

Support Material Agenda Item No. 3

General Policy Committee Meeting

May 11, 2016

9:00 a.m.

Location

San Bernardino Associated Governments
Santa Fe Depot - First Floor Lobby
1170 W. 3rd Street, San Bernardino, California 92410

Discussion Calendar

Administrative Matters

3. Measure I Local Pass-Through Compliance Audits for Fiscal Years 2014/215 and prior year's audits

That the General Policy Committee recommend the Board:

A. Review and receive the Measure I Audit Reports of Local Pass-Through Funds for Fiscal Year 2014/2015. The Independent Taxpayer Oversight Committee met on April 20, 2016 and made a finding that the Measure I expenditures for Fiscal Year 2014/2015 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

B. Review prior year audits completed for the City of Needles and City of Adelanto for the year ended June 30, 2014 and City of San Bernardino for the year ended June 30, 2012.

Full financial reports are attached in the order listed below.

For the year ended June 30, 2015

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

For the year ended June 30, 2014

- *City of Adelanto*
- *City of Needles*

For the year ended June 30, 2012

- *City of San Bernardino*

TOWN OF APPLE VALLEY, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

TOWN OF APPLE VALLEY, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	10
Note to Required Supplementary Information	11
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13
Schedule of Finding and Response	15
Schedule of Prior Year Finding	16



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the Town of Apple Valley, California (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the Measure I Fund of the Town as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the Town of Apple Valley, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the Town. The other information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, 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 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 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.



Rancho Cucamonga, California
December 22, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 5,539,410
Taxes Receivable	278,509
Accounts Receivable	32,652
Interest Receivable	5,748
Total Assets	<u>\$ 5,856,319</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	<u>\$ 69,899</u>
 Fund Balance:	
Restricted	<u>5,786,420</u>
 Total Liabilities and Fund Balance	<u>\$ 5,856,319</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 1,842,204
Interest	24,753
Intergovernmental	<u>240,102</u>
Total Revenues	<u>2,107,059</u>
EXPENDITURES	
Capital:	
Construction and Engineering	<u>1,743,695</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>363,364</u>
OTHER FINANCING SOURCES (USES)	
Transfers Out to Town of Apple Valley (Note 5)	<u>(5,788)</u>
Net Change in Fund Balance	357,576
Fund Balance Beginning of Year	<u>5,428,844</u>
Fund Balance End of Year	<u><u>\$ 5,786,420</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the Town of Apple Valley, California (Town) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the Town and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. *Basis of Accounting*

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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, 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Fund, are those of the Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall.

NOTE 3 – TAXES RECEIVABLE

The taxes receivables represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The Town accounts for both 1990-2010 and 2010-2040 Measure I Funds within one fund.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG 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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS OUT TO THE TOWN OF APPLE VALLEY

Transfers out to the Town of Apple Valley of \$5,788 represent amounts paid to the Transportation Development Act Article 3 Fund to fund the matching requirement for the Kiowa Road (Bear Valley & Tussing) Bike Road project.

NOTE 6 – INTERGOVERNMENTAL REVENUES

The Town recorded grant revenue in the amount of \$240,102 for the Bear Valley Road Bridge over the Mojave River. The project is funded entirely with the Highway Bridge Program funds at a maximum reimbursement ratio of 88.53% up to \$442,650.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Measure I Sales Tax Fund	\$ 1,600,000	\$ 1,600,000	\$ 1,842,204	\$ 242,204
Interest	5,000	5,000	24,753	19,753
Intergovernmental	1,488,053	1,488,053	240,102	(1,247,951)
Total Revenues	<u>3,093,053</u>	<u>3,093,053</u>	<u>2,107,059</u>	<u>(985,994)</u>
EXPENDITURES				
Capital:				
Construction and Engineering	<u>5,223,350</u>	<u>5,223,350</u>	<u>1,743,695</u>	<u>3,479,655</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(2,130,297)</u>	<u>(2,130,297)</u>	<u>363,364</u>	<u>2,493,661</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to the Town of Apple Valley	<u>-</u>	<u>-</u>	<u>(5,788)</u>	<u>(5,788)</u>
Net Change in Fund Balance	<u>(2,130,297)</u>	<u>(2,130,297)</u>	<u>357,576</u>	<u>2,487,873</u>
Fund Balance Beginning of Year	<u>5,428,844</u>	<u>5,428,844</u>	<u>5,428,844</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 3,298,547</u>	<u>\$ 3,298,547</u>	<u>\$ 5,786,420</u>	<u>\$ 2,487,873</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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 Measure I Fund transferred \$5,788 to the Town during the fiscal year 2014-15, exceeding the budgeted amount by \$5,788.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-46. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Apple Valley Road Rehabilitation - Bear Valley Road to Town Center	\$ 410,000	\$ -	\$ 410,000
Bear Valley Bridge Widening	318,530	251,084	67,446
Dale Evans Parkway at Waalew Road Realignment	100,000	16,134	83,866
Deep Creek Road - Bear Valley Road to Tussing	310,000	251,904	58,096
Highway 18 / Apple Valley Road Intersection Realignment	375,000	148,391	226,609
Navajo Road	800,000	63,554	736,446
Pavement Management System	855,000	25,186	829,814
Ramona Road Widening	381,667	18,756	362,911
Ramona Road Widening Construction	381,667	-	381,667
Rancherias Road Resurface	700,000	829,496	(129,496)
Standing Rock at Highway 18	150,000	-	150,000
Yucca Loma Road Widening - Apple Valey Road to Rincon	500,000	-	500,000
Town-wide Categorical Street Rehabilitation	3,000,000	144,978	2,855,022
	<u>\$ 8,281,864</u>	<u>\$ 1,749,483</u>	<u>\$ 6,532,381</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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

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 (internal control) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the schedule of finding and response as item 2015-001, that we consider to be a significant deficiency.

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, including requirements of Measure I as specified in the agreement between the Town and the San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the Town and SANBAG, which is described in the accompanying schedule of finding and response as item 2015-001.

Town's Response to Finding

The Town of Apple Valley's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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



Rancho Cucamonga, California
December 22, 2015

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

**SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-001

5-YEAR PLAN

Criteria:

Any single project expenditure in excess of \$100,000 shall be listed as an individual project and shall not be included in a general program category on the Five Year Capital Improvement Plan pursuant to Policy VVLS-15 of the Measure I Strategic Guide.

Condition:

While testing expenditures for compliance with the Strategic Guide it was noted that expenditures were incurred for the Civic Center Parking Lot Improvements project exceeding \$100,000. The project was listed as part of the Town-wide Categorical Street Rehabilitation category, not as an individual project on the Five Year Capital Improvement Plan.

Context:

The condition noted above was identified while testing expenditures for compliance with the Measure I Strategic Plan.

Effect:

Project with expenditures exceeding \$100,000 was not listed as an individual project on the Five Year Capital Improvement Plan.

Cause:

The Town did not list the Civic Center Parking Lot Improvements project as an individual project on the Five Year Capital Improvement Plan.

Recommendation:

The Town should implement procedures to ensure all individual projects with expenditures exceeding \$100,000 are separately identified as individual projects on the Five Year Capital Improvement Plan.

View of Responsible Official and Planned Corrective Actions:

The Civic Center Parking Lot Improvements project was originally projected to cost \$97,584 and thus was included in the Town-wide Categorical Street Rehabilitation projects on the Measure I Five Year Capital Improvement Plan. As the project progressed, there was the need for additional improvements that were not originally anticipated. The additional improvements were submitted to the Town Council and approved to be funded with grant dollars. However, because the Town accounts for capital project expenditures in the fund that a project is budgeted in, the additional \$14,826 expenditures as well as the grant revenue to fund them were posted to the Measure I fund. Management will ensure that all future projects that exceed the \$100,000 threshold are listed individually on the Five Year Capital Improvement Plan, as required.

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

**SCHEDULE OF PRIOR YEAR FINDING
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2014-001	Financial Reporting	Implemented

CITY OF BARSTOW, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF BARSTOW, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	11
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual TRIP Financing Fund	12
Note to Required Supplementary Information	13
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and <i>Measure I Compliance Requirements</i>	15
Schedule of Prior Year Audit Finding	17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited the accompanying financial statements of the Measure I 2010-2040 Fund, the Measure I TRIP Financing Fund, and the TRIP Debt Service Fund (Measure I Funds) of the City of Barstow, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015, and the changes in financial position for the year 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 8, the City of Barstow entered into an agreement with the California Statewide Communities Development Authority to finance capital improvement projects. The City has pledged future Measure I Revenues as the sole source of repayment. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 11 through 13 be presented to supplement the basic financial statements. Such information, 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 response 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2015, on our consideration of the City's internal control over financial reporting for the Measure I Funds, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
December 21, 2015

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**BALANCE SHEET
JUNE 30, 2015**

	Special Revenue Funds		
	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund	TRIP Debt Service Fund
ASSETS			
Cash with Fiscal Agent	\$ -	\$ 3,006,144	\$ 1,070,620
Grants Receivable	5,090	-	-
Taxes Receivable	358,997	-	-
Total Assets	<u>\$ 364,087</u>	<u>\$ 3,006,144</u>	<u>\$ 1,070,620</u>
LIABILITIES			
Accounts Payable	\$ 65,527	\$ 2,786,011	\$ -
Due to the City of Barstow	243,152	-	-
Total Liabilities	<u>308,679</u>	<u>2,786,011</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	<u>53,456</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted	<u>1,952</u>	<u>220,133</u>	<u>1,070,620</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 364,087</u>	<u>\$ 3,006,144</u>	<u>\$ 1,070,620</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds		
	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund	TRIP Debt Service Fund
REVENUES			
Measure I sales tax	\$ 1,799,786	\$ -	\$ -
Investment income	8,237	410	12,948
Intergovernmental	462,571	-	-
Total Revenues	<u>2,270,594</u>	<u>410</u>	<u>12,948</u>
EXPENDITURES			
Current:			
General Government - Project Administration	5,445	-	-
Debt Service:			
Principal	-	-	1,100,000
Interest	-	-	348,000
Total Expenditures	<u>5,445</u>	<u>-</u>	<u>1,448,000</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>2,265,149</u>	<u>410</u>	<u>(1,435,052)</u>
OTHER FINANCING SOURCES/ (USES)			
Transfers Out to the City of Barstow	(1,059,943)	(3,699,082)	-
Transfer Out	(1,448,000)	-	(37,968)
Transfer In	-	37,968	1,448,000
Total Other Financing Sources/(Uses)	<u>(2,507,943)</u>	<u>(3,661,114)</u>	<u>1,410,032</u>
Net Change in Fund Balance	(242,794)	(3,660,704)	(25,020)
Fund Balance Beginning of Year	<u>244,746</u>	<u>3,880,837</u>	<u>1,095,640</u>
Fund Balance End of Year	<u>\$ 1,952</u>	<u>\$ 220,133</u>	<u>\$ 1,070,620</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 2010-2040 Fund, the Measure I TRIP Financing Fund and the TRIP Debt Service Fund (Measure I Funds) of the City of Barstow, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 3 for a detailed description of the Measure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

Governmental Fund Financial Statements

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 Funds and Debt Service Fund.

Special Revenue Funds are used to account for the proceeds of revenue sources that are restricted or committed, to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term debt obligations of the governmental funds.

Measurement Focus and Basis of Accounting

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

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

A. 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 and disclosures at the date of the financial statements. Actual results could differ from those estimates.

B. Fund Balances

In accordance with GASB Statement No. 54, 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.

C. Cash and Investments

All Cash and investments other than that held by fiscal agents are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall or at the City of Barstow website www.barstowca.org.

D. Cash with Fiscal Agent

The City of Barstow has entered into an agreement with the California Statewide Communities Development Authority Total Road Improvement Program (TRIP) to finance specific projects identified by the City. The financing proceeds and related debt reserves are identified as cash with fiscal agent.

E. Deferred Inflows of Resources

Deferred Inflows of Resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The deferred inflows of resources for unavailable revenue represents receivable amounts that were not collected within the Funds' period of availability.

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – 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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Barstow accounts for the Measure I 2010-2014 funding source in the Measure I 2010-2040 Fund in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – MEASURE I FUND, (CONTINUED)

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

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

The City of Barstow has entered into an agreement with the California Statewide Communities Development Authority Total Road Improvement Program (TRIP) to finance extensive local street improvements and reconstruction that have been identified throughout the City. The City has pledged future Measure I funding to serve as the source for the related debt service payments. The projects identified through the City's Pavement Management System as meeting the Measure I Strategic Plan are as follows:

- Montara Area Project
- Rimrock Area Project
- Henderson Area Project
- Cameron Area Project
- West Section 7 Area Project

San Bernardino Associated Governments (SANBAG) reviewed and approved the proposed projects on September 5, 2012.

NOTE 4 – TAXES RECEIVABLE

The taxes receivable represents Measure I sales tax revenues received after June 30, 2015.

NOTE 5 – DUE TO THE CITY OF BARSTOW

At June 30, 2015, the Measure I 2010-2040 Fund owed the City \$243,152, representing short term borrowings from the City's investment pool.

NOTE 6 – INTERFUND TRANSACTIONS

Transfers In	Transfer Out	
	TRIP Debt Service Fund	Measure I 2010-2040 Fund
Measure I TRIP Financing Fund	\$ 37,968	\$ -
TRIP Debt Service Fund	-	1,448,000
	<u>\$ 37,968</u>	<u>\$ 1,448,000</u>

Transfers from the TRIP Debt Service Fund to the Measure I TRIP Financing Fund in the amount of \$37,968 represent a transfer of unused proceeds in the cost of issuance account and interest earned on the debt service reserve funds that will be used for road projects. Transfers from the Measure I 2010-2040 Fund to the TRIP Debt Service Fund in the amount of \$1,448,000 represent a transfer of Measure I revenues to fund the annual debt service payment.

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – TRANSFERS OUT TO THE CITY OF BARSTOW

Transfers In	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund
City of Barstow	\$ 1,059,943	\$ 3,699,082

Transfers are used to:

- 1) Transfer from the Measure I 2010-2040 Fund to the City of Barstow Capital Improvement Fund in the amount of \$1,059,943 to supplement costs incurred for street improvement activities as approved in the City's Measure I Five Year Plan.
- 2) Transfer from the Measure I TRIP Financing Fund to the City of Barstow Capital Improvement Fund in the amount of \$3,669,082 to supplement costs incurred for street improvement activities as approved in the City's Measure I Five Year Plan.

NOTE 8 – PLEDGED REVENUES

The City of Barstow has pledged future Measure I Sales Tax Revenue to repay \$9,770,000 of California Communities Local Measure I Sales Tax Revenue Certificates of Participations (COP). The COP's were issued in December 2012 to (i) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects within the jurisdiction of the City, (ii) fund a reserve for the COPs, and (iii) pay the costs incurred in connection with the execution, sale, and delivery of the COPs.

The COP's are payable solely from the Measure I receipts. The City of Barstow is required to make installment sale payments to the California Statewide Communities Development Authority with Measure I receipts for a nine year period ending on June 1, 2021. All Measure I receipts have been irrevocably pledged to the payment of the principal and interest. Measure I receipts will not be used for any other purpose while any of the Certificates remain outstanding; provided, however, that out of the Measure I receipts there may be applied such sums for such purposes as are permitted by the San Bernardino County Transit Authority.

The following table summarizes the annual debt service payments with respect to the COPs. These debt payments are secured by the pledge of future Measure I revenues.

The COPs are scheduled to mature as follows:

Date June 30	Principal	Interest	Total
2016	\$ 1,145,000	\$ 304,000	\$ 1,449,000
2017	1,190,000	258,200	1,448,200
2018	1,240,000	210,600	1,450,600
2019	1,290,000	161,000	1,451,000
2020	1,340,000	109,400	1,449,400
2021	1,395,000	55,800	1,450,800
	\$ 7,600,000	\$ 1,099,000	\$ 8,699,000

The City of Barstow is required to maintain a Reserve Fund with the Fiscal Agent in an amount equal to at least 10% of the initial stated principle amount of the Installment Sale Agreement; 125% of the average annual 2012 Installment Sale Agreements; or the maximum annual debt service which is \$1,451,000.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Measure I	\$ 1,872,342	\$ 1,872,342	\$ 1,799,786	\$ (72,556)
Investment Earnings, Net of Unrealized Losses	10,000	10,000	8,237	(1,763)
Reimbursements	453,000	453,000	462,571	9,571
Total Revenues	<u>2,335,342</u>	<u>2,335,342</u>	<u>2,270,594</u>	<u>(64,748)</u>
EXPENDITURES				
Current:				
General Government - Project Administration	5,445	5,445	5,445	-
Debt Service:				
Principal	1,100,000	1,100,000	-	1,100,000
Interest	348,000	348,000	-	348,000
Total Expenditures	<u>1,453,445</u>	<u>1,453,445</u>	<u>5,445</u>	<u>1,448,000</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>881,897</u>	<u>881,897</u>	<u>2,265,149</u>	<u>1,383,252</u>
OTHER FINANCING SOURCES/ (USES)				
Transfers Out to the City of Barstow	(970,803)	(1,096,712)	(1,059,943)	36,769
Transfer Out	-	-	(1,448,000)	(1,448,000)
Total Other Financing Sources/ (Uses)	<u>(970,803)</u>	<u>(1,096,712)</u>	<u>(2,507,943)</u>	<u>(1,411,231)</u>
Net Change in Fund Balance	(88,906)	(214,815)	(242,794)	(27,979)
Fund Balance Beginning of Year	<u>244,746</u>	<u>244,746</u>	<u>244,746</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 155,840</u>	<u>\$ 29,931</u>	<u>\$ 1,952</u>	<u>\$ (27,979)</u>

See accompanying note to required supplementary information.

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
TRIP FINANCING FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings, Net of Unrealized Gain (Loss)	\$ 35,000	\$ 35,000	\$ 410	\$ (34,590)
OTHER FINANCING SOURCES/ (USES)				
Transfer Out To the City of Barstow	(3,915,837)	(3,915,837)	(3,699,082)	216,755
Transfer in	-	-	37,968	37,968
Total Other Financing Sources/ (Uses)	(3,880,837)	(3,915,837)	(3,661,114)	254,723
Net Change in Fund Balance	(3,880,837)	(3,880,837)	(3,660,704)	220,133
Fund Balance Beginning of Year	3,880,837	3,880,837	3,880,837	-
Fund Balance End of Year	\$ -	\$ -	\$ 220,133	\$ 220,133

See accompanying note to required supplementary information.

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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 current year debt service principal and interest payments were budgeted as an expenditure in the Measure I 2010-2040 Fund. For financial reporting purposes, the debt service payments were recorded as a transfer of funds from the Measure I 2010-2040 Fund to the TRIP Debt Service Fund. The TRIP Debt Service Fund recorded an expenditure for the annual principal and interest payment.

OTHER INFORMATION

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 4774-2014. The Measure I Five Year Capital Improvement Plan was subsequently adjusted as approved by the City Council on June 15, 2015. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
First Avenue Bridge Reconstruction	\$ 190,991	\$ 49,150	\$ 141,841
Lenwood Road Outlet Center Area	160,000	136,608	23,392
Lenwood Road Grade Separation	450,000	346,181	103,819
Rimrock Road County Co-op Project	7,000	6,180	820
Street Maintenance Program / Misc Streets	500,000	499,767	234
Barstow Road Area Traffic Signal Upgrade	100,000	24,780	75,220
Henderson / Cameron Area Project	3,900,000	3,636,402	263,599
Montara Area Street Reconstruction	66,000	65,403	597
	<u>\$ 5,373,991</u>	<u>\$ 4,764,470</u>	<u>\$ 609,521</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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 2010-2040 Fund, the Measure I TRIP Financing Fund, and the TRIP Debt Service Fund (Measure I Funds) of the City of Barstow, California, (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds basic financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015, and an emphasis of matter regarding the City's pledge of Measure I revenues for Certificates of Participation to finance Measure I Capital Improvement Projects. In addition, our report included an explanatory paragraph stating the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Barstow, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Measure I Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and SANBAG, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

**CITY OF BARSTOW, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF PRIOR YEAR AUDIT FINDING
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2014-001	Application of Generally Accepted Accounting Principles (GAAP)	Implemented

CITY OF BIG BEAR LAKE, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF BIG BEAR LAKE, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Change in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Big Bear Lake, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, 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 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 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.



