

## **Additional Support Material Agenda Item No. 3**

### **Independent Taxpayers Oversight Committee**

**March 10, 2025**

**1:00 PM**

**Location:**

San Bernardino County Transportation Authority  
*First Floor Lobby Board Room*  
1170 W. 3<sup>rd</sup> Street, San Bernardino, CA 92410

**3. Measure I Compliance Audits for Fiscal Year 2023/2024.**

Review and make a finding that the Measure I expenditures for Fiscal Year 2023/2024 and the City of Adelanto for Fiscal Year 2021/2022 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

*Full financial reports are attached in the order listed below:*

- *City of San Bernardino*
- *City of Victorville*

**CITY OF SAN BERNARDINO, CALIFORNIA  
MEASURE I FUND**

**FINANCIAL STATEMENTS**

June 30, 2024

CITY OF SAN BERNARDINO, 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 City of San Bernardino, California (City), 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 City, 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 City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matters**

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

As discussed in Note 5 to the financial statements, the City adjusted beginning fund balance to correct a misstatement. 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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 and the Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2025, on our consideration of the City’s internal control over financial reporting of the Measure I Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance, as it relates to the Measure I Fund.

  
Crowe LLP

Los Angeles, California  
February 18, 2025

CITY OF SAN BERNARDINO, CALIFORNIA  
MEASURE I FUND  
BALANCE SHEET  
June 30, 2024

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**ASSETS**

Cash and investments	\$ 10,285,053
Taxes receivable	1,492,956
Interest receivable	<u>26,089</u>
Total assets	<u><u>\$ 11,804,098</u></u>

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

Liabilities	
Accounts payable	365,043
Retentions payable	<u>304,477</u>
Total liabilities	<u>669,520</u>
Deferred inflows of resources	
Unavailable revenue	<u>536,528</u>
Fund balance	
Restricted for transportation	<u>10,598,050</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 11,804,098</u></u>

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See notes to financial statements.

CITY OF SAN BERNARDINO, 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	\$ 5,862,324
Interest income	656,852
Total revenues	<u>6,519,176</u>
Expenditures	
Capital Outlay	
Construction	5,855,979
Engineering	62,765
Total expenditures	<u>5,918,744</u>
Net change in fund balance	600,432
Fund balance, beginning of year	10,530,153
Correction of an error (Note 5)	<u>(532,535)</u>
Fund balance, beginning of year, as restated	<u>9,997,618</u>
Fund balance, end of year	<u><u>\$ 10,598,050</u></u>

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See notes to financial statements.



CITY OF SAN BERNARDINO, 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 (Measure I Fund) of the City of San Bernardino, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the Measure I activities within its Measure I Special Revenue Fund.

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

Measurement Focus and Basis of Accounting: The special revenue funds of the City are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days, and within 6 months for grant, of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

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

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

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(Continued)

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

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

The Measure I Fund's cash and investments as of June 30, 2024 was \$10,285,053.

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

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

**NOTE 3 – TAXES RECEIVABLE**

Taxes receivable in the amount of \$1,492,956 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.

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(Continued)

CITY OF SAN BERNARDINO, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**NOTE 4 – MEASURE I FUND (Continued)**

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

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

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

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

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

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

**NOTE 5 – RESTATEMENT**

During the year ended June 30, 2024, City management identified two construction related invoices totaling \$532,535 paid during 2024 for services incurred during fiscal 2023 that had not been properly accrued at June 30, 2023. As a result, it was necessary for management to record a prior period adjustment to accrue the invoices back to fiscal year 2023, which impacted beginning fund balance at July 1, 2023.

The effect of the error correction on the 2023 change in fund balance was a decrease of \$532,535.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SAN BERNARDINO, 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	\$ 4,836,000	\$ 4,836,000	\$ 5,862,324	\$ 1,026,324
Interest income	-	-	656,852	656,852
Total revenues	4,836,000	4,836,000	6,519,176	1,683,176
<b>Expenditures</b>				
Capital Outlay				
Construction	-	19,363,080	5,855,979	13,507,101
Engineering	-	-	62,765	(62,765)
Total expenditures	-	19,363,080	5,918,744	13,444,336
Net change in fund balance	4,836,000	(14,527,080)	600,432	15,127,512
Fund balance, beginning of year, as restated	9,997,618	9,997,618	9,997,618	-
Fund balance, end of year	<u>\$ 14,833,618</u>	<u>\$ (4,529,462)</u>	<u>\$ 10,598,050</u>	<u>\$ 15,127,512</u>

See Note to Required Supplementary Information.

