

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

FINANCIAL STATEMENTS

June 30, 2024

TOWN OF APPLE 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 Apple 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.

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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2026, 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
June 23, 2026

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

ASSETS

Cash and investments	\$ 6,878,075
Receivables:	
Taxes	228,848
Interest	35,462
Other	<u>27,224</u>
 Total assets	 <u><u>\$ 7,169,609</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND
FUND BALANCE**

Liabilities	
Accounts payable	\$ 529,665
Accrued liabilities	58,812
Retention payable	<u>26,102</u>
	614,579
 Total liabilities	
 Deferred inflows of resources	
Unavailable revenue	27,224
 Fund balance	
Restricted for transportation	<u>6,527,806</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 7,169,609</u></u>

See notes to financial statements.

TOWN OF APPLE VALLEY, CALIFORNIA
MEASURE I FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended June 30, 2024

Revenues	
Measure I sales tax	\$ 2,671,036
Investment income	124,082
Other	<u>687,238</u>
Total revenues	<u>3,482,356</u>
Expenditures	
Construction, maintenance, and engineering	<u>2,901,124</u>
Net change in fund balance	581,232
Fund balance, beginning of year	<u>5,946,574</u>
Fund balance, end of year	<u><u>\$ 6,527,806</u></u>

See notes to financial statements.

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

NOTE 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 Town of Apple Valley, California (Town) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the Town, as of June 30, 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 and account groups. 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 liabilities, obligations, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Town accounts for Measure I activities within its Measure I capital project fund.

Measurement Focus and Basis of Accounting: The capital project 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 year. Expenditures generally are recorded when a liability is incurred.

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.

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 Town. For the Town, 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: 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. Deferred inflows of resources unavailable revenues in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

(Continued)

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2008/09. 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 & OTHER RECEIVABLES

Taxes receivable includes \$470,934 of 2024 Measure I sales tax revenues received from SBCTA after June 30, 2024. Other receivables include \$27,224 of sustainable communities grant funds receivable from the California Department of Transportation.

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 I 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.

(Continued)

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

NOTE 4 – 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

NOTE 5 – OTHER REVENUES

The Town recorded other revenues in the amount of \$687,238 in the Measure I Fund. This revenue is primarily attributed to grants from the California Department of Transportation related to projects recorded within the Measure I Fund.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF APPLE 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		
Revenues				
Measure I sales tax	\$ 2,943,000	\$ 2,943,000	\$ 2,671,036	\$ (271,964)
Investment income	11,266	-	124,082	124,082
Other	<u>3,826,291</u>	<u>3,826,291</u>	<u>687,238</u>	<u>(3,139,053)</u>
 Total revenues	 <u>6,780,557</u>	 <u>6,769,291</u>	 <u>3,482,356</u>	 <u>(3,286,935)</u>
Expenditures				
Construction, maintenance, and engineering	<u>7,883,907</u>	<u>7,883,907</u>	<u>2,901,124</u>	<u>4,982,783</u>
 Total expenditures	 <u>7,883,907</u>	 <u>7,883,907</u>	 <u>2,901,124</u>	 <u>4,982,783</u>
Net change in fund balance	(1,103,350)	(1,114,616)	581,232	1,695,848
Fund balance, beginning of year	<u>5,946,574</u>	<u>5,946,574</u>	<u>5,946,574</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,843,224</u></u>	<u><u>\$ 4,831,958</u></u>	<u><u>\$ 6,527,806</u></u>	<u><u>\$ 1,695,848</u></u>

See Note to Required Supplementary Information.