Rancho Cucamonga, California
December 22, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and investments	\$ 92,567
Receivables:	
Taxes	62,748
Interest	55
Total Assets	<u>155,370</u>
FUND BALANCE	
Fund Balance:	
Restricted	<u>\$ 155,370</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax Fund	\$ 381,581
Interest Income	55
Total Revenues	<u>381,636</u>
REVENUES OVER EXPENDITURES	<u>381,636</u>
OTHER FINANCING SOURCES (USES)	
Transfers Out to City	<u>(104,205)</u>
Net Change in Fund Balance	<u>277,431</u>
Fund Balance (Deficit) Beginning of year	<u>(122,061)</u>
Fund Balance End of year	<u><u>\$ 155,370</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Big Bear Lake, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the Measure I sales tax revenues for the fiscal year received from San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFER TO THE CITY OF BIG BEAR LAKE

Transfers Out to the City of Big Bear Lake of \$104,205 represent the Measure I costs reported by the City's General Fund and Capital Projects Fund in the amounts of \$80,000 and \$24,205, respectively for general street maintenance activities and street improvement activities in accordance with the City's Measure I Five Year Capital Improvement Plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax Fund	\$ 322,500	\$ 322,500	\$ 381,581	\$ 59,081
Interest Income	200	200	55	(145)
Total Revenues	<u>322,700</u>	<u>322,700</u>	<u>381,636</u>	<u>58,936</u>
REVENUES OVER EXPENDITURES	<u>322,700</u>	<u>322,700</u>	<u>381,636</u>	<u>58,936</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(104,205)</u>	<u>(104,205)</u>	<u>(104,205)</u>	<u>-</u>
Net Change in Fund Balance	<u>218,495</u>	<u>218,495</u>	<u>277,431</u>	<u>58,936</u>
Fund Balance (Deficit) Beginning of Year	<u>(122,061)</u>	<u>(122,061)</u>	<u>(122,061)</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 96,434</u>	<u>\$ 96,434</u>	<u>\$ 155,370</u>	<u>\$ 58,936</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-29. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditure	Unexpended Budget
Big Bear Blvd Widening	\$ 24,205	\$ 24,205	\$ - *
Thrush Pavement Reconstruction	16,000	-	16,000
Talmadge Road Pavement Reconstruction	98,000	-	98,000
Glenview Road Pavement Reconstruction	31,000	-	31,000
Lucerne Pavement Reconstruction	26,000	-	26,000
Starvation Flats Pavement Restoration	20,000	-	20,000
Moonridge Road Pavement Restoration	20,000	-	20,000
Pheasant Pavement Reconstruction	10,000	-	10,000
General Program Categories	80,000	80,000	-
	\$ 325,205	\$ 104,205	\$ 221,000

*These projects were included in the City's FY 2013-14 Five Year Capital Improvement Plan



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Big Bear Lake, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an explanatory paragraph stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 22, 2015

CITY OF CHINO, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF CHINO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Fund	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Chino, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Chino, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, 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 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 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.



Rancho Cucamonga, California
March 14, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 1,286,576
Receivables:	
Taxes	225,988
Interest	1,004
Total Assets	<u>\$ 1,513,568</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 16,868
 Fund Balance:	
Restricted	1,496,700
Total Liabilities and Fund Balance	<u>\$ 1,513,568</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 1,323,927
Interest Income	9,151
Total Revenues	<u>1,333,078</u>
EXPENDITURES	
Capital:	
Construction and Engineering	<u>315,780</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>1,017,298</u>
OTHER FINANCING SOURCES (USES)	
Transfers to the City of Chino	<u>(661,963)</u>
Net Change in Fund Balance	<u>355,335</u>
Fund Balance Beginning of year	<u>1,141,365</u>
Fund Balance End of year	<u><u>\$ 1,496,700</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Chino, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall, as well as, on the City's website: www.cityofchino.org.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS TO THE CITY OF CHINO

Transfers to the City of Chino of \$661,963 represent the Measure I cost incurred and reported by the City's Transportation Fund to supplement costs incurred for Measure I maintenance project expenditures as approved on the 5-Year Plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 1,100,000	\$ 1,100,000	\$ 1,323,927	\$ 223,927
Interest Income	10,300	10,300	9,151	(1,149)
Total Revenues	<u>1,110,300</u>	<u>1,110,300</u>	<u>1,333,078</u>	<u>222,778</u>
EXPENDITURES				
Capital:				
Construction and Engineering	<u>1,175,389</u>	<u>1,533,888</u>	<u>315,780</u>	<u>1,218,108</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(65,089)</u>	<u>(423,588)</u>	<u>1,017,298</u>	<u>1,440,886</u>
OTHER FINANCING SOURCES (USES)				
Transfers to the City of Chino	<u>(550,000)</u>	<u>(550,000)</u>	<u>(661,963)</u>	<u>(111,963)</u>
Net Change in Fund Balance	<u>(615,089)</u>	<u>(973,588)</u>	<u>355,335</u>	<u>1,328,923</u>
Fund Balance Beginning of year	<u>1,141,365</u>	<u>1,141,365</u>	<u>1,141,365</u>	<u>-</u>
Fund Balance End of year	<u>\$ 526,276</u>	<u>\$ 167,777</u>	<u>\$ 1,496,700</u>	<u>\$ 1,328,923</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

Expenditures for the year ended June 30, 2015 exceeded appropriations for Transfers to the City of Chino by \$111,963. This was due to expenditures incurred by the City of Chino for Measure I expenditures during the year, and not incurred within the Measure I fund.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-57. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Project C7055 - Central Avenue at Phillips Avenue-Traffic Signal Modification	\$ 65,557	\$ 57,953	\$ 7,604
Project C7051 - Pine Avenue Flood Safety Gates	25,200	-	25,200
Project C7059 - Street Rehabilitation for the following streets:	535,000	216,090	318,910
Norton Avenue - Edison Avenue to Schaefer Avenue			
Walnut Avenue Widening and Rehabilitation - Ross Avenue to Oaks Avenue			
Eucalyptus Avenue - Ramona Avenue to Pipeline Avenue			
Grand Avenue - Roswell Avenue to State Route 71 (eastbound lanes)			
Benson Avenue - B Street to Riverside Drive			
Riverside Drive - Yorba Avenue to Railroad Crossing			
Magnolia Avenue - Edison Avenue to Schaefer Avenue			
Tronkeel Avenue - Benson Avenue to Oaks Avenue			
Benson Avenue - Riverside Drive to Walnut Avenue			
Twelfth Street - Schaefer Avenue to Chino Avenue			
Project C7812 - Street Rehabilitation on Riverside Drive. Yorba Avenue to Central Avenue; Traffic Signal Modification at Riverside Drive/Monte Vista Avenue	249,000	18,261	230,739
Project C7026- El Prado Rehabilitation - Sub Area 1	40,000	11,896	28,105
Project C7053- TSM at Riverside Dr & Ramona Ave.	175,000	5,790	169,210
Project C7061- TSM at Telephone Ave. & Philadelphia St.	200,000	5,790	194,210
Project G7023- TSM at Edison Ave. & Ramona Ave., Yorba Ave. & Monte Vista Ave.	106,000	-	106,000
Project G7024- Central Ave. sidewalk/access ramps and 7th Street/Riverside Dr. Improvements	28,632	-	28,632
Project TR154- Traffic Signal Central System Upgrade	110,000	-	110,000
Asphalt/Pavement/Overlay - Citywide	340,000	319,047	20,953
Concrete Maintenance/ Graffiti Abatement - Citywide	200,000	205,176	(5,176)
Traffic Control/Signal Maintenance - Citywide	44,089	137,740	(93,651)
	<u>\$ 2,118,478</u>	<u>\$ 977,743</u>	<u>\$ 1,140,735</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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Chino, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
March 14, 2016

CITY OF CHINO HILLS, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF CHINO HILLS, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Chino Hills, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Chino Hills, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, 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 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 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.


Rancho Cucamonga, California
December 22, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I</u>
ASSETS	
Cash and Investments	\$ 2,331,527
Receivables:	
Taxes	199,465
Interest	421
Total Assets	<u>\$ 2,531,413</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	<u>\$ 152</u>
 Fund Balance:	
Restricted	<u>2,531,261</u>
 Total Liabilities and Fund Balance	<u>\$ 2,531,413</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Measure I</u>
REVENUES	
Measure I Sales Tax	\$ 1,221,975
Interest Income	33,361
Total Revenues	<u>1,255,336</u>
EXPENDITURES	
Current:	
General Government - Administration/Financial Services	<u>35,253</u>
REVENUES OVER/(UNDER) EXPENDITURES	1,220,083
OTHER FINANCING SOURCES (USES)	
Transfers out to the City of Chino Hills	<u>(1,596,905)</u>
Net Change in Fund Balance	(376,822)
Fund Balance Beginning of Year	<u>2,908,083</u>
Fund Balance End of Year	<u><u>\$ 2,531,261</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Chino Hills, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 in separate general ledger accounts within its Measure I Capital Infrastructure Special Revenue Fund.

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS OUT TO THE CITY OF CHINO HILLS

Transfers out to the City of Chino Hills represent the Measure I costs incurred and reported by the City's Capital Project Fund to fund projects that were approved on the City's Measure I 5-Year Plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 1,151,100	\$ 1,151,100	\$ 1,221,975	\$ 70,875
Interest Income	14,200	14,200	33,361	19,161
Total Revenues	<u>1,165,300</u>	<u>1,165,300</u>	<u>1,255,336</u>	<u>90,036</u>
EXPENDITURES				
Current:				
General Government - Administration	<u>34,400</u>	<u>34,400</u>	<u>35,253</u>	<u>(853)</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>1,130,900</u>	<u>1,130,900</u>	<u>1,220,083</u>	<u>89,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to the City of Chino Hills	<u>(2,469,100)</u>	<u>(2,469,100)</u>	<u>(1,596,905)</u>	<u>872,195</u>
Net Change in Fund Balance	<u>(1,338,200)</u>	<u>(1,338,200)</u>	<u>(376,822)</u>	<u>961,378</u>
Fund Balance Beginning of Year	<u>2,908,083</u>	<u>2,908,083</u>	<u>2,908,083</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,569,883</u>	<u>\$ 1,569,883</u>	<u>\$ 2,531,261</u>	<u>\$ 961,378</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

Expenditures exceeded appropriations in the Measure I Fund by \$853.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 15R-24. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Traffic Signal LED Replacement Program	\$ 30,000	\$ 29,847	\$ 153
ADA Compliance Program	150,400	7,073	143,327
Citywide, sidewalk replacement program	100,000	102,398	(2,398)
Citywide, striping and street marking	65,000	49,704	15,296
FY 2012/13 Street program	681,300	352,137	329,163
FY 2013/14 Street program	973,800	995,284	(21,484)
FY 2014/15 Street program	1,300,000	66,376	1,233,624
Rasied Median on Pipeline Avenue	37,700	5,626	32,074
Traffic Signal Controller Upgrade Program	25,000	23,713	1,287
Totals	<u>\$ 3,363,200</u>	<u>\$ 1,632,158</u>	<u>\$ 1,731,042</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Chino Hills, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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


Rancho Cucamonga, California
December 22, 2015

CITY OF COLTON, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF COLTON, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12
Schedule of Prior Year Findings	14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Colton, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Colton, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, 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 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 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.



Rancho Cucamonga, California

December 28, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 2,106,937
Receivables:	
Accounts	28,055
Taxes	131,852
Interest	<u>1,141</u>
Total Assets	<u>\$ 2,267,985</u>
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Deferred Inflows of Resources:	
Unavailable Revenues	<u>\$ 7,699</u>
 Fund Balance:	
Restricted	<u>2,260,286</u>
 Total Deferred Inflows of Resources and Fund Balance	<u>\$ 2,267,985</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 916,937
Intergovernmental	568,437
Interest Income	4,849
Total Revenues	<u>1,490,223</u>
OTHER FINANCING SOURCES (USES)	
Transfers in from the City of Colton	65,130
Transfers out to the City of Colton	(743,309)
Total Other Financing Sources (Uses)	<u>(678,179)</u>
Net Change in Fund Balance	<u>812,044</u>
Fund Balance Beginning of Year	<u>1,448,242</u>
Fund Balance End of Year	<u>\$ 2,260,286</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Colton, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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, liabilities and deferred inflows of resources 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.

C. Fund Balances

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

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

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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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 located at 650 N. La Cadena Drive, Colton, California 92324.

E. Deferred Inflows of Resources

Deferred inflows of resources represent unavailable resources, 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.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUND, (CONTINUED)

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

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

NOTE 5 – TRANSFERS OUT TO THE CITY OF COLTON

Transfers out to the City of Colton of \$743,309 represent the Measure I cost incurred and reported by the City in fiscal year 2014-15. Transfers made represent amounts transferred to the City’s Capital Projects Fund to supplement costs incurred for Capital Project activities that were approved projects on the City’s Measure I Five Year Plan.

NOTE 6 – TRANSFERS IN FROM THE CITY OF COLTON

Transfers in from the City of Colton of \$65,130 represent funds contributed from other City funds for Measure I related projects.

NOTE 7 – INTERGOVERNMENTAL REVENUES

The City recorded intergovernmental revenue in the amount of \$568,437 related to the Mt. Vernon Bridge projects. The amount of \$514,858 was funded by the California Governor’s Office of Emergency Services (Cal OES). The remaining amount was funded by SANBAG under a separate contract.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 812,551	\$ 1,063,329	\$ 916,937	\$ (146,392)
Intergovernmental	-	-	568,437	568,437
Interest Income	-	-	4,849	4,849
Total Revenues	<u>812,551</u>	<u>1,063,329</u>	<u>1,490,223</u>	<u>426,894</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from the City of Colton	-	63,781	65,130	1,349
Transfers out to the City of Colton	-	(2,021,184)	(743,309)	1,277,875
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,957,403)</u>	<u>(678,179)</u>	<u>1,279,224</u>
Net Change in Fund Balance	<u>812,551</u>	<u>(894,074)</u>	<u>812,044</u>	<u>1,706,118</u>
Fund Balance Beginning of Year	<u>1,448,242</u>	<u>1,448,242</u>	<u>1,448,242</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 2,260,793</u>	<u>\$ 554,168</u>	<u>\$ 2,260,286</u>	<u>\$ 1,706,118</u>

See accompanying notes to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. R-92-14. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Colton Crossing - Laurel Grade Separation	\$ 55,349,000	\$ -	\$ 55,349,000
Bridge Retrofit - BNSF Track over La Cadena Drive	130,000	961	129,039
Bridge Retrofit - La Cadena Dr. & Wilson Elem POC	130,000	8	129,992
Bridge Retrofit - Mt. Vernon Ave. over Santa Ana River	621,494	-	621,494
Bridge Retrofit - UPRR Track over C Street	130,000	739	129,261
Bridge Retrofit - BNSF Track over C street	195,000	899	194,101
Bridge Retrofit - Colton High POC at Rancho Avenue	124,600	2,510	122,090
Barton Bridge Replacement Project	3,243,075	-	3,243,075
Mt. Vernon Bridge over UPRR Widening Project	10,961,800	7,606	10,954,194
La Cadena Bridge over Santa Ana River Replacement Project	27,535,000	36,716	27,498,284
South Colton Drainage Project	266,667	-	266,667
Washington St./Reche Canyon Intersection Improvement (CMAQ)	400,000	22,699	377,301
Mt. Vernon Avenue Corridor Traffic Signal Improvement	770,000	743	769,257
Washington Street Extension	1,500,000	-	1,500,000
Pavement Rehabilitation - Washington Street (Mt. Vernon to Waterman)	465,000	-	465,000
Pavement Rehabilitation - Reche Canyon Road (Shane Dr. to Topange)	372,000	-	372,000
Pavement Rehabilitation- Mt. Vernon Avenue (Olive St. to City Limit)	360,000	-	360,000
Pavement Rehabilitation - Rancho Avenue (Valley Blvd. To UPRR Bridge)	110,000	-	110,000
Pavement Rehabilitation - Iowa Avenue (1-215 Project Limit to Main Street)	150,000	-	150,000
Pavement Rehabilitation - Hunts Lane (Washington St. to Mountainwoods St.)	180,000	-	180,000
Mt. Vernon Bridge over Santa Ana River Emergency Repair	352,334	590,555	(238,221)
Pepper Avenue Interchange Project	7,655,000	-	7,655,000
La Cadena Dr. Pavement Rehabilitation Project	300,000	31,917	268,083
Citywide Street and Traffic Improvement	278,396	47,956	230,440
	<u>\$ 111,579,366</u>	<u>\$ 743,309</u>	<u>\$ 110,836,057</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Colton, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition, our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and SANBAG, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 28, 2015

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

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2014-001	Use of Measure I Funds	Implemented
2014-002	Interest Allocation to Measure I Funds	Implemented

CITY OF FONTANA, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF FONTANA, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Measure I 1990-2010 Fund	9
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	10
Note to Required Supplementary Information	11
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13
Schedule of Prior Year Finding	15



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the City of Fontana, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Measure I Funds basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Fontana, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 through 11 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City. The other information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
December 21, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	Measure I 1990-2010	Measure I 2010-2040
ASSETS		
Cash and Investments	\$ 4,401,525	\$ 8,839,845
Receivables:		
Taxes	-	511,600
General	-	417
Interest	13,330	24,558
Deposits	1,000	-
Total Assets	<u>\$ 4,415,855</u>	<u>\$ 9,376,420</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ -	\$ 106,269
Retentions Payable	-	24,127
Accrued Payroll	-	16,147
Total Liabilities	<u>-</u>	<u>146,543</u>
Fund Balance:		
Restricted	<u>4,415,855</u>	<u>9,229,877</u>
Total Liabilities and Fund Balance	<u>\$ 4,415,855</u>	<u>\$ 9,376,420</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
REVENUES		
Measure I Sales Tax	\$ -	\$ 3,227,025
Interest Income	55,388	117,494
Total Revenues	<u>55,388</u>	<u>3,344,519</u>
EXPENDITURES		
Capital:		
Construction	<u>-</u>	<u>1,293,634</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>55,388</u>	<u>2,050,885</u>
OTHER FINANCING SOURCES (USES)		
Transfers out to the City of Fontana	<u>(96,510)</u>	<u>-</u>
Net Change in Fund Balance	<u>(41,122)</u>	<u>2,050,885</u>
Fund Balance, Beginning of Year	<u>4,456,977</u>	<u>7,178,992</u>
Fund Balance, End of Year	<u>\$ 4,415,855</u>	<u>\$ 9,229,877</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the City of Fontana, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Fontana accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these financial statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

NOTE 5 – TRANSFERS TO THE CITY OF FONTANA

Transfers to the City of Fontana in the amount of \$96,510 represent the Measure I cost incurred and reported by other City funds for Measure I projects approved on the Five-Year Capital Improvement Plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Interest Income	\$ 60,000	\$ 60,000	\$ 55,388	\$ (4,612)
OTHER FINANCING SOURCES (USES)				
Transfers out to the City of Fontana	(96,700)	(96,700)	(96,510)	190
Net Change in Fund Balance	(36,700)	(36,700)	(41,122)	(4,422)
Fund Balance, Beginning of Year	4,456,977	4,456,977	4,456,977	-
Fund Balance, End of Year	\$ 4,420,277	\$ 4,420,277	\$ 4,415,855	\$ (4,422)

See note to required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Measure I Sales Tax	\$ 2,938,078	\$ 2,938,078	\$ 3,227,025	\$ 288,947
Interest Income	60,000	60,000	117,494	57,494
Total Revenues	<u>2,998,078</u>	<u>2,998,078</u>	<u>3,344,519</u>	<u>346,441</u>
EXPENDITURES				
Capital:				
Construction	<u>9,334,010</u>	<u>9,334,010</u>	<u>1,293,634</u>	<u>8,040,376</u>
Net Change in Fund Balance	<u>(6,335,932)</u>	<u>(6,335,932)</u>	<u>2,050,885</u>	<u>8,386,817</u>
Fund Balance, Beginning of Year	<u>7,178,992</u>	<u>7,178,992</u>	<u>7,178,992</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 843,060</u>	<u>\$ 843,060</u>	<u>\$ 9,229,877</u>	<u>\$ 8,386,817</u>

See note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-031. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Citywide Measure I System (Signal Controllers and Cabinets)	\$ 750,000	\$ 25,013	\$ 724,987
Citywide Measure I System (Computerized Signal Coordination)	475,000	218,235	264,512
Citywide CMP System	375,000	167,384	207,616
Citywide Signal Communication System	460,000	-	460,000
Citywide Signal Maintenance System	450,000	-	450,000
Electronic Signal Detection	396,250	-	396,250
Electronic Data Transmission	425,000	-	425,000
Slover Ave & Beech Ave	500,000	372,584	127,416
Juniper Ave & Ceres Ave	600,000	24,122	575,878
Randall Ave & Palmetto Ave	300,000	16,574	283,426
Oleander Ave & Highland Ave	400,000	375	399,625
Etiwanda & Slover	200,000	-	200,000
Valley Blvd. & Poplar Ave.	730,000	108,370	621,630
Valley Blvd. & Oleander Ave.	650,000	18,576	631,424
Randall Ave. & Juniper Ave.	440,780	3,012	437,768
Valley Blvd. & Almond Ave.	700,000	20,672	679,328
Martin Avenue & Sierra Ave.	380,000	39,842	340,158
Merrill Ave & Palmetto Ave	500,000	4,687	495,313
San Bernardino Ave & Juniper Ave	500,000	4,512	495,488
San Bernardino Ave & Palmetto Ave	500,000	4,292	495,708
Cherry Ave & Live Oak Ave	500,000	333,961	166,039
Sierra Ave. & Riverside Ave.	500,000	5,622	494,378
San Bernardino & Cypress	500,000	11,396	488,605
Merill @ Oleander/Fontana	500,000	6,581	493,420
Foothill Blvd. & Beech Ave	1,000,000	-	1,000,000
Valley Median: Sierra Ave. to Vineyard	100,000	-	100,000
East Ave @ Miller Ave	250,000	-	250,000
Foothill Blvd. & Sultana Ave.	250,000	4,334	245,666
Foothill: Sierra-Mango	180,000	-	180,000
Merrill at Laurel SRTS	330,000	-	330,000
Juniper & Live Oak	500,000	-	500,000
Cherry Ave & Victoria Ave Realignment	1,000,000	-	1,000,000
Alder Ave. & Marygold Ave	500,000	-	500,000
San Bernardino Ave. & Oleander Ave.	500,000	-	500,000
Valley Blvd. & Beech Ave.	500,000	-	500,000
	\$ 16,842,030	\$ 1,390,144	\$ 15,459,632
Total expenditures and transfers out for Measure I Funds 1990-2010		\$ 96,510	
Total expenditures for Measure I Funds 2010-2040		1,293,634	
Total expenditures at June 30, 2015		<u>\$ 1,390,144</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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Fontana, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

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

**SCHEDULE OF PRIOR YEAR FINDING
JUNE 30, 2015**

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2014-001	Use of Measure I Funds	Implemented

CITY OF GRAND TERRACE, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF GRAND TERRACE, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	8
Note to Required Supplementary Information	9
Other Information	
Program Status: Comparison of 5-Year Capital Plan Project Budget to Current Year Expenditures	10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	11



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Grand Terrace, California (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Grand Terrace, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 8 and 9 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information, on page 10, is presented for purposes of additional analysis and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, 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 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 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.