CITY OF SAN BERNARDINO, CALIFORNIA  
MEASURE I FUND  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2024

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**NOTE 1 – BUDGETARY DATA**

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

**ADDITIONAL INFORMATION**

CITY OF SAN BERNARDINO, 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. 2023-155. Of the funds allocated under the Measure I Five-Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

	<u>5-Year Plan Project Estimate</u>	<u>Current Fiscal Year Expenditures</u>	<u>Under/(Over) Estimate</u>
Local Projects			
State HWY I-215 and University Parkway Interchange Improvements	\$ 2,000,000	\$ 652,825	\$ 1,347,175
Citywide Pavement Rehabilitation	380,000	907	379,093
City of Highland Joint Projects: Pacific Avenue Pavement Rehabilitation	844,000	107,948	736,052
Pepper Ave Rehabilitation	2,800,000	4,542,539	(1,742,539)
Sierra Way from 9th Street to 40th Street, Street Pavement & Concrete Work Improvements	98,000	951	97,049
Alabama Street Rehabilitation Project	22,000	24,448	(2,448)
State Highway CA-210 Interchange Improvements at Waterman Avenue	1,300,000	99,126	1,200,874
Arrowhead Farm Street Rehabilitation	490,000	<u>490,000</u>	-
 Total expenditures as of June 30, 2024		 <u>\$ 5,918,744</u>	



CITY OF SAN BERNARDINO, CALIFORNIA  
 MEASURE I FUNDS  
 MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT TO  
 ANNUAL EXPENDITURES  
 Year ended June 30, 2024

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

Fiscal Year Ending June 30,	General Fund Street and Highway Fund Utilized	Base Level Amount	Excess/ (Deficiency)	Cumulative Excess/ (Deficiency)
2010	\$ 1,081,305	\$ (1,075,643)	\$ 5,662	\$ 5,662
2011	(766,984)	(1,075,643)	(1,842,627)	(1,836,965)
2012	(511,222)	(1,075,643)	(1,586,865)	(3,423,830)
2013	4,877	(1,075,643)	(1,070,766)	(4,494,596)
2014	4,580	(1,075,643)	(1,071,063)	(5,565,659)
2015	457,374	(1,075,643)	(618,269)	(6,183,928)
2016	260,138	(1,075,643)	(815,505)	(6,999,433)
2017	395,511	(1,075,643)	(680,132)	(7,679,565)
2018	887,745	(1,075,643)	(187,898)	(7,867,463)
2019	8,437,051	(1,075,643)	7,361,408	(506,055)
2020	3,245,402	(1,075,643)	2,169,759	1,663,704
2021	3,405,521	(1,075,643)	2,329,878	3,993,582
2022	6,590,827	(1,075,643)	5,515,184	9,508,766
2023	6,501,125	(1,075,643)	5,425,482	14,934,248

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Measure I Fund (Measure I Fund) of the City of San Bernardino, California (City), 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 February 18, 2025.

#### **Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

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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 City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## City's Response to Findings

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

## Purpose of this Report

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



Crowe LLP

Los Angeles, California  
February 18, 2025

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 City of San Bernardino's ("City") compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2024.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 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 City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

## **Report on Internal Control Over Compliance**

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

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

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(Continued)

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

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

  
Crowe LLP

Los Angeles, California  
February 18, 2025

CITY OF SAN BERNARDINO, CALIFORNIA  
MEASURE I FUNDS  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2024

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**2024-001      Financial Accounting and Reporting for Expense Accruals**

**Classification:**

Material Weakness

**Criteria:**

Generally accepted accounting principles require entities to record liabilities and related expenses that result from exchange transactions when goods or services have been received in exchange for a promise to compensate the vendor or service provider.

**Condition/Context:**

During the fiscal year, management identified prior year errors in expense accruals related to the Measure I fund that were not previously corrected prior to the issuance of fiscal year 2023 financial statements. There were two invoices totaling \$532,535 that were for services incurred during the year ended June 30, 2023 that had not been properly accrued. As a result, Management recorded a prior period adjustment to accrue the invoices back to fiscal year 2023.

**Effect:**

The error resulted in the restatement of fiscal year 2024 financial information, as documented in Note 5 of the financial statements.

**Cause:**

The City's internal control environment over financial reporting did not allow for timely and sufficient level of precision to prevent material-misstatements of beginning net position and accounts payable for the MSI Fund audit.

**Recommendation:**

We recommend that management elevates the understanding of the accrual process. We also recommend additional layers of review for accrual journal entries including recurring review of the entries for actual invoices up until the financial statements are issued.

**Management's Response:**

The City's standard accrual process includes a thorough review of expenditures incurred in the prior fiscal year but not paid until the following fiscal year. These accruals are typically reviewed and finalized within 60 days following the fiscal year-end.

