

**CITY OF BARSTOW, CALIFORNIA**

**MEASURE I FUNDS**

**Financial Statements and  
Independent Auditors' Reports**

**For the year ended June 30, 2014**

**CITY OF BARSTOW, CALIFORNIA**

**San Bernardino Associated Governments  
Measure I Funds  
For the Year Ended June 30, 2014**

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## 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 Transit Fund, the Measure I Fund 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, 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 of 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 Barstow, California, as of June 30, 2014, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 7, 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 14 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 January 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 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.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California  
January 21, 2015

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

**BALANCE SHEET  
JUNE 30, 2014**

	Special Revenue Funds			
	Measure I Transit Fund	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund	TRIP Debt Service Fund
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 1,245,709	\$ -	\$ -
Cash with Fiscal Agent	-	-	4,040,272	1,095,640
Interest Receivable	-	1,521	-	-
Taxes Receivable	-	330,462	-	-
Total Assets	<u>\$ -</u>	<u>\$ 1,577,692</u>	<u>\$ 4,040,272</u>	<u>\$ 1,095,640</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ -	\$ 1,332,946	\$ -	\$ -
Due to the City of Barstow	-	-	159,435	-
Total Liabilities	<u>-</u>	<u>1,332,946</u>	<u>159,435</u>	<u>-</u>
Fund Balance:				
Restricted	-	244,746	3,880,837	1,095,640
Total Fund Balance	<u>-</u>	<u>244,746</u>	<u>3,880,837</u>	<u>1,095,640</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 1,577,692</u>	<u>\$ 4,040,272</u>	<u>\$ 1,095,640</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, 2014**

	Special Revenue Funds			TRIP Debt Service Fund
	Measure I Transit Fund	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund	
<b>REVENUES</b>				
Measure I	\$ -	\$ 1,947,692	\$ -	\$ -
Investment Earnings, Net of Unrealized Gain (Loss)	-	58,455	10,836	790
Total Revenues	-	2,006,147	10,836	790
<b>EXPENDITURES</b>				
Current:				
General Government - Administration	231	5,702	-	-
Debt Service:				
Principal	-	1,070,000	-	-
Interest	-	380,100	-	-
Total Expenditures	231	1,455,802	-	-
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	(231)	550,345	10,836	790
<b>OTHER FINANCING SOURCES/ (USES)</b>				
Transfers Out to the City of Barstow	-	(4,034,849)	(4,065,282)	-
Net Changes in Fund Balance	(231)	(3,484,504)	(4,054,446)	790
Fund Balance Beginning of Year	231	3,729,250	7,935,283	1,094,850
Fund Balance End of Year	\$ -	\$ 244,746	\$ 3,880,837	\$ 1,095,640

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, 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 Transit Fund, the Measure I Fund 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 assets.



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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

***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 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.

***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***

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 or at the City of Barstow website [www.barstowca.org](http://www.barstowca.org).

***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 BARSTOW, CALIFORNIA  
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

***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 of Barstow accounted for these funding sources in separate Funds which are referred to as Measure I Transit/Arterial Funds 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 2010-2040 contains the following programs:

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – MEASURE I FUND, (CONTINUED)**

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 represent amounts due to the City of Barstow from the San Bernardino Associated Governments (SANBAG) for Measure I related revenues in the amount of \$142,281 for May 2014 and \$188,181 for June 2014, received in July and August respectively.

**NOTE 5 – DUE TO THE CITY OF BARSTOW**

The due to the City of Barstow represents amounts owed to the City of Barstow from the Measure I TRIP Financing Fund for Measure I related project expenditures in the amount of \$159,435.

**NOTE 6– INTERFUND TRANSACTIONS**

	<b>Transfer Out</b>	
<b>Transfers In</b>	Measure I 2010-2040 Fund	Measure I TRIP Fund
City of Barstow	\$ 4,034,849	\$ 4,065,282

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 \$4,034,849 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 Fund to the City of Barstow Capital Improvement Fund in the amount of \$4,065,282 to supplement costs incurred for street improvement activities as approved in the City’s Measure I Five Year Plan.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7– 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 fund for the Certificates, and (iii) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates.

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 COP’s. These debt payments are secured by the pledge of future Measure I revenues.

The following table provides a summary of the proceeds from the COP issuance:

Date June 1	Principal	Interest	Total
2015	\$ 1,100,000	\$ 348,000	\$ 1,448,000
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
2020-2021	2,735,000	165,200	2,900,200
	<u>\$ 8,700,000</u>	<u>\$ 1,447,000</u>	<u>\$ 10,147,000</u>

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.