Rancho Cucamonga, California
December 21, 2015

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 530,356
Receivables:	
Taxes	<u>30,440</u>
Total Assets	<u><u>\$ 560,796</u></u>
 FUND BALANCE	
Fund Balance:	
Restricted	<u>\$ 560,796</u>
Total Fund Balance	<u><u>\$ 560,796</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax Fund	\$ 195,439
Interest Income	211
Total Revenues	<u>195,650</u>
 EXPENDITURES	
Capital:	
Construction	<u>4,550</u>
 REVENUES OVER/(UNDER) EXPENDITURES	<u>191,100</u>
 Fund Balance Beginning of Year	<u>369,696</u>
 Fund Balance End of Year	<u><u>\$ 560,796</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Grand Terrace, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 in separate general ledger accounts within its Measure I Special Revenue Fund.

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

Measurement Focus and Basis of Accounting

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

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLE

The taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 170,000	\$ 170,000	\$ 195,439	\$ 25,439
Interest Income	-	-	211	211
Total Revenues	<u>170,000</u>	<u>170,000</u>	<u>195,650</u>	<u>25,650</u>
EXPENDITURES				
Capital:				
Construction	<u>46,000</u>	<u>46,000</u>	<u>4,550</u>	<u>41,450</u>
REVENUES OVER EXPENDITURES	<u>124,000</u>	<u>124,000</u>	<u>191,100</u>	<u>67,100</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(124,000)</u>	<u>(112,000)</u>	<u>-</u>	<u>112,000</u>
Net Change in Fund Balance	<u>-</u>	<u>12,000</u>	<u>191,100</u>	<u>179,100</u>
Fund Balance Beginning of Year	<u>369,696</u>	<u>369,696</u>	<u>369,696</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 369,696</u>	<u>\$ 381,696</u>	<u>\$ 560,796</u>	<u>\$ 179,100</u>

See note to required supplementary information.

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

**CITY OF GRAND TERRACE, CALIFORNIA
MEASURE I FUND**

**PROGRAM STATUS: COMPARISON OF 5-YEAR CAPITAL PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-63. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
DeBerry Street - Mt. Vernon Pavement Overlay ⁽¹⁾	\$ 142,447	\$ 4,550	\$ 137,897
	142,447	4,550	137,897
Barton Road, Mount Vernon to 100' West of Canal Street	355,350	-	355,350
McClarren Street, Vivenda Court to Canal Street	370,450	-	370,450
Robin Way and Warbler Avenue	199,500	-	199,500
Glendora Drive and Minona Drive	205,400	-	205,400
Palm Avenue-Slurry Seal	135,512	-	135,512
	1,266,212	-	1,266,212
	\$ 1,408,659	\$ 4,550	\$ 1,404,109

⁽¹⁾ Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2013-45 on October 8, 2013.



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of Grand Terrace, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

CITY OF HESPERIA, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF HESPERIA, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to the Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and <i>Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Hesperia, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Hesperia, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, 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 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 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.


Rancho Cucamonga, California
December 22, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 2,312,798
Receivables:	
Interest	1,205
Due from other Governments	<u>591,873</u>
Total Assets	<u><u>\$ 2,905,876</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	<u>\$ 1,222</u>
 Fund Balance:	
Restricted	<u>2,904,654</u>
 Total Liabilities and Fund Balance	<u><u>\$ 2,905,876</u></u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES	<u>2015</u>
Measure I Sales Tax Fund	\$ 2,556,257
Interest Income	4,925
Total Revenues	<u>2,561,182</u>
EXPENDITURES	
Capital:	
Construction	<u>1,762,582</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>798,600</u>
OTHER FINANCING SOURCES (USES)	
Transfers to the City of Hesperia (Note 5)	<u>(500,000)</u>
Net Change in Fund Balance	<u>298,600</u>
Fund Balance Beginning of Year	<u>2,606,054</u>
Fund Balance End of Year	<u>\$ 2,904,654</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Hesperia, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The due from other governments represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS TO THE CITY OF HESPERIA

Transfers to the City of Hesperia of \$500,000 represent the Measure I funded costs incurred in the City's Street Maintenance Fund. During fiscal year 2014-15, \$500,000 was transferred to supplement costs incurred on general street maintenance activities.

NOTE 6 – PLEDGE OF REVENUES

On September 22, 2004, the Hesperia Public Financing Authority (Authority) issued Variable Interest Revenue Bonds, Series 2004 (Bonds) to refinance the 1993 Street Improvement Project Bonds. The amount of the issuance was \$12,525,000. The Authority pledged certain Gas Tax, Local Transportation Fund, and Measure I revenues. In regards to the Measure I pledged revenues; the pledge was pursuant to the 1990 San Bernardino County Ordinance Measure I Tax and also, to the extent permitted by law, pursuant to any extensions of the Measure I tax including the Measure I extension which was approved on the November 2, 2004 election. As of June 30, 2015, Gas Tax and Local Transportation Fund revenues have been sufficient to make the debt service payments on the debt. The total bonds outstanding as of June 30, 2015, are \$4,590,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax Fund	\$ 2,500,000	\$ 2,500,000	\$ 2,556,257	\$ 56,257
Interest Income	5,000	5,000	4,925	(75)
Total Revenues	<u>2,505,000</u>	<u>2,505,000</u>	<u>2,561,182</u>	<u>56,182</u>
EXPENDITURES				
Capital:				
Construction	<u>4,103,688</u>	<u>4,103,688</u>	<u>1,762,582</u>	<u>2,341,106</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(1,598,688)</u>	<u>(1,598,688)</u>	<u>798,600</u>	<u>2,397,288</u>
OTHER FINANCING SOURCES (USES)				
Transfers to the City of Hesperia	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(2,098,688)</u>	<u>(2,098,688)</u>	<u>298,600</u>	<u>2,397,288</u>
Fund Balance Beginning of Year	<u>2,606,054</u>	<u>2,606,054</u>	<u>2,606,054</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 507,366</u>	<u>\$ 507,366</u>	<u>\$ 2,904,654</u>	<u>\$ 2,397,288</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five-Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-045. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Ranchero Road Impr- Mariposa Ave. to Seventh Street (CO 7094)*	\$ 300,000	\$ 650	\$ 299,350
Highway 395 and Joshua Street Park N Ride Expansion Project (CO 6523)	30,000	-	30,000
Eighth Ave. btw Main Street and Orange (CO 7128)	20,000	-	20,000
FY 2014-15 Annual Street Improvement Project (CO 7129)	2,105,499	1,759,142	346,357
FY 2015-16 Street Improvement Project (CO 7130)	1,271,368	718	1,270,650
ADA Transition Plan (CO 7400)	50,250	2,072	48,178
Willow Street Paseo (CO 7123)	70,438	-	70,438
Citywide Preservation and Maintenance	750,000	500,000	250,000
Totals	<u>\$ 4,597,555</u>	<u>\$ 2,262,582</u>	<u>\$ 2,334,973</u>

* The Ranchero Road Improvements - Mariposa Ave. to Seventh Street (CO 7094) is part of the FY13-14 5-Year Plan Project Budget of \$300,000.



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of Hesperia, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 22, 2015

CITY OF HIGHLAND, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF HIGHLAND, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	8
Note to Required Supplementary Information	9
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	11
Schedule of Prior Year Finding	13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Highland, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Highland, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 8 and 9 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, 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 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 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.



Rancho Cucamonga, California
December 22, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 6,947,234
Accrued Interest	4,547
Taxes Receivable	<u>133,927</u>
Total Assets	<u><u>\$ 7,085,708</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 109,295
Retention Payable	<u>31,319</u>
Total Liabilities	<u>140,614</u>
Fund Balance:	
Restricted	<u>6,945,094</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 7,085,708</u></u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 859,640
Interest	17,304
Other Revenue	7,098
Total Revenues	<u>884,042</u>
EXPENDITURES	
Capital:	
Construction	<u>1,233,928</u>
Net Change in Fund Balance	(349,886)
Fund Balance Beginning of Year	<u>7,294,980</u>
Fund Balance End of Year	<u><u>\$ 6,945,094</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Highland, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 3 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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – 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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – 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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City accounts for both 1990-2010 and 2010-2040 Measure I Fund within one Fund.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG 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 4 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 685,000	\$ 685,000	\$ 859,640	\$ 174,640
Interest	12,500	12,500	17,304	4,804
Other Revenues	-	-	7,098	7,098
Total Revenues	<u>697,500</u>	<u>697,500</u>	<u>884,042</u>	<u>186,542</u>
EXPENDITURES				
Capital:				
Construction	1,694,000	1,694,000	1,233,928	460,072
Engineering	281,000	281,000	-	281,000
Total Expenditures	<u>1,975,000</u>	<u>1,975,000</u>	<u>1,233,928</u>	<u>741,072</u>
Net Change in Fund Balance	(1,277,500)	(1,277,500)	(349,886)	927,614
Fund Balance Beginning of Year	<u>7,294,980</u>	<u>7,294,980</u>	<u>7,294,980</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 6,017,480</u>	<u>\$ 6,017,480</u>	<u>\$ 6,945,094</u>	<u>\$ 927,614</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-046 on September 23, 2014. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
9th Street Pavement Rehab (Del Rosa Ave to Palm Ave)	\$ 1,023,980	\$ 964,433	\$ 59,547
Palm Ave Pavement Rehab (Base Line to 5th Street)	513,000	-	513,000
Greenspot Road Bikeway Imp (S curve to city limits)	75,000	-	75,000
Base Line Pavement Rehab (Del Rosa Dr to Cole Ave)	2,112,000	2,405	2,109,595
Del Rosa Drive Pavement Rehab (Base Line to Pacific St)	300,000	4,680	295,320
Pacific St Pavement Rehab (Victoria Ave to Palm Ave)	800,000	-	800,000
Pacific St Pavement Rehab (Palm Ave to Church Ave)	261,000	-	261,000
Pacific St Pavement Rehab (LaPraix St/Boulder Ave)	140,000	-	140,000
Highland Ave Pavement Rehab (Orchard Rd to Church St)	950,000	-	950,000
Greenspot Road Pavement Rehab (Boulder Ave to Plunge Creek)	1,829,000	-	1,829,000
Base Line Pavement Rehab (Yarnell Rd to Marigold Ave)	763,000	-	763,000
Old Greenspot/Merris St Imp (East Highland Village)	311,582	-	311,582
Arroyo Vista Drive Pavement Rehab (Orchard Rd to E. Terminus)	212,000	-	212,000
Orchard Rd Pavement Rehab (Highland Ave to Arroyo Vista Dr)	101,000	-	101,000
Olive Street Improvements (Base Line to 14th St) *	140,000	1,800	138,200
Base Line Rehabilitation*	765,000	162,454	602,546
Sub-Total Named Projects	10,296,562	1,135,772	9,160,790
Categorical Projects:			
City Wide Pavement Management	2,093,000	98,156	1,994,844
Grand Total	\$ 12,389,562	\$ 1,233,928	\$ 11,155,634

* Project was included on the fiscal year 2013/2014 Five Year Capital Improvement Plan



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Highland, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 22, 2015

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

**SCHEDULE OF PRIOR YEAR FINDING
FOR THE YEAR ENDED JUNE 30, 2015**

Finding	Condition/Program	Status
2014-001	5-Year Plan	Implemented

CITY OF LOMA LINDA, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF LOMA LINDA, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Loma Linda, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Loma Linda, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, 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 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 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 Measure I Fund's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 23, 2015

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 235,696
Receivables:	
Interest	128
Taxes	58,595
Total Assets	<u>\$ 294,419</u>
 FUND BALANCE	
Fund Balance:	
Restricted	<u>\$ 294,419</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 375,753
Interest Income	441
Intergovernmental	<u>11,608</u>
Total Revenues	<u>387,802</u>
 EXPENDITURES	
Capital:	
Construction	<u>345,082</u>
 Net Change in Fund Balance	42,720
 Fund Balance Beginning of Year	<u>251,699</u>
 Fund Balance End of Year	<u><u>\$ 294,419</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Loma Linda, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 3 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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – 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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – 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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – TAXES RECEIVABLE

Taxes receivable represents amounts due to the City of Loma Linda from the San Bernardino Transportation Authority for Measure I related revenues.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax Fund	\$ 360,400	\$ 360,400	\$ 375,753	\$ 15,353
Interest Income	1,000	1,000	441	(559)
Intergovernmental	-	-	11,608	11,608
Total Revenues	<u>361,400</u>	<u>361,400</u>	<u>387,802</u>	<u>26,402</u>
EXPENDITURES				
Capital:				
Construction	<u>250,000</u>	<u>456,300</u>	<u>345,082</u>	<u>111,218</u>
Net Change in Fund Balance	<u>111,400</u>	<u>(94,900)</u>	<u>42,720</u>	<u>137,620</u>
Fund Balance Beginning of Year	<u>251,699</u>	<u>251,699</u>	<u>251,699</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 363,099</u>	<u>\$ 156,799</u>	<u>\$ 294,419</u>	<u>\$ 137,620</u>

See accompanying note to required supplementary information.

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

**CITY OF LOMA LINDA, CALIFORNIA
MEASURE I FUND**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2788. 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 Budget	Current Fiscal Year Expenditures	Unexpended Budget
Stewart Street - One New Lane Each Direction and New Traffic Signal Modification	\$ 150,000	\$ 82,896	\$ 67,104
Barton Road - UPRR to San Timoteo Canyon Road; Mountain View Avenue; Barton Road to Lawton Avenue - Pavement Rehabilitation	166,000	172,909	(6,909)
Citywide Sidewalk Corrective Measures	300,000	89,277	210,723
Totals	<u>\$ 616,000</u>	<u>\$ 345,082</u>	<u>\$ 270,918</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Loma Linda, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and the San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 23, 2015

CITY OF MONTCLAIR, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF MONTCLAIR, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Montclair, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Montclair, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial for reporting placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information, on page 11, is presented for purposes of additional analysis and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, 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 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 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.



Rancho Cucamonga, California
December 21, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 1,143,057
Due from the City of Montclair	3,680
Taxes Receivable	101,684
Total Assets	<u>\$ 1,248,421</u>
 FUND BALANCE	
Fund Balance:	
Restricted	\$ 1,248,421
Total Fund Balance	<u>\$ 1,248,421</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax Fund	\$ 603,651
Interest Income	<u>3,680</u>
Total Revenues	<u>607,331</u>
OTHER FINANCING SOURCES (USES)	
Transfers Out (Note 6)	<u>(52,497)</u>
Net Change in Fund Balance	554,834
Fund Balance Beginning of Year	<u>693,587</u>
Fund Balance End of Year	<u><u>\$ 1,248,421</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Montclair, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLE

The taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

NOTE 5 – DUE FROM THE CITY OF MONTCLAIR

Due from the City of Montclair of \$3,680 represents interest allocated to the Measure I Fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6- TRANSFER TO THE CITY OF MONTCLAIR

Transfers to the City of Montclair of \$52,497 represent the Measure I cost incurred and reported by the City in fiscal year 2014/15. Transfers made represent amounts transferred to the City's Infrastructure Fund to reimburse costs incurred for projects approved in the City's Measure I 5-Year Plan. The funds were transferred for the projects noted below:

<u>Project Name</u>	<u>Total Transferred</u>
Monte Vista Avenue/Union Pacific Grade Separation Project-R/W Clearance-Maintenance	\$ 3,000
Monte Vista Avenue/Union Pacific Grade Separation Project-Design	49,497
	<u>\$ 52,497</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Measure I Sales Tax Fund	\$ 546,619	\$ 546,619	\$ 603,651	\$ 57,032
Interest Income	-	-	3,680	3,680
Total Revenues	<u>546,619</u>	<u>546,619</u>	<u>607,331</u>	<u>60,712</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(52,497)	(52,497)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(52,497)</u>	<u>(52,497)</u>
Net Change in Fund Balance	546,619	546,619	554,834	8,215
Fund Balance Beginning of Year	<u>693,587</u>	<u>693,587</u>	<u>693,587</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,240,206</u>	<u>\$ 1,240,206</u>	<u>\$ 1,248,421</u>	<u>\$ 8,215</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 14-3048. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget *	Current Fiscal Year Expenditures	Unexpended Budget
Monte Vista Avenue/Union Pacific Grade Separation Project-R/W Clearance-Maintenance	\$ 175,000	\$ 3,000	\$ 172,000
Monte Vista Avenue/Union Pacific Grade Separation Project-Design	320,000	49,497	270,503
Monte Vista Avenue/Union Pacific Grade Separation Project-Construction	1,400,000	-	1,400,000
Central Avenue/UPRR Overhead Reconstruction Project-PA/ED	200,000	-	200,000
Central Avenue/UPRR Overhead Reconstruction Project-Construction	1,600,000	-	1,600,000
Monte Vista Avenue Pavement Rehab-Arrow Highway to North City Limit	300,000	-	300,000
Pavement Rehabilitation - Various locations throughout City	500,000	-	500,000
	<u>\$ 4,495,000</u>	<u>\$ 52,497</u>	<u>\$ 4,442,503</u>

* Budget amounts represent Measure I Capital Improvement Plan 2015-2019.



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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of Montclair, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

CITY OF NEEDLES, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Report**

For the year ended June 30, 2015

CITY OF NEEDLES, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Fund 2010-2040	8
Note to Required Supplementary Information	9
Other Information	
Measure I Fund – Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and Measure I Compliance Requirements	11
Schedule of Finding and Response	13
Schedule of Prior Year Findings	14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund 2010-2040 (Measure I Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not, present fairly the financial position of the City of Needles, California, as of June 30, 2015 and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 8 and 9 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America; require to be presented to supplement the basic financial statements. Such missing information, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, 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 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 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 Measure I Funds' internal control over financial reporting and compliance.



Rancho Cucamonga, California
March 25, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I Fund 2010-2040</u>
ASSETS	
Cash and Investments	\$ 152,096
Receivables:	
Taxes	<u>16,278</u>
Total Assets	<u><u>\$ 168,374</u></u>
 LIABILITIES AND FUND BALANCE	
Fund Balance:	
Restricted	<u>168,374</u>
 Total Liabilities and Fund Balance	<u><u>\$ 168,374</u></u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Measure I Fund 2010-2040</u>
REVENUES	
Measure I Sales Tax Fund	\$ 114,255
Interest	541
Total Revenues	<u>114,796</u>
EXPENDITURES	
Current:	
General Government - Administration	498
Capital:	
Maintenance	438,390
Total Expenditures	<u>438,888</u>
REVENUES OVER/(UNDER) EXPENDITURES	(324,092)
OTHER FINANCING SOURCES (USES)	
Transfers out to City	<u>(176)</u>
Net Change in Fund Balance	<u>(324,268)</u>
Fund Balance Beginning of Year	<u>492,642</u>
Fund Balance End of Year	<u><u>\$ 168,374</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 2010-2040 fund (Measure I Fund) of the City of Needles, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 2010-2040 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 other than debt service or capital projects.

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 assets.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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 amounts reported in the financial statements. Actual results could differ from those estimates.

C. Fund Balances

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, 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.

D. Cash and Investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the 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 the City Administrative Office at 817 Third Street, Needles, California 92363.

NOTE 3 – TAXES RECEIVABLE

The taxes receivables represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

NOTE 5 – TRANSFERS

\$176 was transferred from the Measure I 2010-2040 Fund to the Measure I transit fund to subsidize passenger fares at the rate of \$0.10 per ride for Seniors and Disabled.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I FUND 2010-2040
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 100,000	\$ 100,000	\$ 114,255	\$ 14,255
Interest	-	4,800	541	(4,259)
Total Revenues	<u>100,000</u>	<u>104,800</u>	<u>114,796</u>	<u>9,996</u>
EXPENDITURES				
Current:				
General Government - Administration	-	421	498	(77)
Capital:				
Maintenance	<u>559,000</u>	<u>563,379</u>	<u>438,390</u>	<u>124,989</u>
Total Expenditures	<u>559,000</u>	<u>563,800</u>	<u>438,888</u>	<u>124,912</u>
REVENUES OVER/(UNDER)				
EXPENDITURES	<u>(459,000)</u>	<u>(459,000)</u>	<u>(324,092)</u>	<u>134,908</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to City	<u>-</u>	<u>-</u>	<u>(176)</u>	<u>(176)</u>
Net Change in Fund Balance	<u>(459,000)</u>	<u>(459,000)</u>	<u>(324,268)</u>	<u>134,732</u>
Fund Balance Beginning of Year	<u>492,642</u>	<u>492,642</u>	<u>492,642</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 33,642</u>	<u>\$ 33,642</u>	<u>\$ 168,374</u>	<u>\$ 134,732</u>

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

Expenditures exceeded appropriations in the Measure I Fund 2010-2040 in the General Government - Administration line by \$77.

