



Financial Statements
June 30, 2019 and 2018

Transportation Development Act Fund
City of Barstow, California

City of Barstow, California
Transportation Development Act Fund
Financial Statements
For the Year Ended June 30, 2019 and 2018

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Independent Auditor's 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 Transportation Development Act Article 8 Fund (TDA Fund) of the City of Barstow, California (City), as of and for the year ended June 30, 2019, 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.

Auditor's 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 TDA Fund of the City as of June 30, 2019, 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 TDA Fund and do not purport to, and do not, present fairly the financial position of the City of Barstow, California, as of June 30, 2019, and 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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 TDA Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 TDA Fund's financial statements. The schedule of allocations received and expended, by project year on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of allocations is fairly stated, in all material respects, in relation to the financial statements as a whole.

Prior Year Financial Statements

The financial statements of the TDA Fund of the City as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day & Co. LLP who joined Eide Bailly LLP on July 22, 2019, and whose report dated December 20, 2018, expressed an unmodified opinion on those statements. We were not engaged to audit, review or apply any procedures to the 2018 financial statements of the TDA Fund and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the City’s internal control over financial reporting of the TDA 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance as it relates to the TDA Fund.



Rancho Cucamonga, California
December 23, 2019

City of Barstow, California
Transportation Development Act Fund

Balance Sheets
June 30, 2019 and 2018

	<u>2019</u> <u>Article 8</u>	<u>2018</u> <u>Article 8</u>
Assets		
Cash and investments	\$ 404,280	\$ 282,917
Interest receivable	-	203
Total assets	<u>\$ 404,280</u>	<u>\$ 283,120</u>
 Fund Balance		
Fund balance		
Restricted	<u>\$ 404,280</u>	<u>\$ 283,120</u>

See accompanying notes to financial statements.

City of Barstow, California
Transportation Development Act Fund

Statements of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30, 2019 and 2018

	2019 <u>Article 8</u>	2018 <u>Article 8</u>
Revenues		
TDA allocation	\$ 106,913	\$ 564,484
Interest income	<u>18,269</u>	<u>176</u>
Total revenues	<u>125,182</u>	<u>564,660</u>
Other Financing Sources (Uses)		
Transfers out to the City of Barstow	<u>(4,022)</u>	<u>(281,540)</u>
Net change in fund balance	121,160	283,120
Fund balance, beginning of year	<u>283,120</u>	<u>-</u>
Fund balance, end of year	<u>\$ 404,280</u>	<u>\$ 283,120</u>

See accompanying notes to financial statements.

City of Barstow, California
Transportation Development Act Fund

Notes to Financial Statements
June 30, 2019 and 2018

Note 1 – General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act Article 8 Fund (TDA Fund) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Barstow, California (City) as of June 30, 2019 and 2018, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 8

San Bernardino County Transportation Authority (SBCTA) receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8 subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 – Significant Accounting Policies

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

Fund Accounting

The City accounts for the activity of the Article 8 TDA Fund in its Article 8 Fund, which is a special revenue fund.

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 TDA activities in separate general ledger accounts within its Article 8 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

Note 2 – Significant Accounting Policies (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.

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 TDA Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Transfers Out to the City of Barstow

Transfers out to the City of Barstow of \$4,022 represent amounts paid to the City's Capital Improvement Fund to supplement costs incurred for the pavement preservation project.



REQUIRED SUPPLEMENTARY INFORMATION

City of Barstow, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Years Ended June 30, 2019 and 2018

June 30, 2019	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
TDA allocation	\$ 210,693	\$ 210,693	\$ 106,913	\$ (103,780)
Interest income	-	-	18,269	18,269
Total revenues	<u>210,693</u>	<u>210,693</u>	<u>125,182</u>	<u>(85,511)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to the City of Barstow	<u>(500,000)</u>	<u>(500,000)</u>	<u>(4,022)</u>	<u>495,978</u>
Net change in fund balance	(289,307)	(289,307)	121,160	410,467
Fund balance, beginning of year	<u>283,120</u>	<u>283,120</u>	<u>283,120</u>	<u>-</u>
Fund balance, end of year	<u>\$ (6,187)</u>	<u>\$ (6,187)</u>	<u>\$ 404,280</u>	<u>\$ 410,467</u>

June 30, 2018	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
TDA allocation	\$ 294,940	\$ 294,940	\$ 564,484	\$ 269,544
Interest income	-	-	176	176
Total revenues	<u>294,940</u>	<u>294,940</u>	<u>564,660</u>	<u>269,720</u>
Other Financing Sources (Uses)				
Transfers out to the City of Barstow	<u>(281,540)</u>	<u>(281,540)</u>	<u>(281,540)</u>	<u>-</u>
Net change in fund balance	13,400	13,400	283,120	269,720
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,400</u>	<u>\$ 13,400</u>	<u>\$ 283,120</u>	<u>\$ 269,720</u>

See accompanying note to required supplementary information.

City of Barstow, California
Transportation Development Act Funds

Note to Required Supplementary Information
Year Ended June 30, 2019

Note 1 – Budgetary Information

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



SUPPLEMENTARY INFORMATION

City of Barstow, California
Transportation Development Act Funds

Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2019

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 06/30/2018</u>	<u>Expenditures</u>	<u>Unspent Allocations at 06/30/2019</u>
Article 8	Streets & Road Maintenance	2018-19	\$ 106,913	\$ -	\$ -	106,913
Article 8	Streets & Road Maintenance	2017-18	564,484	282,944	4,022	278,922
			<u>\$ 671,397</u>	<u>\$ 282,944</u>	<u>\$ 4,022</u>	<u>\$ 385,835</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 *Transportation Development Act 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 Transportation Development Act Article 8 Fund (TDA Fund) of the City of Barstow, California (City), as of and for the year ended June 30, 2019 and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting of the TDA 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 the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA 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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA), 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 Section 6666 of Part 21 of the California Code of Regulations, Section 99400 of the Public Utilities Code and the allocation instructions of the SBCTA.

City's Responses to the 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 audit procedures applied in the audit of the financial statements and, accordingly, we express not 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
December 23, 2019

Finding 2019-001

TIMELINESS OF BANK ACCOUNT RECONCILIATION

Criteria:

The City should ensure that bank reconciliations are performed and reviewed timely.

Condition:

During our testing, we noted that the final June 30, 2019 citywide bank reconciliation was not prepared and reviewed timely.

Context:

The TDA Funds participates in the pooling of the City's cash and investment pool. While the amount held in the account was more than the amount allocated to the TDA Funds, it is necessary to reconcile the account with all participating funds in a timely manner.

Effect:

Due to the condition noted above, audit procedures for the TDA Funds were delayed.

Cause:

The City did not reconcile the bank account with all participating funds timely.

Recommendation:

We recommend the City enhance its bank reconciliation process to perform and review the reconciliation within 30 days of the previous month end.

View of Responsible Officials and Planned Corrective Action:

The newly appointed Administrative Services Manager will oversee the corrective action to this item during the current fiscal year.