in FY2023 and all project expenditures incurred in FY2023. The Town reimbursed the project expenditures with a transfer of \$319,000 in FY2023, with the remainder of funds transferred to the project in FY2024.

The Town's understanding and review of the MDLS-13 Policy is that the Capital Improvement Plan should be updated for "added projects", with "flexibility in adding and/or deleting projects in the current Five-Year Capital Improvement Plan based on the necessities of the jurisdiction". MDLS-17(e) also identifies that "it is allowable to fund prior year expenditures with current year revenues and/or fund balance as long as funded projects are included in the current adopted Five-Year Capital Improvement Plan and accounting clearly identifies the project and other pertinent data to establish a clear audit trail."

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(Continued)

TOWN OF YUCCA VALLEY, CALIFORNIA  
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Year Ended June 30, 2024

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Town management maintains that this was an approved project and reimbursed the identified expenditures with the understanding that this was a compliant reimbursement according to SBCTA's approval. The current policy lacks clarity on the extension or carryforward of already approved projects that either span multiple years or require reimbursement in the following year. The Town also asserts this lack of clarity, as the auditing team also requested clarification from SBCTA staff during the audit review as the policy did not specify or include enough language for their independent review to maintain the transaction was noncompliant. It is in the Town's opinion that if a project has been previously approved in the five-year plan, then it would be a duplication of reporting to relist and request approval for the project again. If the local jurisdictions receive approval for a project, and no new funding was required for new expenditures, then it creates an undue administrative burden to resubmit for project approval solely due to the timing of reimbursement. If SBCTA's Capital Improvement Plan is intended to be transaction based, then clarification in the policy would assist the local jurisdictions to properly update and schedule the Capital Improvement Plan's submission with the extension of any approved projects that may be delayed or require additional expenditures. It is the Town's opinion that it would be beneficial for the MDLS-13 Policy to include clarifying language that a project is not approved in its entirety and must be carried forward on the Capital Improvement Plan if any transactions are reported in future years, regardless of prior project approval.

The Town of Yucca Valley appreciates the opportunity to respond to the findings 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.

TOWN OF YUCCA VALLEY, CALIFORNIA  
MEASURE I FUND  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2024

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**FINANCIAL STATEMENT FINDINGS**

**2023-001 – Revenue Recognition (Significant Deficiency)**

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.

**Status:** This finding has been remedied for the year ended June 30, 2024.