OTHER INFORMATION

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

**MEASURE I FUND – PROGRAM STATUS:
COMPARISON OF 5 YEAR PLAN PROJECT BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-50. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget FY 14/15	Current Fiscal Year Expenditures	Unexpended Budget
General Administration - Membership Dues (SANBAG)	\$ -	\$ 498	\$ (498)
Front Street Slurry Seal	135,295	133,215	2,080
West Broadway (from J St to Iceplant)	200,000	236,645	(36,645)
Third Street Slurry Seal	100,000	68,069	31,931
Construction Management	1,000	462	538
	\$ 436,295	\$ 438,888	\$ 436,295



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund 2010-2040 (Measure I Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2015, 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 March 25, 2016. Our report noted an emphasis of matter that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting of the Measure I Fund (internal control) to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 identify a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2015-001 that we consider to be a significant deficiency.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the requirements of Measure I matters as specified in the agreement between the City and SANBAG, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 one instance of noncompliance or other matter that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of finding and response as finding 2015-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The City's response was not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rancho Cucamonga, California

March 25, 2016

**CITY OF NEEDLES
MEASURE I FUND**

**SCHEDULE OF FINDING AND RESPONSE
JUNE 30, 2015**

Finding 2015-001

EXPENDITURES NOT INCLUDED IN MEASURE I FIVE YEAR CAPITAL IMPROVEMENT PLAN

Criteria:

Policy MDLS-10 of the SANBAG Mountain/Desert Subareas (MDLS) Program Measure I Strategic Plan states that expenditures of Measure I Local Pass Through Funds must be detailed in the Five Year Capital Improvement Plan and adopted by resolution of the governing body.

Condition:

The Measure I Five Year Capital Improvement Plan adopted by the City Council in May 2014 did not include General Administration costs for SANBAG membership dues incurred during the fiscal year and charged to the Measure I Fund.

Context:

The condition above was noted during our testing of Measure I compliance.

Effect:

The City did not comply with Policy MDLS-10 of the SANBAG Mountain/Desert Local Streets (MDLS) Measure I Strategic Plan.

Cause:

The City incurred expenditures for a project not listed on the Measure I Five Year Capital Improvement Plan.

Recommendation:

We recommend the City reimburse the Measure I Fund for the membership dues charged to the fund.

View of Responsible Officials and Planned Corrective Action:

We agree that on a go forward basis we will not charge SANBAG membership dues to Measure I. The dues for FY15 were coded incorrectly to Measure I, and subsequently corrected with a month 13 entry that put the cash back into Measure I.

**CITY OF NEEDLES
MEASURE I FUND**

**SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2014-01	Bank Reconciliation	Implemented
2014-02	Revenue Recognition	Implemented
2014-03	Expenditures Not Included in Measure I Five Year Capital Improvement Plan	Not implemented, refer to Finding 2015-001

CITY OF ONTARIO, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF ONTARIO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5-Year Capital Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund of the City of Ontario, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Ontario, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, 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 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 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.



Rancho Cucamonga, California
December 21, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 5,666,839
Receivables:	
Taxes	419,710
Interest	12,841
Total Assets	<u>\$ 6,099,390</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	<u>\$ 2,528</u>
 Fund Balance:	
Restricted	<u>6,096,862</u>
 Total Liabilities and Fund Balance	<u>\$ 6,099,390</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 2,667,806
Investment Income	37,991
Total Revenues	<u>2,705,797</u>
EXPENDITURES	
Capital:	
Construction	<u>943,669</u>
Net Change in Fund Balance	1,762,128
Fund Balance Beginning of Year	<u>4,334,734</u>
Fund Balance End of Year	<u>\$ 6,096,862</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Ontario, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 2010 – 2040 Special Revenue Fund.

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

In accordance with GASB Statement No. 54, 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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLE

The taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 2,515,411	\$ 2,515,411	\$ 2,667,806	\$ 152,395
Investment Income	26,000	26,000	37,991	11,991
Total Revenues	<u>2,541,411</u>	<u>2,541,411</u>	<u>2,705,797</u>	<u>164,386</u>
EXPENDITURES				
Capital:				
Construction	<u>3,178,505</u>	<u>5,784,796</u>	<u>943,669</u>	<u>4,841,127</u>
Net Change in Fund Balance	<u>(637,094)</u>	<u>(3,243,385)</u>	<u>1,762,128</u>	<u>5,005,513</u>
Fund Balance Beginning of Year	<u>4,334,734</u>	<u>4,334,734</u>	<u>4,334,734</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 3,697,640</u>	<u>\$ 1,091,349</u>	<u>\$ 6,096,862</u>	<u>\$ 5,005,513</u>

See note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5-YEAR CAPITAL PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-072. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
City Wide Program - Local Street Maintenance -			
Rubberized Slurry Seal	\$ 650,000	\$ 479,422	\$ 170,578
Traffic Count Program	10,000	-	10,000
Mountain Rehab: Holt/Fifth*	1,200,000	429,371	770,629
Airport Rehab: Haven/Commerce*	600,000	24,013	575,987
Mission Rehab: Bon View/Grove*	300,000	4,236	295,764
Parco Rehab: Francis/Locust	185,000	3,858	181,142
Locust Rehab: Baker/Walker	163,000	2,528	160,472
Acacia Rehab: Cucamonga Channel/Baker	213,000	-	213,000
D St Rehab: Sultana/Vineyard	800,000	-	800,000
Convention Center Way: Holt/Vineyard	336,000	-	336,000
Edison Rehab: Euclid/Grove	431,505	-	431,505
Mountain Rehab: Sixth/I-10 Fwy	390,000	241	389,759
	\$5,278,505	\$ 943,669	\$ 4,334,836

* Project was included in the Fiscal Year 2013/2014 Five Year Capital Improvement Plan



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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Ontario, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

CITY OF RANCHO CUCAMONGA, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF RANCHO CUCAMONGA, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 1990-2010 Fund	10
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	11
Note to Required Supplementary Information	12
Other Information	
Program Status: Comparison of 5-Year Capital Plan Project Budget to Current Year Expenditures	13
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	14
Schedule of Finding and Response	16
Schedule of Prior Year Finding	17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds), of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Measure I Funds' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Rancho Cucamonga, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 through 12 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City. The other information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
January 11, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	Measure I Fund 1990-2010	Measure I Fund 2010-2040
ASSETS		
Cash and Investments	\$ 1,188,677	\$ 4,986,714
Receivables:		
Taxes	-	770,296
Interest	500	8,458
Total Assets	<u>\$ 1,189,177</u>	<u>\$ 5,765,468</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 11,528	\$ 91,617
Payroll Accrual	-	5,728
Total Liabilities	<u>11,528</u>	<u>97,345</u>
Deferred Inflows of Resources:		
Unavailable Revenues - sales taxes	<u>-</u>	<u>83,285</u>
Fund Balance:		
Restricted	<u>1,177,649</u>	<u>5,584,838</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,189,177</u>	<u>\$ 5,765,468</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Measure I Fund 1990-2010	Measure I Fund 2010-2040
REVENUES		
Measure I Sales Tax	\$ -	\$ 2,984,944
Investment Income	14,498	54,730
Total Revenues	<u>14,498</u>	<u>3,039,674</u>
EXPENDITURES		
General Government - Administration	580	34,560
Capital:		
Construction	<u>567,012</u>	<u>2,157,012</u>
Total Expenditures	<u>567,592</u>	<u>2,191,572</u>
Net Change in Fund Balance	(553,094)	848,102
Fund Balance Beginning of Year	<u>1,730,743</u>	<u>4,736,736</u>
Fund Balance End of Year	<u><u>\$ 1,177,649</u></u>	<u><u>\$ 5,584,838</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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 deferred inflows of resources 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.

C. Fund Balances

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

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

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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

E. 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.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority to impose a half-cent retail transaction 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half-cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Rancho Cucamonga accounted for these funding sources in separate Funds which are referred to as Measure I Fund 1990-2010 and Measure I Fund 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 Fund 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

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 Fund contains the following programs:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 17,760	\$ 17,760	\$ 14,498	\$ (3,262)
EXPENDITURES				
Current:				
General Government - Administration	580	580	580	-
Capital:				
Construction	882,970	882,970	567,012	315,958
Total Expenditures	883,550	883,550	567,592	315,958
Net Change in Fund Balance	(865,790)	(865,790)	(553,094)	312,696
Fund Balance Beginning of Year	1,730,743	1,730,743	1,730,743	-
Fund Balance End of Year	\$ 864,953	\$ 864,953	\$ 1,177,649	\$ 312,696

See note to required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 2,501,660	\$ 2,501,660	\$ 2,984,944	\$ 483,284
Investment Income	55,210	55,210	54,730	(480)
Total Revenues	<u>2,556,870</u>	<u>2,556,870</u>	<u>3,039,674</u>	<u>482,804</u>
EXPENDITURES				
Current:				
General Government - Administration	34,560	34,560	34,560	-
Capital:				
Construction	<u>2,654,880</u>	<u>2,410,340</u>	<u>2,157,012</u>	<u>253,328</u>
Total Expenditures	<u>2,689,440</u>	<u>2,444,900</u>	<u>2,191,572</u>	<u>253,328</u>
Net Change in Fund Balance	<u>(132,570)</u>	<u>111,970</u>	<u>848,102</u>	<u>736,132</u>
Fund Balance Beginning of Year	<u>4,736,736</u>	<u>4,736,736</u>	<u>4,736,736</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 4,604,166</u>	<u>\$ 4,848,706</u>	<u>\$ 5,584,838</u>	<u>\$ 736,132</u>

See note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5-YEAR CAPITAL PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 15-081. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
19th Street - West City Limit to Haven	\$ 1,362,000	\$ 1,372,394	\$ (10,394)
Victoria St - Etiwanda to East City Limit	15,000	17,124	(2,124)
Baker Ave - Main to Foothill	350,000	2,952	347,048
ADA Corrective Measures - Citywide	257,800	289,363	(31,563)
Arrow Route - Vineyard to Archibald	45,000	23,155	21,845
Concrete Contract Services - Citywide	100,000	114,180	(14,180)
Pavement Management	25,000	24,543	457
Signal Contract Services - Citywide	598,190	726,354	(128,164)
Striping Contract Services - Citywide	150,000	170,776	(20,776)
Wilson Ave - Wardman Bullock to Cherry	332,000	18,323	313,677
	<u>\$ 3,234,990</u>	<u>\$ 2,759,164</u>	<u>\$ 475,826</u>

Total expenditures for Measure I 1990 - 2010 Fund	\$ 567,592
Total expenditures for Measure I 2010 - 2040 Fund	<u>2,191,572</u>
Total expenditures at June 30, 2015	<u>\$ 2,759,164</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated January 11, 2016. Our report included an emphasis-of-matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 finding and response as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Rancho Cucamonga, California
January 11, 2016

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

**SCHEDULE OF FINDING AND RESPONSE
JUNE 30, 2015**

Finding 2015-001

FINANCIAL REPORTING – REVENUE RECOGNITION

Criteria:

Governmental Accounting Standards Board (GASB) Statement No. 33 states that a receivable is recognized for derived tax revenue when the underlying exchange occurs or resources are received, whichever is first.

Condition:

The City did not recognize receivables for derived nonexchange transactions that occurred during the month of May and June.

Context:

This was discovered while testing revenues and receivables for sales tax transactions that occurred during the fiscal year.

Effect:

It was noted that the City did not record receivables and revenues in the total amount of \$435,433.

Cause:

The City inadvertently did not include the Measure I Fund in its assessment of derived tax revenue recognition.

Recommendation:

We recommend the City review their year-end closing procedures to evaluate transactions in the context of the nonexchange transactions and timing of recognition of those transactions.

View of Responsible Officials and Planned Corrective Action:

The City concurs with the finding. We will perform a review of the existing year end closing procedures to ensure that receivables are properly recognized in accordance with GASB Statement No. 33 and GASB Statement No. 65, as necessary.

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

**SCHEDULE OF PRIOR YEAR FINDING
JUNE 30, 2015**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2014-001	Financial Reporting – Revenue Recognition	Partially Implemented

CITY OF REDLANDS, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF REDLANDS, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balances	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 1990-2010 Fund	9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	10
Note to Required Supplementary Information	11
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the City of Redlands, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Redlands, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 through 11 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Measure I Funds of the City. The other information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
February 29, 2016

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 3,790,130	\$ 5,884,156
Receivables:		
Taxes	-	174,544
Total Assets	<u>\$ 3,790,130</u>	<u>\$ 6,058,700</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 2,335,556	\$ -
Accrued Wages Payable	12,208	-
Total Liabilities	<u>2,347,764</u>	<u>-</u>
Fund Balance:		
Restricted	<u>1,442,366</u>	<u>6,058,700</u>
Total Liabilities and Fund Balance	<u>\$ 3,790,130</u>	<u>\$ 6,058,700</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Measure I 1990-2010	Measure I 2010-2040
REVENUES		
Measure I Sales Tax	\$ -	\$ 1,113,124
Investment Income	24,870	47,060
Total Revenues	<u>24,870</u>	<u>1,160,184</u>
EXPENDITURES		
Capital:		
Construction	<u>4,933,493</u>	<u>-</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(4,908,623)</u>	<u>1,160,184</u>
OTHER FINANCING SOURCES (USES)		
Transfers In from the City of Redlands	<u>3,700,023</u>	<u>-</u>
Net Change in Fund Balance	(1,208,600)	1,160,184
Fund Balance Beginning of Year	<u>2,650,966</u>	<u>4,898,516</u>
Fund Balance End of Year	<u>\$ 1,442,366</u>	<u>\$ 6,058,700</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 1990-2010 and Measure I Fund 2010-2040 (Measure I Funds) of the City of Redlands, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 Funds of the City conform to accounting policies generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

NOTE 4 – TRANSFERS IN FROM THE CITY OF REDLANDS

Transfers In of \$3,700,023 represents moneys transferred in from the Gas Tax fund for expenses for Measure I projects approved in the City's five-year plan.

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. San Bernardino Associated Governments (SANBAG) member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Redlands accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

SANBAG, acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – MEASURE I FUNDS (CONTINUED)

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 30,000	\$ 30,000	\$ 24,870	\$ (5,130)
EXPENDITURES				
Capital:				
Construction	2,680,964	2,680,964	4,933,493	(2,252,529)
REVENUES OVER/(UNDER) EXPENDITURES	<u>(2,650,964)</u>	<u>(2,650,964)</u>	<u>(4,908,623)</u>	<u>(2,257,659)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from the City of Redlands	-	-	3,700,023	3,700,023
Net Change in Fund Balance	<u>(2,650,964)</u>	<u>(2,650,964)</u>	<u>(1,208,600)</u>	<u>1,442,364</u>
Fund Balance Beginning of Year	<u>2,650,966</u>	<u>2,650,966</u>	<u>2,650,966</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 1,442,366</u>	<u>\$ 1,442,364</u>

See accompanying note to required supplementary information.

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 975,000	\$ 1,020,500	\$ 1,113,124	\$ (92,624)
Investment Income	15,000	50,000	47,060	2,940
Total Revenues	<u>990,000</u>	<u>1,070,500</u>	<u>1,160,184</u>	<u>89,684</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,106,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(116,265)</u>	<u>1,070,500</u>	<u>1,160,184</u>	<u>89,684</u>
Fund Balance Beginning of Year	<u>4,898,516</u>	<u>4,898,516</u>	<u>4,898,516</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 4,782,251</u>	<u>\$ 5,969,016</u>	<u>\$ 6,058,700</u>	<u>\$ 89,684</u>

See accompanying note to required supplementary information.

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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. Actual expenditures exceeded budgeted amount in the Measure I 1990-2010 fund by \$2,252,529.

OTHER INFORMATION

**CITY OF REDLANDS, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 7456. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
City of Redlands - PARIS PROGRAM			
6TH ST	\$ 109,279	\$ 94,022	\$ 15,257
ALABAMA ST	374,815	-	374,815
ALTA LOMA DR	14,200	-	14,200
ALTA VISTA DR	101,200	-	101,200
ARROYO CREST	16,474	-	16,474
BARTON RD	414,163	-	414,163
BROOKSIDE AVE	91,900	-	91,900
CALIFORNIA ST	446,567	-	446,567
CENTER ST	196,500	-	196,500
CLARK ST	17,650	-	17,650
COLLEGE AVE	68,639	-	68,639
COLTON AVE	214,954	-	214,954
COUNTRY CLUB DR	8,733	-	8,733
CYPRESS AVE	250,630	531,090	(280,460)
DEARBORN ST	326,234	-	326,234
ELIZABETH ST	168,626	-	168,626
EUREKA ST	105,969	106,261	(292)
GARDEN ST	329,867	-	329,867
HIGHLAND AVE	232,697	-	232,697
LINCOLN ST	3,596	-	3,596
LUGONIA AVE	151,229	249,633	(98,404)
MARGARITA DR	7,850	-	7,850
MARIPOSA DR	9,100	-	9,100
ORANGE ST	88,700	-	88,700
PALM AVE	310,100	-	310,100
PARK AVE	7,863	-	7,863
PIONEER AVE	6,800	-	6,800
PROSPECT DR	4,450	-	4,450
SAN BERNARDINO AVE	149,475	-	149,475
SAN MATEO ST	206,666	125,439	81,227
SUNSET DR	658,050	-	658,050
TERRACINA BLVD	141,676	127,025	14,651
TEXAS ST	78,556	-	78,556
W MARIPOSA DR	36,100	-	36,100
WABASH AVE	69,063	-	69,063
	\$ 5,418,371	\$ 1,233,470	\$ 4,184,901

Total Expenditures as of June 30, 2015	\$ 4,933,493
Expenditures funded from local funds for Measure I Projects	<u>3,700,023</u>
Total Measure I funded expenditures	<u><u>\$ 1,233,470</u></u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Redlands, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated February 29, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
February 29, 2016

CITY OF RIALTO, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF RIALTO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Fund 1990-2010	9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Fund 2010-2040	10
Note to Required Supplementary Information	11
Other Information	
Program Status: Comparison of 5-Year Capital Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 Fund and the Measure I 2010-2040 Fund (Measure I Funds), of the City of Rialto, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Measure I Funds' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Rialto, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not affected by this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 through 11 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the financial statements. The other information on page 12 has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
March 8, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I Funds 1990-2010</u>	<u>Measure I Funds 2010-2040</u>
ASSETS		
Cash and Investments	\$ 334,875	\$ 3,750,852
Receivables:		
Taxes	-	252,452
Interest	314	3,181
Total Assets	<u>\$ 335,189</u>	<u>\$ 4,006,485</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 9,753	\$ 208,964
Accrued Payroll	-	446
Payroll Clearing	-	383
Retentions Payable	-	40,466
Total Liabilities	<u>9,753</u>	<u>250,259</u>
Fund Balance:		
Restricted	<u>325,436</u>	<u>3,756,226</u>
Total Liabilities and Fund Balance	<u>\$ 335,189</u>	<u>\$ 4,006,485</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RIALTO, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Measure I Funds 1990-2010	Measure I Funds 2010-2040
REVENUES		
Measure I Sales Tax	\$ -	\$ 1,614,738
Investment Income	3,868	27,364
Total Revenues	<u>3,868</u>	<u>1,642,102</u>
EXPENDITURES		
Current:		
General Government - Administration	18,323	13,797
Capital:		
Construction	198,891	2,305,490
Total Expenditures	<u>217,214</u>	<u>2,319,287</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(213,346)</u>	<u>(677,185)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	338,387
Transfers Out	(338,387)	-
Total Other Financing Sources (Uses)	<u>(338,387)</u>	<u>338,387</u>
Net Change in Fund Balance	(551,733)	(338,798)
Fund Balance Beginning of Year	<u>877,169</u>	<u>4,095,024</u>
Fund Balance End of Year	<u>\$ 325,436</u>	<u>\$ 3,756,226</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RIALTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Rialto, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 I Funds.

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 in separate general ledger accounts within its Measure I Special Revenue Funds.