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

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 APPLE VALLEY, CALIFORNIA
 MEASURE I FUND
 PROGRAM STATUS: COMPARISON OF 5-YEAR PLAN PROJECT BUDGET
 TO CURRENT YEAR EXPENDITURES
 Year ended June 30, 2024

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2023-28. 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 Estimate	Current Fiscal Year Expenditures	Under/(Over) Estimate
Apple Valley SR 18 Corridor Enhancement Plan	\$ 37,958	\$ 144,841	\$ (106,883)
Apple Valley Village Accessibility Phase 2	200,000	5,840	194,160
Bear Valley Bridge Rehabilitation (Mojave River Bridge)	3,485,308	419,736	3,065,572
Bear Valley Intersection Improvements	500,000	37,748	462,252
Central Road, from Bear Valley Road to SR 18	1,544,500	163,993	1,380,507
Dale Evans Parkway at Waalew Road Realignment	2,555,000	2,149	2,552,851
Paving Priorities	7,000,000	1,653,961	5,346,039
Powhattan Road Complete Streets	241,000	210	240,790
Town Wide complete Streets Plan	190,000	289,698	(99,698)
Yucca Loma Elementary School Safe Routes to School	500,000	46,873	453,127
Town Wide Complete Streets Plan	190,000	1,155	188,845
Hwy 18 West End Widen Road (Phase 2 AVR to TAO)*	-	62,017	(62,017)
Yucca Loma Road Widening*	-	54,538	(54,538)
Pahute Road Widening*	-	<u>18,365</u>	(18,365)
 Total expenditures as of June 30, 2024		 <u>\$ 2,901,124</u>	

* Note: Those project were not on the 2024-2028 Measure I Five Year Capital Improvement Plan. See Finding 2024-003.

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 Apple 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 June 23, 2026.

Report on Internal Control over Financial Reporting

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

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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the 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 of Apple Valley's Responses 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 subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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


Crowe LLP

Los Angeles, California
June 23, 2026

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 Apple 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.

(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 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

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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and responses as items 2024-003 and 2024-004 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. 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.

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.

(Continued)

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
June 23, 2026

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

FINDINGS RELATING TO THE FINANCIAL STATEMENT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

The following findings relate to deficiencies in internal control over financial reporting identified during the audit of the financial statements.

2024-001 – Untimely Bank Reconciliations (Material Weakness)

Criteria: Management is responsible for ensuring financial activity is recorded accurately. Timely bank reconciliations are a key control to ensure the accuracy and completeness of cash and investment balance. Bank reconciliations should be performed monthly and reviewed and approved in a timely manner.

Condition: The June 2024 bank reconciliation and annual interest allocation were not performed until January 2026.

Cause: Due to personnel turnover and vacant of management position in the finance department in past fiscal years, reviewing of bank reconciliation and interest allocation were not performed timely.

Context: Refer to “Condition” above.

Effect: Failure to perform bank reconciliation timely increases a risk that errors, omissions, or irregularities in cash balances and related activity may not be detected and corrected in timely manner. This could result in misstatements to the financial statements.

Identification as a repeat finding if applicable: 2023-001

Recommendation: The Town management should establish policies and procedures to ensure timely bank reconciliation, specifying a defined timeframe and ensure all components of the reconciliation process, including interest allocation, are completed within the defined timeframe. Further, management should implement a monitoring control to track the status and completion of monthly reconciliations and establish accountability to ensure delays are identified and addressed promptly.

Views of responsible officials and planned corrective actions:

Management concurs with the findings and recommendations. The delay in completing the June 2024 bank reconciliation and annual interest allocation was primarily due to personnel turnover and vacancies in key finance management positions during prior fiscal years, which impacted the Department’s ability to complete and review reconciliations in a timely manner.

Corrective actions have been implemented to strengthen internal controls and ensure timely completion of monthly bank reconciliations and related interest allocations. The Finance Department has established procedures to complete bank reconciliations and all related components, including interest allocation, within a defined monthly timeframe. In addition, management review procedures have been implemented to monitor the status and timely completion of reconciliations.

The Town has filled key finance positions and will continue to monitor staffing resources and reconciliation processes to ensure delays are identified and addressed promptly. Management anticipates full implementation of these corrective actions during fiscal year 2026-27.