In this case, the error was identified after the 60-day accrual period for Fiscal Year 2022-23, resulting in a prior period adjustment. The City acknowledges this oversight and is taking proactive measures to strengthen its accrual review process.

To enhance accuracy and prevent future occurrences, the City will:

- Implement a more comprehensive accrual checklist to ensure all eligible expenditures are properly reviewed.
- Consider extending the accrual review period to 90 days, allowing additional time for thorough validation.
- Continually review all associated invoices, even beyond the standard accrual period, to ensure expenditures are properly accounted for each year.

CITY OF SAN BERNARDINO, CALIFORNIA  
MEASURE I FUNDS  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2024

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**2023-001 – Expenditure Incurred on Projects Not Approved on the 5-Year CIP (Material Weakness)**

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

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

**2023-002 – Restatement of Beginning Fund Balance (Material Weakness)**

The beginning fund balance did not reconcile to the prior year Measure I audited fund balance by \$72,692.

**Status:** This finding was not fully rectified as there was an adjustment to opening fund balance required in 2024. See finding 2024-001.



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

**FINANCIAL STATEMENTS**

June 30, 2024

CITY OF VICTORVILLE, 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 City of Victorville, California (City), 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 City, 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 City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

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

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(Continued)

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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 additional information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of the City’s internal control over financial reporting of the Measure I Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance, as it relates to the Measure I Fund.

  
Crowe LLP

Los Angeles, California  
February 27, 2025

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
BALANCE SHEET  
June 30, 2024

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**ASSETS**

Cash and investments	\$ 19,133,917
Receivables	
Taxes	1,896,911
Other	13,413
Deposits and prepaids	<u>755</u>
 Total assets	 <u><u>\$ 21,044,996</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities	
Accounts payable	\$ 3,822,734
Retentions payable	<u>194,543</u>
Total liabilities	4,017,277
 Fund balance	
Restricted for transportation	<u>17,027,719</u>
 Total liabilities and fund balance	 <u><u>\$ 21,044,996</u></u>

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See notes to financial statements.

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
Year ended June 30, 2024

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<b>Revenue</b>	
Measure I sales tax	\$ 7,575,760
Reimbursements	64,845
Interest income	815,406
Total revenues	<u>8,456,011</u>
Expenditures	
Construction, maintenance, and engineering	<u>8,157,884</u>
Total expenditures	<u>8,157,884</u>
Revenues over expenditures	298,127
Fund balance at beginning of year	<u>16,729,592</u>
<b>Fund balance at end of year</b>	<u><u>\$ 17,027,719</u></u>

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See notes to financial statements.

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
Year ended 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 City of Victorville, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 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 5 for a detailed description of the Measure.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Measure I Fund of the City conform to accounting policies generally accepted in the United States of America. The following is a summary of significant accounting policies.

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

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

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(Continued)



CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
Year ended June 30, 2024

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**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 in accordance with constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

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

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

Maintenance of Effort: In accordance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the San Bernardino County Transportation Authority ("SBCTA"), Local Street Program funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes. The maintenance of effort ("MOE") base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in fiscal year 2008/2009. The MOE base year level as approved by the SBCTA Board of Directors shall remain in effect until the expiration of Measure I 2010-2040. General Fund expenditures in excess of the MOE base year level will carry over to subsequent fiscal years and can be applied in a future year to offset the amount the local agency may need to meet the MOE requirement. The City's determined MOE base level is \$0.

**NOTE 3 – TAXES RECEIVABLE**

Taxes receivable represents Measure I sales tax revenues in the amount of \$1,896,911 for the fiscal year received from SBCTA after June 30, 2024.

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(Continued)

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
Year ended June 30, 2024

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**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.

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

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(Continued)

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
Year ended June 30, 2024

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**NOTE 5 – REIMBURSEMENTS**

The City received \$64,845 of revenue during the year ended June 30, 2024, related to traffic signal maintenance fees that the City charges to the City of Hesperia, the City of Adelanto, and the County of San Bernardino.