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

Measurement Focus and Basis of Accounting

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

**CITY OF RIALTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLES

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

**CITY OF RIALTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Rialto accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

**CITY OF RIALTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS IN / OUT

Transfers between the 1990-2010 Measure I Fund and 2010-2040 Measure I Fund in the amount of \$338,387 represent project costs incurred in the 2010-2040 Measure I fund but funded by 1990-2010 Measure I Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I FUND 1990-2010
YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 9,400	\$ 9,400	\$ 3,868	\$ (5,532)
EXPENDITURES				
Current:				
General Government - Administration	-	-	18,323	(18,323)
Capital:				
Construction	539,027	539,027	198,891	340,136
Total Expenditures	539,027	539,027	217,214	321,813
REVENUES OVER/(UNDER) EXPENDITURES	(529,627)	(529,627)	(213,346)	316,281
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(338,387)	(338,387)
Net Change in Fund Balance	(529,627)	(529,627)	(551,733)	(22,106)
Fund Balance Beginning of Year	877,169	877,169	877,169	-
Fund Balance End of Year	\$ 347,542	\$ 347,542	\$ 325,436	\$ (22,106)

See accompanying note to required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I FUND 2010-2040
YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 1,480,000	\$ 1,480,000	\$ 1,614,738	\$ 134,738
Investment Income	36,300	36,300	27,364	(8,936)
Total Revenues	<u>1,516,300</u>	<u>1,516,300</u>	<u>1,642,102</u>	<u>125,802</u>
EXPENDITURES				
Current:				
General Government - Administration	-	30,000	13,797	16,203
Capital:				
Construction	1,250,000	6,255,429	2,305,490	3,949,940
Total Expenditures	<u>1,250,000</u>	<u>6,285,429</u>	<u>2,319,287</u>	<u>3,966,143</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>266,300</u>	<u>(4,769,129)</u>	<u>(677,185)</u>	<u>4,091,945</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	338,387	338,387
Net Change in Fund Balance	<u>266,300</u>	<u>(4,769,129)</u>	<u>(338,798)</u>	<u>4,430,332</u>
Fund Balance Beginning of Year	<u>4,095,024</u>	<u>4,095,024</u>	<u>4,095,024</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 4,361,324</u>	<u>\$ (674,105)</u>	<u>\$ 3,756,226</u>	<u>\$ 4,430,332</u>

See accompanying note to required supplementary information.

**CITY OF RIALTO, CALIFORNIA
MEASURE I FUNDS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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 the fund level.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5-YEAR CAPITAL PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 6775. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Pepper Ave Widening: Shamrock To Madrona	\$ 223,300	\$ 246,819	\$ (23,519)
Riverside Widening & Traffic Signal - Riverside/Linden	800,000	25,000	775,000
Rails To Trails Rec. Pathway	183,154	158,631	24,523
SR2S-Cycle 10 Cedar Improvements	78,700	20	78,680
In Roadway Warning Light Sys SRTS Grant	135,534	-	135,534
Pedestrian Countdown HSIP Grant	57,613	23,223	34,390
Ayala Widening	802,474	199,415	603,059
Cactus Widening So Foothill	383,519	343,108	40,411
Baseline Median	12,330	-	12,330
10 Vehicle Speed Feedback Signs	7,000	6,548	452
Randall Widening	884,035	290,175	593,860
San Bernardino- Larch/Alder (SBCO Joint)	7,700	7,719	(19)
Riverside San Bernardino Improvements	300,000	-	300,000
Eucalyptus Widening	108,975	20,065	88,910
Traffic Signal Upgrade Pepper/Baseline	328,963	204,253	124,710
Traffic Signal Upgrade Baseline/Acacia (HSIP Grant)	85,086	8,537	76,549
Upgrade Traffic Signal- Foothill & Cactus	178,100	180,587	(2,487)
Cascade Street Repair	421	421	-
Jurupa & Cactus SBCO Joint	554,075	-	554,075
Home Depot/Foothill TS & Median On Cedar	50,000	-	50,000
Street Overlay-Cedar-Merrill/Rialto	100,000	30,822	69,178
Street Overlay-Easton-Willow/Riverside	50,000	30,822	19,178
Street Overlay-Slover-Cactus/Riverside	350,000	30,822	319,178
Street Overlay-Rialto-Cedar/Willow	350,000	-	350,000
Street Overlay-Riverside-Locust/Linden, Foothill-Railroad	500,000	461,861	38,139
Citywide Minor Street Improvements & Street Studies	40,994	40,994	-
Slurry Seal	200,000	226,656	(26,656)
TOTALS	\$ 6,771,973	\$ 2,536,501	\$ 4,235,472

Total expenditures for Measure 1990-2010 Fund	\$ 217,214
Total expenditures for Measure 2010-2040 Fund	2,319,287
Total expenditures	<u>\$ 2,536,501</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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 Fund and the Measure I 2010-2040 Fund (Measure I Funds) of the City of Rialto, California (City), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated March 8, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition, our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including requirements of the Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
March 8, 2016

CITY OF TWENTYNINE PALMS, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF TWENTYNINE PALMS, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balances	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	8
Note to the Required Supplementary Information	9
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Twentynine Palms, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 8 through 9 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City. The other information on pages 10 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.


Rancho Cucamonga, California
December 23, 2015

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 733,207	\$ 810,085
Receivables:		
Taxes	-	64,275
Interest	480	489
Total Assets	<u>\$ 733,687</u>	<u>\$ 874,849</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	<u>\$ 3,293</u>	<u>\$ 292,468</u>
Fund Balance:		
Restricted	<u>730,394</u>	<u>582,381</u>
Total Liabilities and Fund Balance	<u>\$ 733,687</u>	<u>\$ 874,849</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Measure I 1990-2010	Measure I 2010-2040
REVENUES		
Measure I Sales Tax	\$ -	\$ 425,320
Interest Income	1,827	2,726
Total Revenues	<u>1,827</u>	<u>428,046</u>
 EXPENDITURES		
Capital:		
Construction	<u>36,331</u>	<u>1,129,611</u>
 Net Change in Fund Balance	<u>(34,504)</u>	<u>(701,565)</u>
 Fund Balance Beginning of Year	<u>764,898</u>	<u>1,283,946</u>
 Fund Balance End of Year	<u>\$ 730,394</u>	<u>\$ 582,381</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 1990-2010 and the Measure I Fund 2010-2040 (Measure I Funds) of the City of Twentynine Palms, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from San Bernardino County Transportation Authority after June 30, 2015.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Twentynine Palms accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected state and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 106,611	\$ 450,000	\$ 425,320	\$ (24,680)
Interest Income	489	1,500	2,726	1,226
Total Revenues	<u>107,100</u>	<u>451,500</u>	<u>428,046</u>	<u>(23,454)</u>
EXPENDITURES				
Capital:				
Construction	<u>295,862</u>	<u>1,443,000</u>	<u>1,129,611</u>	<u>313,389</u>
Net Change in Fund Balance	<u>(188,762)</u>	<u>(991,500)</u>	<u>(701,565)</u>	<u>289,935</u>
Fund Balance Beginning of Year	<u>1,283,946</u>	<u>1,283,946</u>	<u>1,283,946</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,095,184</u>	<u>\$ 292,446</u>	<u>\$ 582,381</u>	<u>\$ 289,935</u>

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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 City did not adopt a budget for the Measure I Fund 1990-2010 Special Revenue Fund.

OTHER INFORMATION

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 14-11. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Congestion Management Program Administration	\$ 3,000	\$ 413	\$ 2,587
National Park Drive Phase II	50,000	14,986	35,014
Highway 62 - Encelia to Ave To Mariposa Avenue	510,000	36,331	473,669
Luckie Ave	200,000	31,995	168,005
Hwy 62 at Tamarisk Ave	50,000	660	49,340
Daisy Ave, Sulluslope Dr to Gorgonio Dr	59,000	65,774	(6,774)
Chia Ave, Sunnyslope to Gorgonio	60,000	55,185	4,815
Baileya Ave, Sunnyslope to Gorgonio	59,000	60,576	(1,576)
Abonia Ave, Sunnyslope to Gorgonio	60,000	65,227	(5,227)
El Paseo Dr, Encelia Ave to Lupine Ave	37,000	38,944	(1,944)
Buena Vista Dr, Encelia Ave to Lupine Ave	39,000	39,006	(6)
Gorgonio, Encelia Ave to Lupine Ave	30,000	31,718	(1,718)
Monte Vista Dr, Hwy 62 to Gorgonio Dr	32,000	-	32,000
Gorgonio, Indian Cove Rd to Lear Ave	25,000	30,715	(5,715)
Didsbury Rd, Adobe Rd to End	41,000	-	41,000
Raymond Dr (W), Adobe Rd to 830 feet west	23,000	24,874	(1,874)
Raymond Dr (E), Adobe Rd to End	14,000	13,739	261
Homestead Dr, Adobe Rd to Aztec Ave	34,000	36,182	(2,182)
Sherman Hoyt Ave, Hwy 62 to Old Dale Rd	18,000	24,429	(6,429)
Wainwright Ave, Two Mile Rd to Joe Davis Rd	32,000	29,173	2,827
Joe Davis Rd, Utah Tr to End	53,000	62,532	(9,532)
Mesquite Ave, Gorgonio Dr to Hwy 62	29,000	34,089	(5,089)
Ivanpah Ave, Alta Loma Dr to Sullivan Rd	39,000	45,055	(6,055)
Indian Cove Rd, Hwy 62 to Gorgonio Dr	30,000	-	30,000
Marine Ave, Two Mile Rd to Joe Davis Dr	32,000	33,997	(1,997)
Marine Ave, Joe Davis Dr to End	32,000	34,134	(2,134)
Halsey Ave, Two Mile Rd to Joe Davis Dr	32,000	31,689	311
Tamerisk, Old Dale to Cedar	25,000	28,531	(3,531)
Sullivan Rd, Hillside Ave to Adobe Rd	124,000	-	124,000
Valle Vista, Adobe to Condor	25,000	-	25,000
Valle Vista, Utah Trail to Bagdad Hwy	22,000	-	22,000
Indian Trail, Mesquite Springs Rd to Adobe Rd	44,000	-	44,000
Bagdad Hwy, Valle Vista to Mesa Dr	44,000	-	44,000
Sullivan Rd, Hatch to Adobe	58,000	-	58,000
Cholla Ave, Valle Vista to End	33,000	-	33,000
Amboy Rd, Bullion Mt Rd to Bagdad Hwy	47,000	-	47,000
El Paseo, Lupine Ave to Larrea	31,000	-	31,000
Bullion Mt Rd, Valle Vista to Mesa Dr	22,000	-	22,000
Sunnyslope, Lupine Ave to La Buena Tierra	32,000	-	32,000
Raymond Dr, Mesquite Springs Rd to Adobe Rd	42,000	-	42,000
Mariposa Ave, Sunnyslope to Hwy 62	27,000	-	27,000
Baseline, Utah Trail to Wilshire Ave	40,000	-	40,000
Palo Verde Ave, Desert Dunes Dr to Two Mile	28,000	-	28,000
Bagdad Hwy, Mesa Dr to Amboy Rd	44,000	-	44,000
Adobe Circle, Two Mile to End	23,000	-	23,000
Split Rock Ave, El Paseo to Hwy 62	35,000	-	35,000

(continued)

**CITY OF TWENTYNINE PALMS, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Monte Vista Dr, Hwy 62 to Sullivan Rd	\$ 27,000	\$ -	\$ 27,000
Joshua Dr, Adobe Rd to Desert Knoll	34,000	-	34,000
La Buena Tierra, Two Mile to Larrea	20,000	-	20,000
Old Dale Rd, Hillside Ave to Adobe Rd	23,000	-	23,000
Gorgonio, Encelia Ave to Morongo Rd	20,000	-	20,000
Old Dale Rd, Mission Ave to Mesquite Springs Rd	18,000	-	18,000
Sun Valley, Morongo Rd to La Buena Tierra	22,000	-	22,000
Baileya Ave, Samarkand to Two Mile	26,000	-	26,000
Ocotillo Ave, Gorgonio to Sunnyslope	26,000	-	26,000
Smoke Tree Ave, Buena Vista to Joshua	13,000	-	13,000
Sahara Ave, Baseline to Morning Dr	29,000	-	29,000
Saladin Ave, Baseline to Morning Dr	29,000	-	29,000
Morongo Rd, Sunnyslope to Joshua Dr	26,000	-	26,000
Lazy Joe, Siesta Dr to Two Mile	10,000	-	10,000
Sunnyslope, Encelia Ave to Lupine Ave	13,000	-	13,000
Homestead Dr, Mesquite Springs Rd to Lazy Joe	12,000	-	12,000
Desert Trail Dr, Datura Ave to Mesquite	13,000	-	13,000
Datura Ave, Juanita Dr to Sullivan Rd	17,000	-	17,000
Wilshire Ave, Hwy 62 to Baseline	46,000	-	46,000
Mojave Rd, Hwy 62 to End	39,000	-	39,000
Copper Mt Rd, Old Dale to End	131,000	-	131,000
Gorgonio Dr, Adobe Rd to Desert Knoll	42,000	-	42,000
Mojave Ave, Sunnyslope to Verbena Dr	104,000	-	104,000
Siesta Dr, Adobe Rd to Aztec Ave	12,000	-	12,000
Sherman Rd, Hwy 62 to End	27,000	-	27,000
Mission Ave, Sullivan Rd to Foothill	11,000	-	11,000
Luckie Ave, Two Mile to Joe Davis	31,000	-	31,000
Aztec Ave, Desert Knoll to Two Mile	61,000	-	61,000
Microsurfacing	225,000	295,988	(70,988)
	<u>\$ 3,476,000</u>	<u>\$ 1,165,942</u>	<u>\$ 2,310,058</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated December 23, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 23, 2015

CITY OF UPLAND, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF UPLAND, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund, of the City of Upland, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund and do not purport to, and do not, present fairly the financial position of the City of Upland, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, 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 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 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.



Rancho Cucamonga, California
February 2, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>2015</u>
ASSETS	
Cash and Investments	\$ 1,831,010
Receivables:	
Taxes	188,572
Due from other governments	<u>820,895</u>
Total Assets	<u><u>\$ 2,840,477</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 6,009
Accrued Salaries and Benefits	<u>842</u>
Total Liabilities	<u>6,851</u>
 Fund Balance:	
Restricted	<u>2,833,626</u>
 Total Liabilities and Fund Balance	<u><u>\$ 2,840,477</u></u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
REVENUES	
Measure I Sales Tax	\$ 1,197,866
Investment Income	5,971
Other Revenue	821,630
Total Revenues	<u>2,025,467</u>
EXPENDITURES	
Capital:	
Construction	<u>636,930</u>
Net Change in Fund Balance	<u>1,388,537</u>
Fund Balance Beginning of Year	<u>1,445,089</u>
Fund Balance End of Year	<u><u>\$ 2,833,626</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I Fund of the City of Upland, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 in separate general ledger accounts within its Measure I Capital Infrastructure Special Revenue Fund.

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, 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.

NOTE 3 – TAXES RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

Prior expenditures related to the Foothill Boulevard Widening Project total over \$3.5 million and are part of the Measure I projects eligible for reimbursement. Due from other governments represent project costs that have been approved for disbursement by SANBAG, and recorded as part of other revenue through June 30, 2015. As of June 30, 2015, the balance of due from other governments was \$820,895.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUND, (CONTINUED)

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 1,000,000	\$ 1,000,000	\$ 1,197,866	\$ 197,866
Investment Income	1,000	1,000	5,971	4,971
Other Revenue	-	-	821,630	821,630
Total Revenues	<u>1,001,000</u>	<u>1,001,000</u>	<u>2,025,467</u>	<u>1,024,467</u>
EXPENDITURES				
Capital:				
Construction	<u>2,135,263</u>	<u>2,135,263</u>	<u>636,930</u>	<u>1,498,333</u>
Net Change in Fund Balance	<u>(1,134,263)</u>	<u>(1,134,263)</u>	<u>1,388,537</u>	<u>2,522,800</u>
Fund Balance Beginning of Year	<u>1,445,089</u>	<u>1,445,089</u>	<u>1,445,089</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 310,826</u>	<u>\$ 310,826</u>	<u>\$ 2,833,626</u>	<u>\$ 2,522,800</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 6241. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
17th St. Reconstruction (Mountain Ave. to San Antonio Ave.)	\$ 15,263	\$ 768	\$ 14,495
Citywide Pavement Maintenance 2013/2014	185,000	21,005	163,995
Mountain Avenue Rehabilitation (16th Street to 19th Street)	850,000	592,792	257,208
Annual Traffic Census 2014/2015	10,000	-	10,000
Citywide Pavement Maintenance 2014/2015	185,000	276	184,724
Mountain Avenue Rehabilitation (Foothill Blvd. to 14th Street)	400,000	21,388	378,612
14th Street Rehabilitation (Euclid Avenue to Campus Ave.)	490,000	701	489,299
Totals	\$2,135,263	\$ 636,930	\$ 1,498,333



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 Upland, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
February 2, 2016

CITY OF VICTORVILLE, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF VICTORVILLE, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 1990-2010 Fund	9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	10
Note to the Required Supplementary Information	11
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13
Schedule of Prior Year Findings	15



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Victorville, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Victorville, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 through 11 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City. The other information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
February 2, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 881,837	\$ 5,086,842
Receivables:		
Taxes	-	694,960
Other	-	24,505
Total Assets	<u>\$ 881,837</u>	<u>\$ 5,806,307</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 317,291	\$ 57,306
Retentions Payable	18,016	-
Total Liabilities	<u>335,307</u>	<u>57,306</u>
Fund Balance:		
Restricted	<u>546,530</u>	<u>5,749,001</u>
Total Liabilities and Fund Balance	<u>\$ 881,837</u>	<u>\$ 5,806,307</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Measure I 1990-2010	Measure I 2010-2040
REVENUES		
Measure I Sales Tax	\$ -	\$ 4,637,254
Reimbursements	-	40,321
Interest Income	2,499	13,531
Other Income	63,217	-
Total Revenues	<u>65,716</u>	<u>4,691,106</u>
EXPENDITURES		
Capital:		
Construction	555,090	1,635,318
Intergovernmental:		
Contribution to SANBAG	-	2,872,050
Total Expenditures	<u>555,090</u>	<u>4,507,368</u>
Net Change in Fund Balance	<u>(489,374)</u>	<u>183,738</u>
Fund Balance Beginning of Year	<u>1,035,904</u>	<u>5,565,263</u>
Fund Balance End of Year	<u>\$ 546,530</u>	<u>\$ 5,749,001</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Victorville, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority to impose a half cent retail transaction 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Victorville accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – AGREEMENTS

The City has entered into an agreement with the San Bernardino County Transportation Authority (Authority) for the construction of an interchange at La Mesa/Nisqualli road in the City of Victorville. The cooperative agreement is dated May 4, 2011. The agreement notes that the project is identified in both the Measure I 2010-2040 Expenditure Plan and the SANBAG Nexus Study and that the project will be carried out in accordance with the policies of the Measure I 2010-2040 Strategic Plan. The agreement details specific responsibilities for both the City and the Authority. On January 13, 2014, the agreement was amended to state that the projected construction work to be \$43,152,349 and that the City is responsible for a 50% share of the total eligible project construction work in an amount not to exceed \$21,894,325. The agreement also specifies that in the event that the City is unable to deposit funds into an escrow account (per the terms of the agreement) that the Authority is authorized to withhold from the City the disbursement of any current or future allocations of Measure I Local Streets funds and to apply such funds to the City’s 50% share.

In accordance with the agreement the Authority has withheld the Measure I allocations to the City which pertain the 2014-2015 fiscal year totaling \$2,872,050.

NOTE 6 – REIMBURSEMENTS

The City received the following reimbursements:

Reimbursements	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
Adelanto Elementary School District	\$ -	\$ 16,645
Reimbursements from other government agencies	-	23,676
Total Revenues	<u>\$ -</u>	<u>\$ 40,321</u>

The City received \$75,000 from the Adelanto Elementary School District for the Mojave Drive/Cobalt Road Traffic Signal Project as approved in the 5-Year Plan. The City incurred expenditures of \$16,645 related to the project in fiscal year 2014-2015. The remaining \$58,355 was recorded in fiscal year 2013-2014.