(Continued)

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

2024-002 – Material Weakness in Financial Reporting and Period-End Review Controls (Material Weakness)

Criteria: Management is responsible for designing and implementing internal controls to ensure financial transactions are recorded completely, accurately, and in the proper accounting period. Effective internal controls over financial reporting includes timely recording of transactions, preparation of accurate year-end accruals, and supervisory review procedures performed at a sufficient level of precision to detect and correct material misstatements in a timely manner.

Condition: During our testing procedures, we identified deficiencies in the Town's financial reporting and period-end review process, including the following:

- Untimely Recording of Cash Receipts – An ACH cash receipt received related to Measure I April 2024 distribution totaling \$242,086 received on June 28, 2024 was not recorded in the general ledger until July 17, 2024. In addition, another cash receipt related to Measure I for June 2024 distribution totaling \$246,643 received on August 23, 2024 was not recorded in the general ledger until October 16, 2024.
- Unrecorded Accrued Liabilities – The Town did not record accrued liabilities and related expenditures totaling of \$19,371 for services received prior to June 30, 2024. The expenditures were recorded in the subsequent fiscal year and required audit adjustment.

Cause: The deficiencies appear to result from insufficient period-end closing and review procedures, including inadequate supervisory review controls to ensure transactions and accruals were recorded accurately and in the proper reporting period. Contributing factors included staffing limitations and turnover within the finance function.

Context: The Town recognized \$3,482,356 of revenues in fiscal year ended June 30, 2024. We tested 23 transactions, totaling \$3,358,274. We tested 16 disbursement transactions recorded after July 1, 2024, totaling \$1,546,591.

Effect: Failure to maintain effective financial reporting and review controls increases the risk that errors or misstatements to the financial statements, including improper period recognition of revenues and expenditures, may not be identified and corrected in a timely manner. Audit adjustments were required to properly state the financial statements.

Identification as a repeat finding if applicable: 2023-003

Recommendation: We recommend the Town strengthen its financial reporting and period-end closing procedures by:

- Ensuring transactions are recorded timely and in the proper accounting period,
- implementing formal month-end and year-end closing procedures,
- requiring documented supervisory review of significant transactions, reconciliations, and accruals, and
- establishing procedures to identify and record year-end liabilities and other adjusting entries before financial statement preparation.

(Continued)

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

Views of responsible officials and planned corrective actions:

Management concurs with the findings and recommendation. The identified deficiencies in the Town's financial reporting and period-end review process were primarily attributable to staffing limitations, personnel turnover, and vacancies within the finance function during prior fiscal years, which impacted on the timeliness of transaction recording, review procedures, and year-end accrual processes.

To address these matters, the Finance Department has strengthened its period-end closing and financial reporting procedures to improve the timely and accurate recording of transactions in the appropriate accounting period. Formal month-end and year-end closing procedures are being implemented, including defined timelines and checklists for key closing activities such as recording cash receipts, preparing accruals, and reviewing adjusting entries.

In addition, management review controls have been enhanced to require documented supervisory review of significant transactions, reconciliations, accruals, and period-end journal entries to ensure completeness and accuracy of financial reporting. Procedures have also been established to identify and record year-end liabilities and other necessary adjustments prior to financial statement preparation.

The Town has filled key finance positions and will continue to monitor staffing resources and internal control processes to strengthen financial reporting and reduce the risk of untimely or inaccurate period recognition. Management anticipates full implementation of these corrective actions during fiscal year 2026-27.

(Continued)

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

COMPLIANCE FINDINGS

The following findings relate to deficiencies in internal control over compliance and instances of noncompliance identified during testing of Measure I compliance requirements.