**NOTE 6 – ALLOCATED COSTS**

In accordance with the City's cost allocation plan, \$470,970 of allocated costs have been charged to the Measure I Fund. These costs include allocations for departmental costs such as the city manager, risk management, city clerk, finance, information services, city attorney, human resources, fleet maintenance, and city facilities.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance From Final Budget Positive (Negative)
<b>Revenues</b>				
Measure I sales tax	\$ 7,320,214	\$ 7,320,214	\$ 7,575,760	\$ 255,546
Reimbursements	60,000	60,000	64,845	4,845
Interest income	-	-	815,406	815,406
	<u>7,380,214</u>	<u>7,380,214</u>	<u>8,456,011</u>	<u>1,075,797</u>
<b>Expenditures</b>				
Construction, maintenance, and engineering	<u>9,376,331</u>	<u>15,851,165</u>	<u>8,157,884</u>	<u>7,693,281</u>
	<u>9,376,331</u>	<u>15,851,165</u>	<u>8,157,884</u>	<u>7,693,281</u>
Revenues over expenditures	(1,996,117)	(8,470,951)	298,127	8,769,078
Fund balance at beginning of year	<u>16,729,592</u>	<u>16,729,592</u>	<u>16,729,592</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,733,475</u>	<u>\$ 8,258,641</u>	<u>\$ 17,027,719</u>	<u>\$ 8,769,078</u>

See Note to Required Supplementary Information.

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2024

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**NOTE 1 – BUDGETARY DATA**

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

**ADDITIONAL INFORMATION**

CITY OF VICTORVILLE, 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. 24-019. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

<u>Local Projects</u>	5-Year Plan Project <u>Estimate</u>	Current Fiscal Year <u>Expenditures</u>	Under/(Over) <u>Estimate</u>
Bear Valley Rd, Amethyst Rd to US-395, pavement rehabilitation	\$ 5,103,814	\$ 3,965,633	\$ 1,138,181
Guardrail Replacements - Various Locations	10,000	10,419	(419)
Old Town Sidewalk, Phase 1	10,000	802	9,198
Eucalyptus Street Repairs	325,000	1,681	323,319
Seventh Street Striping	80,000	97,424	(17,424)
Slurry Seal - Civic Area	1,298,098	1,252,836	45,262
Traffic Signal - Mojave Dr / Condor Rd	256,196	6,034	250,162
Traffic Signal - Seventh Street Modifications at B St, Forrest, Mojave, Victor Lorene	1,819,328	4,413	1,814,915
Traffic Signal - Village Dr / Puesta Del Sol Dr	10,000	967	9,033
Traffic Signal - Village Dr / Tawney Ridge Ln	77,562	30,392	47,170
Traffic Signal Streetlight Crane	81,250	81,369	(119)
Traffic Signal UPS Replacement	15,000	14,737	263
Traffic Signal Video Detection Upgrades	25,000	24,307	693
Cost Allocation	2,500,444	470,970	2,029,474
Engineering Services	751,965	234,714	517,251
Traffic Engineering	4,291,045	1,087,353	3,203,692
Traffic Signal Maintenance	1,289,265	641,346	647,919
Traffic Control - Signing & Striping	7,451,032	<u>232,487</u>	7,218,545
 Total expenditures at June 30, 2024		 <u>\$ 8,157,884</u>	



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of Victorville, California (City), 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 February 27, 2025.

#### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-01 that we consider to be a significant deficiency.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with 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*.

## The City's Response to Findings

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

## Purpose of this Report

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



Crowe LLP

Los Angeles, California  
February 27, 2025

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 City of Victorville's (City), compliance with the types of compliance requirements described in Measure I Ordinance (the "Ordinance"), that could have a direct and material effect on the City's compliance with the Ordinance for the year ended June 30, 2024.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 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 City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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(Continued)

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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



Crowe LLP

Los Angeles, California  
February 27, 2025

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
Year ended June 30, 2024

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**2024-01 – Bank Reconciliations (Significant Deficiency)**

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

**Condition:** During procedures over cash and investments, we noted the City's bank reconciliation for June 2024 was not completed until October 2024.

**Cause:** The City did not perform a timely bank reconciliation due to turnover within the finance department.

**Context:** Crowe identified the issue during our review of the City's June 2024 bank reconciliation.

**Effect:** The bank reconciliation was not reviewed and approved until October 2024.

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

**View of Responsible Officials:** The City is working towards streamlining the Bank Reconciliation process by implementing new methods of reconciling the different funding sources and cross-training Finance Technicians and Accountant on the accounting process. With additional help and with streamlining our reports and process, the City believes it will achieve a timely Bank Reconciliation.

CITY OF VICTORVILLE, CALIFORNIA  
MEASURE I FUND  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year ended June 30, 2024

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**2023-01 – Payroll Expenditures Not Supported (Material Weakness)**

The distribution of salaries and wages charged to the Measure I Fund were not appropriately supported by personnel activity reports, detailed timesheets, or equivalent documentation.

**Status:** Finding has been rectified for the year ended June 30, 2024.

**2023-02 – Bank Reconciliations (Significant Deficiency)**

The City's bank reconciliation for June 2023 was not completed until November 2023.

**Status:** Repeated as finding 2024-01 for the year ended June 30, 2024.