\$23,676 of the remaining reimbursements revenue relates 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 7 – ALLOCATED COSTS

In accordance with the City’s cost allocation plan, \$251,096 of allocated costs have been charged to the Measure I 2010-2040 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 FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest Income	\$ -	\$ -	\$ 2,499	\$ 2,499
Other Income	-	-	63,217	63,217
Total Revenues	<u>-</u>	<u>-</u>	<u>65,716</u>	<u>65,716</u>
EXPENDITURES				
Capital:				
Construction	-	-	555,090	(555,090)
Net Change in Fund Balance	-	-	(489,374)	(489,374)
Fund Balance Beginning of Year	<u>1,035,904</u>	<u>1,035,904</u>	<u>1,035,904</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,035,904</u>	<u>\$ 1,035,904</u>	<u>\$ 546,530</u>	<u>\$ (489,374)</u>

See accompanying note to required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ -	\$ 1,900,000	\$ 4,637,254	\$ 2,737,254
Reimbursements	-	-	40,321	40,321
Interest Income	-	-	13,531	13,531
Total Revenues	-	1,900,000	4,691,106	2,791,106
EXPENDITURES				
Capital:				
Construction	2,856,685	3,507,217	1,635,318	1,871,899
Intergovernmental:				
Contribution to SANBAG	-	-	2,872,050	(2,872,050)
Total Expenditures	2,856,685	3,507,217	4,507,368	(1,000,151)
REVENUES OVER/(UNDER) EXPENDITURES	(2,856,685)	(1,607,217)	183,738	1,790,955
Fund Balance Beginning of Year	5,565,263	5,565,263	5,565,263	-
Fund Balance End of Year	\$ 2,708,578	\$ 3,958,046	\$ 5,749,001	\$ 1,790,955

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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 City had excess budget appropriations of Measure I 2010-2040 fund in the amount of \$2,872,050 in fiscal year 2014-2015 due to the City not budgeting the contribution of Measure I funds to SANBAG.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 14-068. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Amethyst Rd at Hook Blvd - construct traffic signal	\$ 48,000	\$ 16,035	\$ 31,965
Bear Valley Rd - Bridge Widening at BNSF Railroad, Environmental & Design	66,000	21,598	83,248
Bear Valley Rd - Dunia Rd to Amethyst Rd, pavement rehabilitation	664,000	484,494	179,506
El Evado Rd - Hook Blvd to Mojave Dr. add shoulders	31,200	910	30,290
Green Tree Blvd, Hesperia Rd to Ridgecrest Rd/Yates Rd - match for environmental	30,000	69	54,301
Innovation Way, Phantom West to George Blvd - 2 lane road, matching	3,000	-	3,000
La Mesa Rd - New traffic signals at Del Gado Rd, El Evado Rd & Pacoima Rd & Interconnect	16,000	2,302	13,698
La Mesa/Nisqualli/I-15 Interchange -construction, right of way, design	4,281,965	2,384,017	1,897,948
Mojave Dr at Cobalt Rd - construct traffic signal	130,000	312,104	(182,104)
Mojave Dr at East Trail - construct traffic signal	43,300	2,302	40,998
National Trails Hwy, Bridge over Mojave River - analysis & funding application	30,000	2,385	27,615
Nisqualli Rd at 1st Ave - construct traffic signal	51,700	3,463	48,237
Citywide, pavement rehabilitation	190,000	180,629	9,371
Traffic signal maintenance	132,161	249,892	(117,731)
Traffic Engineering	497,648	327,516	170,132
Traffic Control	931,430	821,202	122,979
Measure I Projects cost allocation	10,000	32,501	(22,501)
Traffic Signal LED replacements	130,000	62,791	67,209
Various traffic controls	20,000	5,060	14,940
F-450 cab & chasis replacement	10,000	-	10,000
Traffic signal maintenance high lift truck	170,000	142,811	27,189
2 pavement grinders for striping removal	11,000	10,378	622
Totals	\$ 7,497,404	\$ 5,062,458	\$ 2,434,946

Measure I Funds 1990-2010	\$ 555,090
Measure I Funds 2010-2040	4,507,368
Total expenditures for year ending June 30, 2015	<u>\$ 5,062,458</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Victorville, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated February 2, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and SANBAG, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
February 2, 2016

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

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2014-001	Financial Reporting – Revenue Recognition	Implemented
2014-002	Financial Reporting	Implemented

CITY OF YUCAIPA, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

CITY OF YUCAIPA, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the City of Yucaipa, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Yucaipa, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Measure I Funds of the City. The other information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.


Rancho Cucamonga, California
December 22, 2015

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 524,530	\$ 288,258
Interest Receivable	112	252
Taxes Receivable	-	130,474
Total Assets	<u>\$ 524,642</u>	<u>\$ 418,984</u>
 FUND BALANCE		
Fund Balance:		
Restricted	<u>\$ 524,642</u>	<u>\$ 418,984</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
REVENUES		
Measure I Sales Tax	\$ -	\$ 837,666
Interest	3,070	4,489
Total Revenues	<u>3,070</u>	<u>842,155</u>
 OTHER FINANCING SOURCES (USES)		
Transfers to the City of Yucaipa	<u>-</u>	<u>(854,696)</u>
 Net Change in Fund Balance	3,070	(12,541)
 Fund Balance Beginning of Year	<u>521,572</u>	<u>431,525</u>
 Fund Balance End of Year	<u><u>\$ 524,642</u></u>	<u><u>\$ 418,984</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the City of Yucaipa, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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 3 for a detailed description of the Measure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

Governmental Fund Financial Statements

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 Funds.

Special Revenue Funds are used to account for the proceeds of revenue sources that are restricted and committed, to expenditure for specified purposes.

Measurement Focus and Basis of Accounting

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

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

NOTE 3 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – MEASURE I FUNDS, (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half-cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half-cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Yucaipa accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – TAXES RECEIVABLE

The taxes receivables represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

NOTE 5 – TRANSFERS TO THE CITY OF YUCAIPA

Transfers to the City of Yucaipa of \$854,696 represents the Measure I costs incurred and reported in the City's Capital Improvement Fund to supplement costs incurred for Street Improvement activities as approved in the City's five year plan.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 700,000	\$ 700,000	\$ 837,666	\$ 137,666
Interest	100	100	4,489	4,389
Total Revenues	<u>700,100</u>	<u>700,100</u>	<u>842,155</u>	<u>142,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers to the City of Yucaipa	<u>(700,000)</u>	<u>(700,000)</u>	<u>(854,696)</u>	<u>(154,696)</u>
Net Change in Fund Balance	<u>100</u>	<u>100</u>	<u>(12,541)</u>	<u>(12,641)</u>
Fund Balance Beginning of Year	<u>431,525</u>	<u>431,525</u>	<u>431,525</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 431,625</u>	<u>\$ 431,625</u>	<u>\$ 418,984</u>	<u>\$ (12,641)</u>

See accompanying note to required supplementary information.

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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 City did not adopt a separate budget for the 1990-2010 Fund.

Transfers out of the Measure I 2010-2040 Funds exceeded appropriations in the amount of \$154,696.

OTHER INFORMATION

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2014-41. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
13th Street - Yucaipa Blvd to Avenue D	\$ 63,200	\$ 51,347	\$ 11,853
1st Street - Dewey Ave to Gail Ave	9,200	12,999	(3,799)
6th Street - Nebraska Ln to Wildwood Canyon Road	4,500	-	4,500
Adams Street - Beech Ave to Yucaipa Blvd	27,300	14,624	12,676
Alta Vista Drive- City Limits to Outer Hwy 10	15,800	18,199	(2,399)
Ashland Way - NE End to Fairway Dr	12,800	12,671	129
Avenue D - Douglas Street to Fremont Street	800	-	800
Avenue E - 6th Street to 7th Street	16,500	-	16,500
Avenue E - Bryant Street to Nicoya Ct	46,200	-	46,200
Avenue H - San Lucas Dr to Custer Street	17,000	13,758	3,242
Azurite Street - Quartz St to Crystal St	32,200	35,965	(3,765)
Bayhill Cir - SW End to Bayhill Rd	900	3,620	(2,720)
Bayhill Rd - Southwind Way to Bayhill Cir	8,300	8,305	(5)
Bella Vista Dr - Grant Street to Holmes Street	11,400	-	11,400
Bradcliff Dr - East End to Ashland Way	4,400	4,323	77
Branson Way - Greenbluff Way to Stovall Way	1,800	1,810	(10)
Bryant Street - Date Avenue to Acacia Avenue	42,100	-	42,100
California Street - Avenue B to Avenue C	26,000	23,615	2,385
Calimesa Blvd - Avenue H to Avenue I	54,300	48,314	5,986
Calimesa Blvd - Oak Glen Road to Wildwood Canyon Road	48,300	-	48,300
Carter Street - Bryant Street to Fremont Street	148,300	108,328	39,972
Casa Vista Dr - Ramona Street to Estacia Ln	12,100	10,724	1,376
Chapman Heights Road - Chapman Heights Road to Oak Glen Road	1,200	1,150	50
Clarion Ct - North End to Ashland Way	1,600	1,597	3
Crestwood Dr - Linwood Ter to Hampton Road	21,000	23,399	(2,399)
Dewey Ave - 2nd Street to 1st Street	23,600	20,041	3,559
Eagle Point Dr - Greenbluff Way to Southwind Way	10,100	10,009	91
Fairway Dr - Ashland Way to Callaway Way	5,200	5,196	4
Fir Ave - Applewood Ln to Sunrise	5,900	-	5,900
Fremont Street - Carter Street to Sleepy Hollow Road	17,100	-	17,100
Fremont Street - Hollybrook Ln to Holly Ave	3,300	-	3,300
Gail Avenue - 2nd St to East End	43,400	48,314	(4,914)
Grant Street - Damascus Street to Avenue H	6,800	-	6,800
Greenbluff Way - North End to Eagle Point Drive	11,200	11,095	105
Holly Ave - Grape Ave to Palermo Ct	18,700	-	18,700
Holmes Street - Bella Vista Drive to Willow Crest Drive	10,200	-	10,200
Holmes Street - Leah Ln to County Line Road	17,900	-	17,900
Juniper Ave - Bryant to Cove Ln	35,300	38,240	(2,940)
Juniper Ave - Country Ln to Bryant Street	4,800	5,308	(508)
Juniper Ave - Ivy Street to Juniper Ave (S. of Walnut Tree Lane)	190,500	116,561	73,939
Lennox St - Birchwood St to Fir Ave	34,500	30,657	3,843
Mcconnel Court - North End to Newbury Street	2,600	2,555	45
Mountain View Street - Douglas Street to Lantana Ave	30,500	27,082	3,418
Newbury Street - Ashland Way to 10th Street	6,400	6,516	(116)

(Continued)

**CITY OF YUCAIPA, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Oak Crest Dr - NE End to Oak Glen Road	\$ 39,500	\$ -	\$ 39,500
Oak Glen Road - Yucaipa Blvd to Chapman Heights Road	33,700	30,239	3,461
Pactfield Place - NE End to Newbury Street	4,000	4,046	(46)
Quartz Street - Diamond St to Yucaipa Ridge Road	19,800	-	19,800
Ramona Street - Katona Ct to Casa Vista Dr	17,800	19,824	(2,024)
Rebecca Road - Holmes Street to Sarah Street	10,500	-	10,500
Ridgewood Dr - Linwood Ter to Hampton Road	16,200	3,620	12,580
Ross Lane - Bryant Street to San Lucas Dr	7,300	-	7,300
Serape Dr - Serape Ct to Mesa Grand Dr	4,000	-	4,000
Serape Dr - SW End to Escena Dr	4,500	-	4,500
Southwind Way - Fairway Dr to 10th Street	16,400	16,397	3
Stovall Way - Branson Way to Eagle Point Dr	6,000	5,963	37
Wildwood Canyon Road - Canyon Dr to Soap Root Trail	2,800	1,129	1,671
Wildwood Canyon Road - Ironwood Trl to Oak Grove Road	18,900	-	18,900
Wildwood Canyon Road - Oak Grove Rd to Oak Mesa Dr	7,000	7,027	(27)
Wildwood Canyon Road - Sycamore Lane to Wildwood Canyon Roa	42,100	-	42,100
Wildwood Canyon Road - Wildapple Lane to Scenic Crest Drive	31,500	14,055	17,445
Yucaipa Blvd - 10th Street to 12th Street (slurry)	25,700	-	25,700
Yucaipa Blvd - 12th Street to 10th Street (Microsurface)	25,200	-	25,200
Yucaipa Blvd - 5th Street to 3rd Street	54,900	-	54,900
Yucaipa Blvd. - I-10 Onramp to Avenue E	38,600	36,074	2,526
Totals	<u>\$ 1,531,600</u>	<u>\$ 854,696</u>	<u>\$ 676,904</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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the City of Yucaipa, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition, our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 22, 2015

TOWN OF YUCCA VALLEY, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

TOWN OF YUCCA VALLEY, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 1990-2010 Fund	10
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	11
Note to Required Supplementary Information	12
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	13
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the Town as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the Town of Yucca Valley, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 through 12 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Measure I Funds of the Town. The other information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Town's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
December 21, 2015

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 645,320	\$ 903,720
Receivables:		
Taxes	-	108,574
Total Assets	<u>\$ 645,320</u>	<u>\$ 1,012,294</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	<u>\$ -</u>	<u>\$ 35,178</u>
Fund Balance:		
Restricted	<u>645,320</u>	<u>977,116</u>
Total Liabilities and Fund Balance	<u>\$ 645,320</u>	<u>\$ 1,012,294</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
REVENUES		
Measure I Sales Tax	\$ -	\$ 730,571
Intergovernmental	-	139,500
Interest	1,444	1,061
Total Revenues	<u>1,444</u>	<u>871,132</u>
EXPENDITURES		
Capital:		
Construction and Engineering	<u>11,112</u>	<u>615,636</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(9,668)</u>	<u>255,496</u>
OTHER FINANCING SOURCES (USES)		
Transfers in from the Town of Yucca Valley	500	137,400
Transfers out to the Town of Yucca Valley	<u>(511,860)</u>	<u>(139,500)</u>
Total Other Financing Sources (Uses)	<u>(511,360)</u>	<u>(2,100)</u>
Net Change in Fund Balance	<u>(521,028)</u>	<u>253,396</u>
Fund Balance Beginning of Year	<u>1,166,348</u>	<u>723,720</u>
Fund Balance End of Year	<u><u>\$ 645,320</u></u>	<u><u>\$ 977,116</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 1990-2010 Fund and the Measure I Fund 2010-2040 Fund (Measure I Funds) of the Town of Yucca Valley, California (Town) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the Town and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. *Basis of Accounting*

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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.

D. Cash and Investments

Cash and investments are pooled by the Town to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Measure I Funds, are those of the Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from San Bernardino County Transportation Authority after June 30, 2015.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The Town of Yucca Valley accounted for these funding sources in separate Funds which are referred to as Measure I Fund 1990-2010 and Measure I Fund 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG 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 Fund 2010-2040 contains the following programs:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS IN FROM THE TOWN OF YUCCA VALLEY

The transfer in of \$500 in the Measure I Fund 1990-2010 and \$137,400 in the Measure I Fund 2010-2040, respectively, represents Highway Safety Improvement funding for signal and improvement projects reported by the Town in fiscal year 2014-2015.

NOTE 6 – TRANSFERS OUT TO THE TOWN OF YUCCA VALLEY

Transfers out of \$511,860 and \$139,500 in the Measure I Fund 1990-2010 and Measure I 2010-2040 Fund, respectively, represents the Measure I costs incurred and reported by the Town's Public Land Federal Grant and TCRP Fund, Transportation Congestion Relief Plan Fund to supplement costs incurred for Street Improvement activities as approved in the Town's five year plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 300	\$ 300	\$ 1,444	\$ 1,144
EXPENDITURES				
Capital:				
Construction and Engineering	30,000	30,000	11,112	18,888
REVENUES OVER/(UNDER) EXPENDITURES	<u>(29,700)</u>	<u>(29,700)</u>	<u>(9,668)</u>	<u>20,032</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from the Town of Yucca Valley	-	-	500	500
Transfers out to the Town of Yucca Valley	-	(997,299)	(511,860)	485,439
Total Other Financing Sources (Uses)	<u>-</u>	<u>(997,299)</u>	<u>(511,360)</u>	<u>485,939</u>
Net Change in fund balance	<u>(29,700)</u>	<u>(1,026,999)</u>	<u>(521,028)</u>	<u>505,971</u>
Fund Balance Beginning of Year	<u>1,166,348</u>	<u>1,166,348</u>	<u>1,166,348</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,136,648</u>	<u>\$ 139,349</u>	<u>\$ 645,320</u>	<u>\$ 505,971</u>

See accompanying note to required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 675,000	\$ 675,000	\$ 730,571	\$ 55,571
Intergovernmental	-	139,500	139,500	-
Interest	400	400	1,061	661
Total Revenues	<u>675,400</u>	<u>814,900</u>	<u>871,132</u>	<u>56,232</u>
EXPENDITURES				
Capital:				
Construction and Engineering	<u>621,000</u>	<u>1,028,236</u>	<u>615,636</u>	<u>412,600</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>54,400</u>	<u>(213,336)</u>	<u>255,496</u>	<u>468,832</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from the Town of Yucca Valley	225,000	137,400	137,400	-
Transfers out to the Town of Yucca Valley	-	(139,500)	(139,500)	-
Total Other Financing Sources (Uses)	<u>225,000</u>	<u>(2,100)</u>	<u>(2,100)</u>	<u>-</u>
Net Change in Fund Balance	<u>279,400</u>	<u>(215,436)</u>	<u>253,396</u>	<u>468,832</u>
Fund Balance Beginning of Year	<u>723,720</u>	<u>723,720</u>	<u>723,720</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,003,120</u>	<u>\$ 508,284</u>	<u>\$ 977,116</u>	<u>\$ 468,832</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 14-20. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget FY14/15	Current Fiscal Year Expenditures	Unexpended Budget
SANBAG - STP	\$ 5,000	\$ -	\$ 5,000
Traffic Surveys & Warrant Studies	10,000	256	9,744
Annual Traffic Census	6,000	10,856	(4,856)
SHOPP - Minor A/Caltrans	5,000	-	5,000
Congestion Management Plan (CMP)	3,500	413	3,087
Utilities	50,000	51,351	(1,351)
Hidden Gold: Amador Ave/W. End	14,152	14,152	-
Joshua Lane: Joshua Drive - San Marino Dr	367,907	401,441	(33,534)
Joshua Drive: Church St. - Joshua Lane	112,724	112,724	-
Signal Maintenance Contract	8,750	4,535	4,215
SR62: Apache/Palm (SLPP Match)	613,120	596,859	16,261
SR62: LaHonda/Dumosa*	687,600	85,521	602,079
	<u>\$ 1,883,753</u>	<u>\$ 1,278,108</u>	<u>\$ 605,645</u>
Total Measure I 1990-2010 Expenditures and transfers out		\$ 522,972	
Total Measure I 2010-2040 Expenditures and transfers out		<u>755,136</u>	
Total Expenditures at June 30, 2015		<u>\$ 1,278,108</u>	

* Project was included in the Fiscal Year 2013-14 Five Year Capital Improvement Plan



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and Measure I 2010-2040 Funds (Measure I Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2015 and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2015. In addition our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

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 (internal control) to determine the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the Town are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the Town and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Measure I as specified in the agreement between the Town and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

COUNTY OF SAN BERNARDINO, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2015

COUNTY OF SAN BERNARDINO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 1990-2010 Fund	10
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I 2010-2040 Fund	11
Note to Required Supplementary Information	12
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	13
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the County of San Bernardino, California (County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the County of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the County of San Bernardino, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 10 through 12 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the County's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration of the County's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Measure I Funds' internal control over financial reporting and compliance.



Rancho Cucamonga, California
March 7, 2016

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

**BALANCE SHEET
JUNE 30, 2015**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 2,413,937	\$ 21,276,031
Receivables:		
Taxes	-	1,142,464
Due from Other Governments		922,408
Due from Other County Funds	<u>175,000</u>	<u>33,638</u>
Total Assets	<u>\$ 2,588,937</u>	<u>\$ 23,374,541</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to Other County Funds	\$ 1,966	\$ 2,878,300
Due to Other Governments	<u>122,586</u>	<u>-</u>
Total Liabilities	<u>124,552</u>	<u>2,878,300</u>
Fund Balance:		
Restricted	<u>2,464,385</u>	<u>20,496,241</u>
Total Liabilities and Fund Balance	<u>\$ 2,588,937</u>	<u>\$ 23,374,541</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Measure I 1990-2010	Measure I 2010-2040
REVENUES		
Measure I Sales Tax	\$ -	\$ 5,986,421
Interest, net of Unrealized Gain/(Losses)	9,608	89,279
Other Revenue	-	209,770
Total Revenues	<u>9,608</u>	<u>6,285,470</u>
EXPENDITURES		
Capital:		
Construction, Maintenance & Engineering	<u>129,160</u>	<u>7,588,920</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(119,552)</u>	<u>(1,303,450)</u>
OTHER FINANCING SOURCES (USES)		
Transfer in from Other County Funds	175,000	-
Transfers In	-	514,853
Transfers Out	<u>(514,853)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(339,853)</u>	<u>514,853</u>
Net Changes in Fund Balances	(459,405)	(788,597)
Fund Balance Beginning of Year	<u>2,923,790</u>	<u>21,284,838</u>
Fund Balance End of Year	<u>\$ 2,464,385</u>	<u>\$ 20,496,241</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the County of San Bernardino, California (County) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the County and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

The Special Revenue Funds of the County are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Fund Balances

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

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

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

D. Cash and Investments

Cash and investments are pooled by the County to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Funds, are those of the County and are disclosed in the County's basic financial statements. The County's basic financial statements can be obtained at the Auditor Controller's office or website.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2015.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The County of San Bernardino accounted for the funding sources in separate Funds which are referred to a Measure I 1990-2010 and Measure I 2010-2040 Funds in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG 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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – DUE TO/FROM OTHER COUNTY FUNDS

Several of the County’s transportation related projects have multiple funding sources, such as Prop 1B, TDA allocations and Department of Transportation (DOT) grants. These various funding sources are tracked in separate funds within the County and then transferred into the fund(s) where the project(s) are taking place, resulting in monies due to/from other funds within the County as projects progress.

NOTE 6 – DUE TO OTHER GOVERNMENTS

The County has entered into a cooperative agreement with the SANBAG for work on the Lenwood Road Project.

NOTE 7 – OTHER REVENUE

Several of the County’s Measure I projects have multiple funding sources, such as Prop 1B, TDA allocations and Department of Transportation (DOT) grants. When these various funding sources are received to aid in a Measure I project, the receipts are recorded as other revenues within the Measure I fund where the projects are taking place. This segregates the Measure I sales tax revenues from the other revenue sources utilized in the funding of the projects.

NOTE 8 – INTEREST INCOME

The County allocates interest to funds on a quarterly basis. The allocation is based on the funds’ average daily cash balance in the pool. At year-end the County records an adjustment for fair value measurement; this adjustment is recorded in the interest income account in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The GASB 31 adjustment is allocated based on the funds’ portion of interest earned in the year as a percentage of the total interest earned in the pool.

NOTE 9 – TRANSFERS

Transfers out of Measure I 1990-2010 and into the Measure I 2010-2040 in the amount of \$514,853 represent unspent program amounts of sub-funds after project completion.