**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, 2014**

	Budget		Actual	Variance From Final Budget Positive (Negative )
	Original	Final		
<b>REVENUES</b>				
Measure I	\$ 2,182,057	\$ 2,182,057	\$ 1,947,692	\$ (234,365)
Investment Earnings, Net of Unrealized Losses	-	-	58,455	58,455
Total Revenues	<u>2,182,057</u>	<u>2,182,057</u>	<u>2,006,147</u>	<u>(175,910)</u>
<b>EXPENDITURES</b>				
Current:				
General Government - Administration	-	-	5,702	(5,702)
Debt Service:				
Principal	1,070,000	1,070,000	1,070,000	-
Interest	380,100	380,100	380,100	-
Total Expenditures	<u>1,450,100</u>	<u>1,450,100</u>	<u>1,455,802</u>	<u>(5,702)</u>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	<u>731,957</u>	<u>731,957</u>	<u>550,345</u>	<u>(181,612)</u>
<b>OTHER FINANCING SOURCES/ (USES)</b>				
Transfers Out to the City of Barstow	<u>(3,213,785)</u>	<u>(4,195,786)</u>	<u>(4,034,849)</u>	<u>160,937</u>
Net Change in Fund Balance	(2,481,828)	(3,463,829)	(3,484,504)	(20,675)
Fund Balance Beginning of Year	<u>3,729,250</u>	<u>3,729,250</u>	<u>3,729,250</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,247,422</u>	<u>\$ 265,421</u>	<u>\$ 244,746</u>	<u>\$ (20,675)</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, 2014**

	Budget		Actual	Variance From Final Budget Positive (Negative )
	Original	Final		
<b>REVENUES</b>				
Investment Earnings, Net of Unrealized Gain (Loss)	\$ -	\$ -	\$ 10,836	\$ 10,836
Total Revenues	-	-	10,836	10,836
<b>OTHER FINANCING SOURCES/ (USES)</b>				
Transfer Out To the City of Barstow	(8,896,207)	(3,895,998)	(4,065,282)	(169,284)
Total Other Financing Sources/ (Uses)	(8,896,207)	(3,895,998)	(4,065,282)	(169,284)
Net Change in Fund Balance	(8,896,207)	(3,895,998)	(4,054,446)	(158,448)
Fund Balance Beginning of Year	7,935,283	7,935,283	7,935,283	-
Fund Balance End of Year	\$ (960,924)	\$ 4,039,285	\$ 3,880,837	\$ (158,448)

See accompanying note to required supplementary information.

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

**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 – EXPENDITURES IN EXCESS OF BUDGET***

A budget for the Measure I Transit Fund was not prepared. The Measure I Fund 2010-2040 had expenditures in excess of their budget in the amount of \$5,702. The Measure I TRIP Financing Fund had transfers out to the City of Barstow in excess of their budget in the amount of \$169,284.



**OTHER INFORMATION**

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

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT  
BUDGET TO CURRENT YEAR EXPENDITURES  
JUNE 30, 2014**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 4734-2013. 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
TRIP Program, Group 1 Montara Area Project	\$ 2,032,810	\$ 3,086,329	\$ (1,053,519)
TRIP Program, Group 2 Rimrock Area Project	3,189,978	1,291,110	1,898,868
Miscellaneous Street Maintenance Project/Pavement Preservati	832,398	1,596,912	(764,514)
First Avenue Bridge Reconstruction Project	500,000	113,971	386,029
TRIP Program, Group 3 Henderson Area Project	5,329,545	262,906	5,066,639
TRIP Program, Group 4 Cameron Area Project	4,771,965	-	4,771,965
Pavement Preservation Program 2015	299,750	452,965	(153,215)
TRIP Program, Group 5 West Section 7 Area Project	3,039,400	-	3,039,400
Pavement Preservation Program 2016	539,275	-	539,275
Central School Area Project	50,000	-	50,000
Pavement Preservation Program 2017	1,281,100	-	1,281,100
TRIP Program, Group 7 Various Areas Project	50,000	-	50,000
2013 Lenwood Grade Separation Project**	-	1,292,775	(1,292,775)
2013 Jasper Road**	-	3,163	(3,163)
General Government Administration	-	5,702	(5,702)
	\$ 21,916,221	\$ 8,105,833	\$ 15,112,028

\*\* The noted project was approved as part of a prior year's 5-Year Plan Project Budget.  
Debt service on the bonds is not included on the 5-Year Plan Project Budget.



**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 City Council  
City of Barstow, 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 Transit Fund, the Measure I Fund 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, 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 January 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, 2014, and an emphasis of matter regarding the issuance of Certificates of Participation to finance Measure I Capital Improvement Projects. 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 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 Finding 2014-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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.

## **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 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.

*Vawter, Tume, Day, Co., LLP*

Rancho Cucamonga, California  
January 21, 2015

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

**SCHEDULE OF FINDING AND RESPONSE  
FOR THE YEAR ENDED JUNE 30, 2014**

**Finding 2014-001**

**APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**Criteria:**

Governmental Accounting Standards Board (GASB) Codification 1500.117 requires that a government *accrue* a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability.

**Condition:**

The City's year end closing procedures were inadequate as the City did not accrue estimates for invoices that were due and outstanding as of June 30, 2014, in the amount of \$672,207.

**Context:**

The condition noted above was identified during testing of the City's subsequent cash disbursements.

**Effect:**

The City corrected the financial statements by properly accruing the identified FY13-14 liabilities to the appropriate fiscal year. However, had the City not posted the audit adjustment the Measure I Fund would have been misstated

**Cause:**

The City's year end closing procedures did not identify the appropriate year end accruals.

**Recommendation:**

As noted above, the City updated the financial statements to properly account for the CY liabilities of the Measure I 2010-2040 Fund. We recommend that the City update policies and procedures to ensure the City reports all liabilities in the proper period.

**View of Responsible Official and Planned Corrective Actions:**

The City of Barstow concurs with the finding and we will update our policies and procedures to conform. We will also have year-end staff meetings to ensure the accrual procedures are understood.

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDING  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2013-01	Application of Generally Accepted Accounting Principles (GAAP)	Implemented