2024-003 – Internal Control Over Compliance Related to Measure I Allowable Use and Capital Improvement Plan Requirements (Material Weakness)

Criteria: Measure I funds are restricted for eligible transportation-related purposes in accordance with the Measure I expenditure plan and applicable agreements. In addition, expenditures funded with Measure I revenues should be consistent with the Town's adopted five-year capital improvement plan and charged to the appropriate funding source.

Condition: During our compliance testing of Measure I expenditures, we identified the following exceptions:

- The Town charged capital project expenditures totaling \$54,753 to the Measure I fund for a project funded through Traffic Impact Fees rather than Measure I revenues.
- Certain capital expenditures totaling \$134,920 disbursed from Measure I funds were associated with projects not specifically identified in the Town's adopted 2024-2028 five-year capital improvement plan.

Management recorded adjustments to reclassify the ineligible expenditures identified during the audit.

Cause: The condition appears to result from inadequate review and monitoring procedures over Measure I expenditures to ensure projects were charged to the correct funding source and were consistent with the adopted capital improvement plan.

Context: The Town had \$2,901,124 of capital expenditures in the fiscal year ended June 30, 2024. We tested 88 transactions, totaling \$2,818,541.

Effect: Failure to maintain effective controls over Measure I expenditures increases the risk that noncompliance with Measure I requirements, including charging expenditures to incorrect funding sources or expenditures inconsistent with the adopted capital improvement plan, may occur and not be detected in a timely manner.

Identification as a repeat finding if applicable: 2023-002

Recommendation: We recommend the Town strengthen compliance monitoring procedures over Measure I expenditures by:

- Reviewing expenditures for consistency with authorized funding sources prior to payment and recording,
- maintaining documentation supporting project eligibility,
- periodically reconciling expenditures to the adopted capital improvement plan, and
- implementing supervisory review procedures over Measure I activity.

(Continued)

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

Views of responsible officials and planned corrective actions:

Management concurs with the findings and recommendation. The identified exceptions related to Measure I expenditures were primarily attributable to insufficient review and monitoring procedures to ensure expenditures were charged to the appropriate funding source and aligned with the Town's adopted capital improvement plan. Contributing factors included staffing limitations and personnel turnover within the finance function during prior fiscal years.

Upon identification of the exceptions during the audit process, management recorded the necessary adjustments to reclassify expenditures to the appropriate funding source. To strengthen compliance with Measure I requirements, the Town is implementing enhanced procedures to review expenditures for consistency with authorized funding sources and Measure I eligibility requirements prior to payment processing and recording.

In addition, the Town will maintain supporting documentation for project eligibility and periodically reconcile Measure I expenditures to the adopted five-year capital improvement plan to ensure alignment with approved projects. Supervisory review procedures over Measure I activity have also been enhanced to improve oversight and timely identification of potential compliance issues.

The Town has filled key finance positions and will continue to strengthen internal controls and monitoring processes to ensure compliance with Measure I expenditure requirements. Management anticipates full implementation of these corrective actions during fiscal year 2026-27.

2024-004 Internal Control Over Compliance Related to Documentation Retention and Supporting Records (Material Weakness)

Criteria: Measure I compliance requirements require the Town to maintain accounting records and supporting documentation sufficient to demonstrate expenditures were allowable, properly supported, and incurred in accordance with program requirements. Supporting documentation should be retained for the required retention period and maintained in a manner that allows expenditures recorded in the general ledger to be traced to underlying invoices and payment records.

Condition: During our testing of Measure I expenditures, of 88 samples selected, the Town was unable to provide adequate supporting documentation for certain expenditures and payment reconciliations, including the following:

- Supporting documentation could not be provided for one expenditure transaction selected for testing. As a result, we were unable to verify the amount, service period, or nature of the expenditure.
- For 11 expenditure samples involving lump-sum payments, the Town could not provide reconciliations between payment amounts and the related underlying invoices. As a result, we were unable to trace amounts recorded in the general ledger to supporting payment documentation.

The exceptions identified were not detected through the Town's monitoring and review procedures over Measure I compliance.