NOTE 10 – TRANSFERS FROM THE COUNTY

Transfers from the County in the amount of \$175,000 represents funding from other County funds for Measure I related projects.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest, net of Unrealized Losses	\$ 6,168	\$ 6,168	\$ 9,608	\$ 3,440
EXPENDITURES				
Capital:				
Construction, Maintenance & Engineering	2,292,492	2,292,492	129,160	2,163,332
REVENUES OVER/(UNDER) EXPENDITURES	<u>(2,286,324)</u>	<u>(2,286,324)</u>	<u>(119,552)</u>	<u>2,166,772</u>
OTHER FINANCING SOURCES (USES)				
Transfer in from the County of San Bernardino	-	-	175,000	175,000
Transfers Out	(407,951)	(407,951)	(514,853)	(106,902)
Net Changes in Fund Balance	(2,694,275)	(2,694,275)	(459,405)	2,234,870
Fund Balance Beginning of Year	2,923,790	2,923,790	2,923,790	-
Fund Balance End of Year	<u>\$ 229,515</u>	<u>\$ 229,515</u>	<u>\$ 2,464,385</u>	<u>\$ 2,234,870</u>

See accompanying note to required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 7,003,123	\$ 7,003,123	\$ 5,986,421	\$ (1,016,702)
Interest, net of Unrealized Losses	62,996	62,996	89,279	26,283
Other Revenue	-	-	209,770	209,770
Total Revenues	<u>7,066,119</u>	<u>7,066,119</u>	<u>6,285,470</u>	<u>(780,649)</u>
EXPENDITURES				
Capital:				
Construction, Maintenance & Engineering	17,500,084	17,500,084	7,588,920	9,911,164
Contingencies and Reserves	10,984,141	10,984,141	-	10,984,141
Total Expenditures	<u>28,484,225</u>	<u>28,484,225</u>	<u>7,588,920</u>	<u>20,895,305</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(21,418,106)</u>	<u>(21,418,106)</u>	<u>(1,303,450)</u>	<u>20,114,656</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>407,951</u>	<u>407,951</u>	<u>514,853</u>	<u>106,902</u>
Net Changes in Fund Balance	(21,010,155)	(21,010,155)	(788,597)	20,221,558
Fund Balance Beginning of Year	<u>21,284,838</u>	<u>21,284,838</u>	<u>21,284,838</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 274,683</u>	<u>\$ 274,683</u>	<u>\$ 20,496,241</u>	<u>\$ 20,221,558</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – BUDGETARY DATA

The County adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by the County Board of Supervisors Resolution No. 2014-193. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Project:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Lenwood Road Main St/Jasper Rd - Grade Separation	\$ 31,026	\$ 427	\$ 30,599
Rimrock Toad, "O" St E/Agarita Ave - Rehabilitation	785,000	-	785,000
Ranchero Road .30 E, Mariposa E/1M E, Escondido Ave - Widening (Design)	120,000	123,052	(3,052)
"H" Street and Other (Irwin Road, Old Highway 58) - Rehabilitation	705,640	-	705,640
Ranchero Road '@ Escondido Ave - Signal Installation	17,163	2,424	14,739
Ranchero Road Cataba Rd E/Escondido Ave - Drainage Improvement	21,885	20	21,865
Yates Road, .24M N, Chinquapin Dr E&S/.25M, Fortuna Ln - Widening	2,120,000	-	2,120,000
Phelan Road Berkley Rd E/Los Banos Ave	40,000	3,419	36,581
Congestion Mgmt Plan Colorado River Area	750	34	716
Parker Dam Road (Yard 2 Maintenance Aqueduct Rd (Sh 62) N 2.0 (Portion Of Seq 010)- AC Overlay	220,000	207,492	12,508
Congestion Mgmt Plan Morongo Basin Area	2,750	387	2,363
Yard 10 Maintenance Overlays '15 Division Street, East Dr, Golden St, Hill View Rd, Mescalero Ave, Mocking Bird Ln, Morongo Way, Mountain View Dr, Ocotillo St, Park Ave, Pimlico Street, Trail Way	470,000	520,000	(50,000)
Yucca Valley (Yard 10) Chip Seal Anita Ave, Bluegrass Ave, Bonita Ave, Desert Flower Ave, Indian Cove Rd, Indian Trail, Inez Ave, Juniper Rd, Meldora Ave, Mesa Dr, Mountain View Tr, Navajo Tr, Olympic Td, Onaga Tr, Pueblo Tr, Rockwood Rd, Shoshone Valley Rd, Sun Mesa Dr, Sunflower Dr, Sunway Dr, Valle Vista Rd, Vista Rd, Wesley Rd, Wilton Rd, Yucca Mesa Rd	559,846	484,457	75,389
Congestion Mgmt Plan North Desert Area	3,000	517	2,483
Vista Road, Helendale Rd W/Lakeview Dr - Rehabilitation	869,403	594,032	275,371
Helendale Road, Shadow Mtn Td Nly/Vista Rd - Scrub, Overlay & Rehabilitation	1,264,972	794,780	470,192
Shadow Mountain Road .16M W, Rivers Edge E/Helendale Rd - Scrub & Overlay	566,225	542,884	23,341
Yard 12 Overlay '15 Calico Road, Yermo Road, Mt View Road, Yermo Road, National Trails, Santa Fe Street	642,470	501,699	140,771
Yard 13 Overlay '15 Trona Road, Trona Road, Magnolia Avenue, Telescope Avenue	160,500	158,815	1,685
Yard 12 Chip Seal '15	1,511,068	-	1,511,068
Cmp Planning Study SB Mountains Area	3,000	699	2,301
Maple Lane, .27M N, Baldwin Ln/SH38 - Drainage Improvement	30,000	38,096	(8,096)
North Bay Road Peninsula E/SH173 - Rehabilitation	300,000	203,084	96,916
Glen Helen Parkway @ BNSF/UP RR - Grade Separation	1,900,000	-	1,900,000
Muscoy Area Chip Seals '15 Emerson Street, First Ave., Gray Street, June Place, Jue St, Kent St, Kern St, Kerry St, Luther Ave, Macy St, Mesa St, Nolan St, Otono Ct, Porter St, Portola St, Reservoir St, San Benito St, Second Ave, State St, Third Ave, Twin Peaks Rd, Vermont St, Mallory St, Nolan Ct, Ogden St, Short St, Acapulco Ave Acapulco Ct, Adams St, Arizona Ave, Blake St, Bronson St, Cajon Bvd, California St, Carmilena St, Darby St, Don Diego St, Duffy St	1,514,003	1,559,343	(45,340)
Seventh Street, Locust Ave E/Cedar Ave - Rehabilitation	23,000	-	23,000
San Antonio Heights Slurries '15 Newman Street, Twenty-Third St, Twenty-Fourth St, Rosedale Curve, San Antonio Crescent, Glendale Rd, San Antonio Crescent East, Sierra Dr, Linda Ln, Ravina Curve, Broadview Ave, Elizabeth Ct, Hidden Lane, Hillcrest Dr, Kilbourne Dr, Lamplighter Ln, Mountain Dr, Ocean View Dr, Paloma Curve, Park Blvd, San Antonio Ave, Sunset Ct, Terrace Dr, Beck St, Canyon Dr, Euclid Ave, Mesa Terrace	1,172,825	884,619	288,206
Jurupa Avenue And Others Cedar Ave E/.09M W, Willow Ave - Rehabilitation	2,000,000	336,568	1,663,432
Ceres Avenue, Merrill Ave N&E/Catawba - Rehabilitation	1,400,000	-	1,400,000
Live Oak Avenue Merrill Ave N&E/Catawba - Rehabilitation	600,000	329,503	270,497
Congestion Mgmt Plan Victor Valley Area	10,000	1,091	8,909
Ridge Crest Road @ Chinquapin Dr - Left Turn Improvement W/Temporary Signal	443,000	24,981	418,019
Spring Valley Lake Vista Point Dr Nwly/Ridge Crest Rd, Spg Valley Pky Ely/Riverview Dr, Riverview Dr Nwly/Spg Valley Pky, Hidden Valley Rd E/Spring Valley Pky, Spg Valley Pky Ne/Arrowhead Tr, Country Club Drive N/End, Country Club Drive Nly/End, Ridge Crest Rd E/.08M E, Spg Valley P, Hidden Valley Rd Ely/Spg Valley Pky, 0004M S, Mtn Meadows Nly/Country Nly/Country Club	236,000	107,715	128,285
Victor Valley Area Overlay Yd 11 '1 Phelan Road, Duncan Road, Pine St, El Evado Rd, Dos Palmas Rd	764,072	237,563	526,509
Phelan Road @ Mango St - Drainage Improvement	40,000	-	40,000
National Trails Highway Victorville Cl N/Bryman Rd	1,704,261	60,379	1,643,882
Totals	\$ 22,251,859	\$ 7,718,080	\$ 14,533,779
Measure I Funds 1990-2010		\$ 129,160	
Measure I Funds 2010-2040		7,588,920	
Total expenditures for year ending June 30, 2015		<u>\$ 7,718,080</u>	

Footnote:

Transfer out in the amount of \$514,853 from the Measure I Funds 1990-2010 was transferred to the Measure I Funds 2010-2040.



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the County of San Bernardino, California (County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated March 7, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the County as of June 30, 2015. Our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the County are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the County and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the County and SANBAG.

Purpose of this Report

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



Rancho Cucamonga, California
March 7, 2016

CITY OF ADELANTO, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2014

CITY OF ADELANTO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2014**

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Fund 1990-2010	9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Fund 2010-2040	10
Notes to Required Supplementary Information	11
Other Information	
Program Status: Comparison of 5 year Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Measure I Compliance Requirements</i>	13
Schedule of Findings and Responses	15
Schedule of Prior Year Findings	17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund 1990-2010 and the Measure I Fund 2010-2040 (Measure I Funds), of the City of Adelanto, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the City as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the City of Adelanto, California, as of June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 8 through 10 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the *Management's Discussion and Analysis* for the Measure I Funds that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the City. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Measure I Funds' internal control over financial reporting and compliance.



Rancho Cucamonga, California
October 5, 2015

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**BALANCE SHEET
JUNE 30, 2014**

	<u>Measure I Fund 1990-2010</u>	<u>Measure I Fund 2010-2040</u>
ASSETS		
Cash and Investments	\$ 3,319,804	\$ 1,493,150
Receivables:		
Taxes	-	101,155
Due from the City of Adelanto	-	31,236
Total Assets	<u>\$ 3,319,804</u>	<u>\$ 1,625,541</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Total Liabilities	\$ -	\$ -
Deferred inflows of resources		
Unavailable revenues - repayments of unallowable costs	-	31,236
Fund Balance:		
Restricted	<u>3,319,804</u>	<u>1,594,305</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,319,804</u>	<u>\$ 1,625,541</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Measure I Fund 1990-2010</u>	<u>Measure I Fund 2010-2040</u>
REVENUES		
Measure I Sales Tax	\$ -	\$ 624,351
Interest Income	767	208
Other Cost Reimbursement	-	2,895
Total Revenues	<u>767</u>	<u>627,454</u>
EXPENDITURES		
Current:		
General Government	8	1,228
Street Maintenance Projects	-	167,622
Capital:		
Construction	30,000	-
Total Expenditures	<u>30,008</u>	<u>168,850</u>
Net Change in Fund Balance	<u>(29,241)</u>	<u>458,604</u>
Fund Balance Beginning of Year	<u>3,349,045</u>	<u>1,135,701</u>
Fund Balance End of Year	<u>\$ 3,319,804</u>	<u>\$ 1,594,305</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 Funds (Measure I Funds) of the City of Adelanto, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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

A. Basis of Accounting

Governmental Fund Financial Statements

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 other than debt service or capital projects.

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 assets.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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.

C. Deferred Inflows of Resources

The City adopted GASB Statement No. 65 effective July 1, 2013. In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result, 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.

D. Fund Balances

In accordance with GASB Statement No. 54, 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.

E. Cash and Investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

NOTE 3 – TAXES RECEIVABLES

The taxes receivables represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2014.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The City of Adelanto accounted for these funding sources in separate Funds which are referred to as Measure I Funds 1990-2010 and Measure I Funds 2010-2040 in these Financial Statements.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

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

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

NOTE 5 – DUE FROM THE CITY OF ADELANTO

The amount due from the City of Adelanto of \$ 31,236 represents expenditures incurred by the fund that were not allowable by the Measure I Strategic Guide. The City has asserted that it will return the funds during fiscal year ended June 30, 2015. The amount is also reported as a deferred inflow of resources as the reimbursements were not received within the collectability period.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I FUND 1990-2010
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest Income	\$ -	\$ -	\$ 767	\$ 767
Total Revenues	<u>-</u>	<u>-</u>	<u>767</u>	<u>767</u>
EXPENDITURES				
Current:				
General Government	-	-	8	(8)
Capital:				
Construction	<u>3,300,000</u>	<u>3,300,000</u>	<u>30,000</u>	<u>3,270,000</u>
Total Expenditures	<u>3,300,000</u>	<u>3,300,000</u>	<u>30,008</u>	<u>3,269,992</u>
Net Change in Fund Balance	3,300,000	3,300,000	(29,241)	3,270,759
Fund Balance Beginning of Year	<u>3,349,045</u>	<u>3,349,045</u>	<u>3,349,045</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 49,045</u>	<u>\$ 6,649,045</u>	<u>\$ 3,319,804</u>	<u>\$ (3,329,241)</u>

See accompanying notes to required supplementary information.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I FUND 2010-2040
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 400,000	\$ 400,000	\$ 624,351	\$ 224,351
Interest Income	-	-	208	208
Other Cost Reimbursement	-	-	2,895	2,895
Total Revenues	<u>400,000</u>	<u>400,000</u>	<u>627,454</u>	<u>227,454</u>
EXPENDITURES				
Current:				
General Government	-	-	1,228	(1,228)
Street Maintenance Projects	200,000	200,000	167,622	32,378
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>168,850</u>	<u>31,150</u>
Net Change in Fund Balance	200,000	200,000	458,604	258,604
Fund Balance Beginning of Year	<u>1,135,701</u>	<u>1,135,701</u>	<u>1,135,701</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,335,701</u>	<u>\$ 1,335,701</u>	<u>\$ 1,594,305</u>	<u>\$ 258,604</u>

See accompanying notes to required supplementary information.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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.

NOTE 2 – OTHER REQUIRED DISCLOSURE

The City's General Government account had expenditures in excess of budget in the following amounts:

1990 – 2010 Measure I Fund: \$8 due to bank analysis fees not budgeted

2010 – 2040 Measure I Fund: \$1,228 due to bank analysis fees and membership dues not budgeted

OTHER INFORMATION

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF FIVE YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 13-45. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
City Wide ADA/Complete Streets Corrective Measures	\$ 150,000	\$ -	\$ 150,000
Traffic Surveys & Warrant Studies	6,000	1,767	4,233
Rancho Road Phase 1 (Bellflower to Adelanto) Rehab	705,571	-	705,571
City-Wide Pavement Management System	150,000	160,489	(10,489)
Victor and Pearmain	-	1,185	(1,185)
Street Sweeper*	-	1,286	(1,286)
SANBAG Membership	-	1,228	(1,228)
Bank fees	-	8	(8)
Cactus and Pearmain	-	2,895	(2,895)
Relocation of SCE distribution / telecomm facilities:			
Highway 395 & Mojave Drive	-	30,000	(30,000)
	\$ 1,011,571	\$ 198,858	\$ 812,713
Total expenditures for Measure I Funds 1990-2010		\$ 30,008	
Total expenditures for Measure I Funds 2010-2040		168,850	
Total expenditures for the period ended June 30, 2015		\$ 198,858	

*The above noted plan project budget amount was included in a prior five-year plan.



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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
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 1990-2010 and the Measure I Fund 2010-2040 (Measure I Funds) of the City of Adelanto, California (City), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated October 5, 2015. Our report included an emphasis matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2014. In addition our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control over financial reporting 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control described that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2014-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the City and SANBAG, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the City and SANBAG, which is described in the accompanying schedule of findings and responses as finding 2014-002.

City's Responses to Findings

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

Purpose of this Report

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



Rancho Cucamonga, California
October 5, 2015

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Finding 2014-001

MATERIAL WEAKNESS - YEAR END CLOSING

Criteria:

The design and operation of the components of internal control over financial reporting should reduce the relative risk of material misstatements during the year-end closing process.

Condition:

We noted that the City recognized receipts received subsequent to year-end as cash under “deposits in transit” instead of “taxes receivable.”

Context:

The condition referred to above was discovered during our audit of the detailed account balances for the Measure I Funds as of June 30, 2014.

Effect:

There were misstatements in the Measure I Funds resulting from the year-end closing process for fiscal year 2013-2014. Adjustments were required to reconcile the applicable accounts.

Cause:

The City did not properly classify receivables as part of the year-end closing process.

Recommendation:

The City should ensure all accounts are reviewed and reconciled as part of the year-end closing process.

View of Responsible Officials and Planned Corrective Action:

We have updated part of our year-end process in regards to deposits in transit, accounts receivable, and cash per the audit findings. We will also be reporting Measure I Funds as a Major Fund per SANBAG’s request, in our FY 2014-2015 audit. We are also experiencing staffing changes and will be spending time training new staff on Measure I guidelines.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Finding 2014-002

**SIGNIFICANT DEFICIENCY, COMPLIANCE - EXPENDITURES NOT INCLUDED IN MEASURE I
FIVE YEAR CAPITAL IMPROVEMENT PLAN**

Criteria:

Policy VVLS-15 of the SANBAG Victor Valley Local Street (VVLS) Program Measure I Strategic Plan states that expenditures of the Measure I Local Street Funds must be included in the Five Year Capital Improvement Plan and adopted by resolution of the governing body.

Condition:

Expenditures totaling \$35,316 for the following items paid from the identified funds were not included on the Measure I Five Year Capital Improvement Plan:

Measure I 2010-2040 Fund:

- Victor and Pearmain \$1,185
- SANBAG Membership \$1,228
- Cactus and Pearmain \$2,895

Measure I 1990-2010 Fund:

- Bank fees \$8
- Relocation of SCE distribution / telecomm facilities on Highway 395 & Mojave Drive: \$30,000

Context:

The condition above was noted during our testing of Measure I compliance.

Effect:

The City had instances of noncompliance with Policy VVLS-15 of the SANBAG Victor Valley Local Streets (VVLS) Strategic Guide.

Cause:

The City incurred expenditures for projects not listed on the Measure I Five Year Capital Improvement Plan.

Recommendation:

We recommend the City revise the fiscal year 2013-2014 Measure I Five Year Capital Improvement Plan to include the items and ensure that future expenditures funded by Measure I are assigned to a project adopted in the Measure I Five Year Capital Improvement Plan.

View of Responsible Officials and Planned Corrective Action:

We will be revising the fiscal year 2013-2014 Measure I Five Year Capital Improvement Plan to specifically include the items found not to be included. This will be presented to our City Council on October 14, 2015, for approval. We are also experiencing staffing changes and will be spending time training all new staff on Measure I guidelines.

**CITY OF ADELANTO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2014**

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2013-01	Five Year Capital Improvement Plan - 50% General Expenditure Limitation	Implemented
2013-02	Year end closing	Not implemented – see related Finding No. 2014-001

CITY OF NEEDLES, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Report**

For the year ended June 30, 2014

CITY OF NEEDLES, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2014**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to the Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure I Funds 2010-2040	10
Note to Required Supplementary Information	11
Other Information	
Measure I Fund – Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and Measure I Compliance Requirements	13
Schedule of Findings and Responses	15
Schedule of Prior Year Findings	18



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Fund 2010-2040 (Measure I Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Fund of the City as of June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Fund of the City and do not purport to, and do not, present fairly the financial position of the City of Needles, California, as of June 30, 2014 and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 6 to the financial statements, the City is experiencing fiscal distress and has been utilizing reserves in order to meet the obligations of the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America; require to be presented to supplement the basic financial statements. Such missing information, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015, on our consideration of the City's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Measure I Funds' internal control over financial reporting and compliance.



Rancho Cucamonga, California
September 9, 2015

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

**BALANCE SHEET
JUNE 30, 2014**

	<u>Measure I Funds 2010-2040</u>
ASSETS	
Cash and Investments	\$ 477,429
Receivables:	
Taxes	15,214
Total Assets	<u>\$ 492,643</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ -
Total Liabilities	<u>-</u>
 Fund Balance:	
Restricted	492,643
Total Fund Balance	<u>492,643</u>
 Total Liabilities and Fund Balance	<u>\$ 492,643</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Measure I Funds 2010-2040</u>
REVENUES	
Measure I Sales Tax Fund	\$ 105,432
Interest	1,540
Total Revenues	<u>106,972</u>
EXPENDITURES	
Current:	
General Government - Administration	209
Capital:	
Maintenance	12,472
Total Expenditures	<u>12,681</u>
REVENUES OVER/(UNDER) EXPENDITURES	94,291
OTHER FINANCING SOURCES (USES)	
Transfers In	<u>10,716</u>
Net Change in Fund Balance	<u>105,007</u>
Fund Balance Beginning of Year	<u>387,636</u>
Fund Balance End of Year	<u><u>\$ 492,643</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 2010-2040 fund (Measure I Fund) of the City of Needles, California (City) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles 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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 2010-2040 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 other than debt service or capital projects.

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 assets.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. 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 amounts reported in the financial statements. Actual results could differ from those estimates.