(Continued)

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

Cause: The condition appears to result from inadequate procedures for maintaining supporting documentation, reconciling expenditure activity, and monitoring compliance with Measure I record retention requirements.

Context: The Town had \$2,901,124 of capital expenditures in the fiscal year ended June 30, 2024. We tested 88 transactions, totaling \$2,818,541.

Effect: Failure to maintain adequate supporting documentation and expenditure reconciliations increases the risk that noncompliance with Measure I requirements may occur and not be detected in a timely manner. In addition, insufficient supporting records impair the Town's ability to demonstrate compliance with applicable Measure I requirements.

Identification as a repeat finding if applicable: Not applicable

Recommendation: We recommend the Town strengthen controls over Measure I documentation and record retention by:

- maintaining complete supporting documentation for all Measure I expenditures,
- retaining records in accordance with applicable retention requirements,
- preparing reconciliations between lump-sum payments and supporting invoices,
- ensuring expenditure activity recorded in the general ledger can be traced to supporting documentation, and
- implementing supervisory review procedures over compliance documentation.

Views of responsible officials and planned corrective actions:

Management concurs with the findings and recommendations. The identified deficiencies related to supporting documentation retention and expenditure reconciliations were primarily attributable to inadequate procedures for maintaining complete supporting records and monitoring compliance with documentation requirements. Contributing factors included staffing limitations and personnel turnover within the finance function during prior fiscal years.

Upon identification of the exceptions during the audit process, management recorded the necessary adjustment to remove the unsupported expenditure from the Measure I fund. To strengthen compliance and improve accountability, the Town is implementing enhanced procedures to ensure complete supporting documentation is maintained for all Measure I expenditures and retained in accordance with applicable record retention requirements.

In addition, the Town is establishing procedures to prepare and retain reconciliations for lump-sum payments to support the relationship between payment amounts and underlying invoices. Processes are also being enhanced to ensure expenditure activity recorded in the general ledger can be readily traced to supporting documentation and payment records.

Supervisory review procedures over Measure I compliance documentation have been strengthened to improve monitoring, ensure supporting records are complete, and identify deficiencies in a timely manner. The Town has filled key finance positions and will continue strengthening internal controls and recordkeeping practices to support compliance with Measure I requirements. Management anticipates full implementation of these corrective actions during fiscal year 2026-27.

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

2023-01 – Bank Reconciliations (Material Weakness)

The Town did not maintain effective controls to ensure timely preparation and review of bank reconciliations and related interest allocations. The June 2023 bank reconciliation and related interest allocations were not completed timely.

Status: Repeat finding. Similar deficiencies related to untimely bank reconciliations and financial close procedures were identified during the fiscal year 2023-24 audit. See current year finding 2024-001.

2023-02 – Expenditure Incurred on Projects Not Approved on the Five-Year CIP (Material Weakness)

The Town did not maintain effective controls to ensure Measure I expenditures were limited to projects included in the approved Five-Year Capital Improvement Plan (“CIP”). Audit testing identified expenditures incurred for a project that was not included in the Town’s adopted FY 2022-23 CIP.

Status: Repeat finding. Similar deficiencies related to Measure I allowable use and compliance with Five-Year Capital Improvement Plan requirements were identified during the fiscal year 2023-24 audit. See current year finding 2024-003.

2023-03 – Expenditure and Revenue Recorded in the Incorrect Period (Material Weakness)

The Town did not maintain effective controls over period-end financial reporting and cutoff procedures to ensure expenditures, accrued liabilities, and revenues were recorded in the proper fiscal period. Audit adjustments were required to properly record certain expenditures and Measure I revenues in fiscal year 2022-23.

Status: Repeat finding. Although the Town implemented certain corrective actions, similar deficiencies related to period-end financial reporting and review controls were identified during the fiscal year 2023-24 audit. See current year finding 2024-002.