C. Fund Balances

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, 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.

D. Cash and Investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at the City Administrative Office at 817 Third Street, Needles, California 92363.

NOTE 3 – TAXES RECEIVABLE

The taxes receivables represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2014.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG 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.

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. 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 this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

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

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

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

NOTE 5 – TRANSFERS

The City transferred \$10,716 from the Measure I Transit Fund to the Measure I 2010-2040 Fund to fund projects on the Measure I Five Year Capital Improvement Plan.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – FISCAL DISTRESS

On February 25, 2014, the City Manager reported to the City Council, “the City continues to experience financial distress and had to draw on reserves \$339,230 leaving a projected cash balance of \$355,770 as of June 30, 2014. He concluded that unless significant expenditure reductions or revenue enhancement occur, the City will essentially be out of cash by June 30, 2015.” The City has implemented a general policy of reducing expenditures but has not formalized a plan to exit its current status.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I FUND 2010-2040
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax Fund	\$ 100,000	\$ 100,000	\$ 105,432	\$ 5,432
Interest	-	-	1,540	1,540
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>106,972</u>	<u>6,972</u>
EXPENDITURES				
Current:				
General Government - Administration	-	-	209	(209)
Capital:				
Maintenance	<u>402,000</u>	<u>402,000</u>	<u>12,472</u>	<u>389,528</u>
Total Expenditures	<u>402,000</u>	<u>402,000</u>	<u>12,681</u>	<u>389,319</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(302,000)</u>	<u>(302,000)</u>	<u>94,291</u>	<u>396,291</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>-</u>	<u>10,716</u>	<u>10,716</u>
Net Change in Fund Balance	<u>(302,000)</u>	<u>(302,000)</u>	<u>105,007</u>	<u>407,007</u>
Fund Balance Beginning of Year	<u>121,328</u>	<u>121,328</u>	<u>387,636</u>	<u>266,308</u>
Fund Balance End of Year	<u>\$ (180,672)</u>	<u>\$ (180,672)</u>	<u>\$ 492,643</u>	<u>\$ 673,315</u>

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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.

Expenditures exceeded appropriation in the Measure I Fund 2010-2040 in the General Government - Administration line by \$209.

OTHER INFORMATION

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

**MEASURE I FUND – PROGRAM STATUS:
COMPARISON OF 5 YEAR PLAN PROJECT BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2013-42. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget FY 13/14	Current Fiscal Year Expenditures	Unexpended Budget
General Administration - Membership Dues (SANBAG)	\$ -	\$ 209	\$ (209)
Front Street (Mid block to F Street) curb, gutter, sidewalk, drainage	12,000	12,472	(472)
Casa Linda (San Clemente to Lacima) curb, gutter, sidewalk, drainage	60,000	-	60,000
Coronado Street from J to Peru 1 1/2 inch cap	145,000	-	145,000
Match to the J Street Connector Project	184,000	-	184,000
Construction Management Plan	1,000	-	1,000
	\$ 402,000	\$ 12,681	\$ 389,319



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund 2010-2040 (Measure I Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2014, 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 September 9, 2015. Our report noted an emphasis of matter that the financial statements of the Measure I Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2014, and the City's fiscal distress.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting of the Measure I Fund (internal control) to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control over financial reporting 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2014-001 and 2014-002 to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the requirements of Measure I matters as specified in the agreement between the City and SANBAG, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as finding 2014-003.

City's Responses to Findings

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

Purpose of this Report

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



Rancho Cucamonga, California
September 9, 2015

**CITY OF NEEDLES
MEASURE I FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Finding 2014-001

BANK RECONCILIATION

Criteria:

Bank reconciliations should be prepared, reviewed, and approved timely.

Condition:

We noted that the Local Agency Investment Fund did not agree to the corresponding general ledger account balance. We also noted that investment income was overstated by the same amount.

Context:

The condition above was noted during our testing of Measure I cash and investment income balances.

Effect:

The Fund's cash and investment balance and investment income were overstated by \$3,196.

Cause:

The City's process for reconciling the Local Agency Investment Fund account and allocating interest was not reconciled to the general ledger.

Recommendation:

We recommend the City enhance its bank reconciliation practices to ensure the proper amounts for bank accounts are reconciled to the general ledger.

View of Responsible Officials and Planned Corrective Action:

All City-wide bank statements are reconciled to the general ledger. Due to a typographical error on the LAIF spreadsheet for FY 2014, LAIF interest was overstated by \$9,000, of which \$3,196 related to Measure I. An adjusting journal entry was posted in FY 2015 against fund balance to correct the LAIF balance.

**CITY OF NEEDLES
MEASURE I FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Finding 2014-002

FINANCIAL REPORTING – REVENUE RECOGNITION

Criteria:

Governmental Accounting Standards Board (GASB) Statement No. 33 states that a receivable is recognized for derived tax revenue when the underlying exchange occurs or resources are received, whichever is first.

Condition:

The City did not recognize a receivable for derived nonexchange transactions that occurred during the months of May and June.

Context:

This was discovered while testing revenues and receivables for sales tax transactions that occurred during the fiscal year.

Effect:

It was noted that the City did not record a receivable or revenue in the amount of \$15,214.

Cause:

The City inadvertently did not include the Measure I Fund in its assessment of derived tax revenues.

Recommendation:

We recommend the City review their year end closing procedures to evaluate its nonexchange transactions and the related recognition of those transactions.

View of Responsible Officials and Planned Corrective Action:

The City will review its year-end closing procedures to evaluate its nonexchange transactions and will implement a procedure to recognize these transactions.

**CITY OF NEEDLES
MEASURE I FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Finding 2014-003

EXPENDITURES NOT INCLUDED IN MEASURE I FIVE YEAR CAPITAL IMPROVEMENT PLAN

Criteria:

Policy MDLS-10 of the SANBAG Mountain/Desert Subareas (MDLS) Program Measure I Strategic Plan states that expenditures of Measure I Local Pass Through Funds must be detailed in the Five Year Capital Improvement Plan and adopted by resolution of the governing body.

Condition:

The Measure I Five Year Capital Improvement Plan adopted by the City Council in May 2013 did not include General Administration costs for SANBAG membership dues incurred during the fiscal year and charged to the Measure I Fund.

Context:

The condition above was noted during our testing of Measure I compliance.

Effect:

The City did not comply with Policy MDLS-10 of the SANBAG Mountain/Desert Local Streets (MDLS) Measure I Strategic Plan.

Cause:

The City incurred expenditures for a project not listed on the Measure I Five Year Capital Improvement Plan.

Recommendation:

We recommend the City revise the fiscal year 2013-2014 Measure I Five Year Capital Improvement Plan to include the item and ensure that future expenditures funded by Measure I are assigned to a project adopted in the Measure I Five Year Capital Improvement Plan.

View of Responsible Officials and Planned Corrective Action:

In the Measure I Five-Year Capital Improvement Plan adopted by City Council in May 2013 there was an omission in the projected expense. Management regrets this omission and will include the projected expense in 2015.

**CITY OF NEEDLES
MEASURE I FUND**

**SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2014**

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2013-01	Interest Allocation (compliance)	Implemented
2013-02	Expenditures Not Included in Measure I Five Year Capital Improvement Plan	Not implemented, refer to Finding 2014-003

CITY OF SAN BERNARDINO, CALIFORNIA

MEASURE I FUND

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2012

CITY OF SAN BERNARDINO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Fund
For the Year Ended June 30, 2012**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	9
Note to Required Supplementary Information	10
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and Measure I Compliance Requirements	12
Schedule of Findings and Responses	14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the financial statements

We have been engaged to audit the accompanying financial statements of the Measure I Fund of the City of San Bernardino, California (City), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

During the current year, the Measure I Fund transferred \$250,000 to the City's General Fund for administrative costs. Such amounts were reported in the transfers out account. Due to the inadequacy of supporting documentation for these transfers, we were unable to determine whether the transfers were for allowable expenditures of the Measure I program or properly incurred. As a result, we were unable to determine whether any adjustments were necessary in the accompanying statement of revenues, expenditures, and changes in fund balance.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure I Fund of the City are intended to present the financial position and changes in financial position of only that portion of the City of San Bernardino, California, which is attributable to the Measure I Fund. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012 and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our disclaimer of opinion is not affected by this matter.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 1 to the financial statements, on August 1, 2012, the City filed a case seeking bankruptcy protection and the adjustment of its liabilities under Chapter 9 of the United States Bankruptcy Code. These conditions raise substantial doubt about the City's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our disclaimer of opinion is not affected by this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, 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. As described in the Disclaimer of Opinion paragraph, we do not express an opinion on the financial statements. Accordingly, we do not express an opinion or provide any assurance on the information.

Management has omitted the Management's Discussion and Analysis for the Measure I Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our report on the basic financial statements is not affected by this missing information.

Other Information

We were engaged to conduct an audit for the purpose of forming an opinion on the financial statements of the Measure I Fund of the City. The other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Rancho Cucamonga, California
December 22, 2015

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

**BALANCE SHEET
JUNE 30, 2012**

	<u>2012</u>
ASSETS	
Receivables:	
Taxes	\$ 462,502
Due from the City of San Bernardino	3,822,035
Interest	402
Total Assets	<u>\$ 4,284,939</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 31,717</u>
Fund Balance:	
Restricted	<u>4,253,222</u>
 Total Liabilities and Fund Balance	 <u>\$ 4,284,939</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2012</u>
REVENUES	
Measure I sales taxes	\$ 2,908,822
Interest income	(747)
Total Revenues	<u>2,908,075</u>
EXPENDITURES	
Capital:	
Construction	<u>1,047,204</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>1,860,871</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	18,990
Transfers out	<u>(805,000)</u>
Total Other Financing Sources (Uses)	<u>(786,010)</u>
Net Change in fund balance	<u>1,074,861</u>
Fund Balance Beginning of year (restated)	<u>3,178,361</u>
Fund Balance End of year	<u><u>\$ 4,253,222</u></u>

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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 (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 and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

On August 1, 2012, the City of San Bernardino filed an emergency petition for Chapter 9 Bankruptcy with the United States Bankruptcy Court for the Central District of California, Riverside Division. The City Council declared a fiscal emergency shortly before filing the petition noting that the City would not be able to pay its financial obligations in the next 60 days. Following the petition, a pre-pendency and a pendency plan were filed that allowed the City to operate while it completes a Plan of Adjustment to regain solvency. The financial statements of the City provide details of the plans. The financial statements may be obtained from the City Hall.

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

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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 in separate general ledger accounts 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 other than debt service or capital projects.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

A. *Basis of Accounting, (Continued)*

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.

B. *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.

C. *Fund Balances*

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

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

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.

D. *Cash and Investments*

Cash and investments are pooled 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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the 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.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from San Bernardino County Transportation Authority after June 30, 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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 the San Bernardino County Transportation Authority 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. San Bernardino Associated Governments (SANBAG), acting as the Authority, was 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. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 – MEASURE I FUND, (CONTINUED)

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

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

NOTE 5 – TRANSFER TO/DUE FROM THE CITY OF SAN BERNARDINO

Transfers to the City of San Bernardino of \$805,000 represent the Measure I cost incurred and reported by the City in fiscal year 2011/12. Transfers made were as follows:

- \$250,000 for administrative costs
- \$500,000 for street maintenance activities
- \$55,000 for street lighting maintenance activities

Due from the City of San Bernardino in the amount of \$3,822,035 represent amounts borrowed by the City to fund cash deficits in the General Fund.

NOTE 6 – PRIOR PERIOD ADJUSTMENT

For fiscal year 2011-12, the City recognized the impact of sales tax accruals in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33. The adjustments resulted in the restatement of beginning fund balance for the Measure I Special Revenue Fund in the governmental fund statement of revenues, expenditures, and changes in fund balance as follows:

	2012
Beginning of Year, as previously reported	
Fund Balance	\$ 2,699,834
Recognition of sales taxes applicable to the prior period	478,527
Beginning Fund Balance, as restated	\$ 3,178,361

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I sales taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,908,822	\$ 408,822
Interest income	35,000	35,000	(747)	(35,747)
Total Revenues	<u>2,535,000</u>	<u>2,535,000</u>	<u>2,908,075</u>	<u>373,075</u>
EXPENDITURES				
Capital:				
Construction	<u>5,946,000</u>	<u>5,946,000</u>	<u>1,047,204</u>	<u>4,898,796</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(3,411,000)</u>	<u>(3,411,000)</u>	<u>1,860,871</u>	<u>5,271,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	18,990	18,990
Transfers out	<u>(805,000)</u>	<u>(805,000)</u>	<u>(805,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(805,000)</u>	<u>(805,000)</u>	<u>(786,010)</u>	<u>18,990</u>
Net Change in fund balance	<u>(4,216,000)</u>	<u>(4,216,000)</u>	<u>1,074,861</u>	<u>5,290,861</u>
Fund Balance Beginning of year (restated)	<u>2,699,834</u>	<u>2,699,834</u>	<u>3,178,361</u>	<u>478,527</u>
Fund Balance End of year	<u><u>\$ (1,516,166)</u></u>	<u><u>\$ (1,516,166)</u></u>	<u><u>\$ 4,253,222</u></u>	<u><u>\$ 5,769,388</u></u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

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.

OTHER INFORMATION

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 2011-297. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Construct Accessibility Improvements (Annual)	\$ 719,100	\$ 12,876	\$ 706,224
Street Safety Improvements (Annual)	224,000	131,439	92,561
Construct new State Street between Fifth Street and 16th Street	610,500	88,940	521,560
Replace Bridge - Mt. Vernon between 2nd Street and 4th Street	9,300	1,377	7,923
Widen Del Rosa Drive from 2 to 4 lanes (Design) - from 6th Street to Base Line	50,000	-	50,000
Construct curb & gutter and sidewalk - Mountain Avenue from 39th Street to 40th Street	200,000	32,481	167,519
Project Study Report for Loop Ramp - University Parkway and I-215 Interchange	1,206,000	73,214	1,132,786
Construct New Traffic Signal - Rialto Avenue & Meridian Avenue	60,000	6,108	53,892
Construct Median Island at Railroad Crossing - Rancho Avenue at BNSF Railroad	359,000	28,659	330,341
Construct Grade Separation - Hunts Lane at UPRR	27,000	13,595	13,405
Widen North Side @ Del Rosa Channel - Highland Avenue at Del Rosa Channel	63,800	-	63,800
Rehabilitate Pavement - Mountain View Avenue from 46th Street to 50th Street	60,000	-	60,000
Widen Street & Install Curb, Gutter & Sidwalk - H Street from Kendall Drive to 40th Street	10,000	-	10,000
Traffic Calming - 4th Street	94,800	18,800	76,000
Extend Road and Construct Bridge - Mt. View Avenue Extension and Bridge over Santa River	32,000	4,698	27,302
Widen 3rd Street and 5th Street - between Tippecanoe Avenue and Palm Avenue	50,000	3,146	46,854
Bridge Replacement - Old Waterman Canyon Road	26,600	4,740	21,860
Widen Street - Del Rosa Drive between 9th Street and Warm Creek Channel	700,000	-	700,000
Rehabilitate Street - Highland Avenue	124,400	19,875	104,525
Install 2-Way Left-Turn Lane on Industrial Parkway - Hallmark Parkway to Palm Avenue	60,000	5,538	54,462
Inspection Cost - I-215 Freeway Widening: Segments 1, 2, 3, 5 & 11	50,000	18,794	31,206
Rehabilitate Pavement -			
a. California Street - 19th Street to Washington Avenue	30,000	-	30,000
b. Boulder Avenue - Atlantic Avenue to Pacific Street	135,000	135,052	(52)
c. 46th Street - Mountain View Avenue to Sierra Way	35,000	776	34,224
d. 48th Street - Electric Avenue to Moutain View	30,000	511	29,489
e. Magnolia Avenue - Garner Street to Pico Street	65,000	-	65,000
f. 21st Street - Valencia Avenue to Perris Hill Park	65,000	2,948	62,052
g. Del Rosa Avenue - Pumalo Street to Date Street East	70,000	9,790	60,210
h. Little League Drive - Palm Avenue to Little League Drive	160,000	160,067	(67)
i. Perris Hill Park Road - 21st Street to Pacific Street	100,000	3,328	96,672
j. San Bernardino Avenue - Riverview to Richardson Street	155,000	155,000	-
k. Belmont Avenue - Olive Avenue to Walnut Avenue	35,000	1,097	33,903
l. Davidson Street - 16th Street to 19th Street	45,000	-	45,000
m. Highland Avenue - Golden Avenue to Lawrence	150,000	8,035	141,965
n. Feree Street - Hardt Street to Coulston Avenue	45,000	44,997	3
o. 15th Street - Mt. Vernon Avenue to Western Avenue	50,000	10,504	39,496
p. Mountain View / 30th Pavement Rehab	-	7,960	(7,960)
q. Magnolia Avenue - Western & Mt. Vernon Avenues	-	9,714	(9,714)
Install New Traffic Signal -			
a. 9th Street and Sierra Way	20,000	17,984	2,016
b. 9th Street and Arrowhead Avenue	20,000	15,161	4,839
Administrative Overhead	-	250,000	(250,000)
Citywide - Street Maintenance	500,000	500,000	-
Citywide - Street Lighting Maintenance	55,000	55,000	-
	<u>\$ 6,501,500</u>	<u>\$ 1,852,204</u>	<u>\$ 4,649,296</u>



INDEPENDENT AUDITORS' 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 AND MEASURE I COMPLIANCE REQUIREMENTS

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure I Fund of the City of San Bernardino, California (City), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Measure I Fund's basic financial statements and have issued our report thereon dated December 22, 2015. Our report disclaims an opinion on such financial statements. During the current year, the Measure I Fund transferred \$250,000 to the City's General Fund for administrative costs. Such amounts were reported in the transfers out account. Due to the inadequacy of supporting documentation for these transfers, we were unable to determine whether the transfers were for allowable expenditures of the Measure I program or properly incurred. Because of the significance of the matter described, we were unable to apply other auditing procedures over these areas and therefore the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the Measure I Fund. Our report also included an emphasis of matter paragraph that the City had filed for Chapter 9 Bankruptcy protection.

Internal Control Over Financial Reporting

In connection with our engagement to the audit the financial statements of the Measure I Fund, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-002 to be a significant deficiency.

Compliance and Other Matters

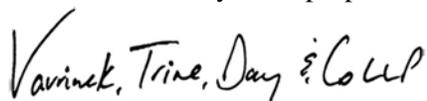
In connection with our engagement to audit the financial statements of the Measure I Fund, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the Measure I requirements as specified in the agreement between the City and SANBAG, which are described in the accompanying schedule of findings and responses as items 2012-001 and 2012-002.

City's Responses to Findings

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

Purpose of this Report

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



Rancho Cucamonga, California
December 22, 2015

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

Finding 2012-001

MATERIAL WEAKNESS, NON-COMPLIANCE: MAINTENANCE OF RECORDS

Criteria:

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein and for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). This requires management to maintain adequate support for all transactions to support amounts and disclosures contained within the basic financial statements.

Valley Local Street (VLS) Program Policy VLS-12 requires overhead charges to be allocated to the Measure I Fund only when there is an approved cost allocation plan or an equitable and auditable distribution of overhead.

Condition:

Adequate supporting documentation for the transfers from the Measure I Fund was not maintained.

Context:

The condition noted above was identified while testing transfers out for compliance with the Measure I Strategic Plan and adequate support.

Effect:

Measure I expenditures were incurred that were not supported by sufficient and appropriate evidence.

Cause:

The City did not maintain adequate documentation to support the transfers out of the Measure I Fund.

Recommendation:

The City should develop a process by which transfers out of the Measure I Fund are supported by adequate and sufficient documentation to support the balances transferred and that allocated overhead charges are supported by an approved cost allocation plan.

View of Responsible Official and Planned Corrective Actions:

The City agrees with the finding. For Fiscal Years 2011-12 and 2012-13, the City transferred the administrative costs of \$250,000 back to the Measure I Fund from the General Fund. Beginning in Fiscal Year 2014-15, all allowable expenditures were charged directly to the Measure I Fund and not recorded as transfers to the General Fund. The City is currently working with a consultant to prepare the City's cost allocation plan for use beginning with Fiscal Year 2016-17.

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

Finding 2012-002

NON-COMPLIANCE: 5-YEAR PLAN

Criteria:

All projects are required to be approved on the Five Year Capital Improvement Plan pursuant to Policy VLS-8 of the Strategic Guide.

Condition:

While testing expenditures for compliance with the Strategic Guide it was noted that expenditures were incurred for the Administrative costs before the project was approved on the Five Year Capital Improvement Plan. The project was subsequently submitted and approved after the fiscal year end by SANBAG.

Context:

The condition noted above was identified while testing expenditures for compliance with the Measure I Strategic Plan.

Effect:

Measure I expenditures were incurred for administrative costs that were not on an approved Five Year Capital Improvement Plan.

Cause:

The City did not include the administrative costs on the Five Year Capital Improvement Plan submitted to SANBAG.

Recommendation:

The City should implement procedures to ensure that expenditures are incurred only for costs that are included on an approved Five Year Capital Improvement Plan.

View of Responsible Official and Planned Corrective Actions:

The City agrees with the finding. The City currently submits its Five Year Capital Improvement Plan for City Council approval, which includes any administrative costs. This plan is then submitted to SANBAG, so that all expenditures are approved in advance.