

CITY OF BARSTOW, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2016

CITY OF BARSTOW, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2016**

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	13
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual TRIP Financing Fund	14
Note to Required Supplementary Information	15
Other Information	
Program Status: Comparison of 5 Year Plan Project Budget to Current Year Expenditures	16
Maintenance of Effort: Comparison of Base Level Amount to Annual Expenditures	17
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>	18



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, 2016, 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, 2016, 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, 2016, 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 13 through 15 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 on pages 16 and 17 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 20, 2016, 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 20, 2016

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

**BALANCE SHEET
JUNE 30, 2016**

	Special Revenue Funds		
	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund	TRIP Debt Service Fund
ASSETS			
Cash with Fiscal Agent	\$ -	\$ -	\$ 1,079,477
Interest Receivable	287		
Taxes Receivable	374,432	-	-
Total Assets	<u>\$ 374,719</u>	<u>\$ -</u>	<u>\$ 1,079,477</u>
LIABILITIES			
Accounts Payable	\$ 11,012	\$ -	\$ 850
Due to the City of Barstow	2,097,250	-	-
Total Liabilities	<u>2,108,262</u>	<u>-</u>	<u>850</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	13,758	-	-
FUND BALANCE			
Restricted		-	1,078,627
Unassigned	(1,747,301)		
Total Fund Balance	<u>(1,747,301)</u>	<u>-</u>	<u>1,078,627</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 374,719</u>	<u>\$ -</u>	<u>\$ 1,079,477</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, 2016**

	Special Revenue Funds		
	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund	TRIP Debt Service Fund
REVENUES			
Measure I Sales Tax	\$ 2,405,542	\$ -	\$ -
Investment Income	1,179	1	13,165
Intergovernmental	121,294	-	-
Total Revenues	<u>2,528,015</u>	<u>1</u>	<u>13,165</u>
EXPENDITURES			
Current:			
General Government - Project Administration	-	-	1,699
Debt Service:			
Principal	-	-	1,145,000
Interest	-	-	304,000
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,450,699</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>2,528,015</u>	<u>1</u>	<u>(1,437,534)</u>
OTHER FINANCING SOURCES/ (USES)			
Transfers Out to the City of Barstow	(2,831,683)	(220,178)	-
Transfer Out	(1,445,585)	-	(44)
Transfer In	-	44	1,445,585
Total Other Financing Sources/(Uses)	<u>(4,277,268)</u>	<u>(220,134)</u>	<u>1,445,541</u>
Net Change in Fund Balance	(1,749,253)	(220,133)	8,007
Fund Balance Beginning of Year	<u>1,952</u>	<u>220,133</u>	<u>1,070,620</u>
Fund Balance End of Year	<u>\$ (1,747,301)</u>	<u>\$ -</u>	<u>\$ 1,078,627</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, 2016**

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

C. Cash and Investments, (Continued)

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

D. Maintenance of Effort

In accordance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the San Bernardino County Transportation Authority, Local Street Program funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes. The maintenance of effort (MOE) base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in Fiscal Year 2008/2009. The MOE base year level as approved by the SANBAG Board of Directors shall remain in effect until the expiration of Measure I 2010-2040. General Fund expenditures in excess of the MOE base year level will carry over to subsequent fiscal years and can be applied in a future year to offset the amount the local agency may need to meet the MOE requirement. The City's determined MOE base level is \$601,014.

E. 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. The balance held with fiscal agent is considered a cash equivalent.

F. 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, 2016**

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, 2016**

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, 2016.

NOTE 5 – DUE TO THE CITY OF BARSTOW

At June 30, 2016, the Measure I 2010-2040 Fund owed the City \$2,097,250. \$97,250 represents short term borrowings from the City's investment pool. \$2,000,000 represents an advance from the City's General Fund in order to fund the completion of the Henderson/Cameron Area Road Project. The advance does not accrue interest and will be repaid over five years commencing in fiscal year 2016-17. Payments of \$250,000 will be due on or before June 30 each of the first four years with a \$1,000,000 payment due in fiscal year 2020-21.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – INTERFUND TRANSACTIONS

Transfers In	Transfer Out	
	TRIP Debt Service Fund	Measure I 2010-2040 Fund
Measure I TRIP Financing Fund	\$ 44	\$ -
TRIP Debt Service Fund	-	1,445,585
	<u>\$ 44</u>	<u>\$ 1,445,585</u>

Transfers from the TRIP Debt Service Fund to the Measure I TRIP Financing Fund in the amount of \$44 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 \$1,445,585 represent a transfer of Measure I revenues to fund the annual debt service payment.

NOTE 7 – TRANSFERS OUT TO THE CITY OF BARSTOW

Transfers In	Measure I 2010-2040 Fund	Measure I TRIP Financing Fund
City of Barstow	<u>\$ 2,831,683</u>	<u>\$ 220,178</u>

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 \$2,831,683 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 \$220,178 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PLEDGED REVENUES, (CONTINUED)

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
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
	<u>\$ 6,455,000</u>	<u>\$ 795,000</u>	<u>\$ 7,250,000</u>

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, 2016**

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Measure I	\$ 1,900,000	\$ 1,900,000	\$ 2,405,542	\$ 505,542
Investment Earnings, Net of Unrealized Losses	-	-	1,179	1,179
Reimbursements	250,000	370,000	121,294	(248,706)
Total Revenues	<u>2,150,000</u>	<u>2,270,000</u>	<u>2,528,015</u>	<u>258,015</u>
EXPENDITURES				
Current:				
General Government - Project Administration	-	-	-	-
Debt Service:				
Principal	1,145,000	-	-	-
Interest	304,000	-	-	-
Total Expenditures	<u>1,449,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>701,000</u>	<u>2,270,000</u>	<u>2,528,015</u>	<u>258,015</u>
OTHER FINANCING SOURCES/ (USES)				
Transfers Out to the City of Barstow	(2,514,700)	(3,618,772)	(2,831,683)	787,089
Transfer Out	-	(1,454,500)	(1,445,585)	8,915
Total Other Financing Sources/ (Uses)	<u>(2,514,700)</u>	<u>(5,073,272)</u>	<u>(4,277,268)</u>	<u>796,004</u>
Net Change in Fund Balance	(1,813,700)	(2,803,272)	(1,749,253)	1,054,019
Fund Balance Beginning of Year	<u>1,952</u>	<u>1,952</u>	<u>1,952</u>	<u>-</u>
Fund Balance End of Year	<u>\$ (1,811,748)</u>	<u>\$ (2,801,320)</u>	<u>\$ (1,747,301)</u>	<u>\$ 1,054,019</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, 2016**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings, Net of Unrealized Gain (Loss)	\$ -	\$ -	\$ 1	\$ 1
OTHER FINANCING SOURCES/ (USES)				
Transfer Out To the City of Barstow	-	(220,180)	(220,178)	2
Transfer in	-	-	44	44
Total Other Financing Sources/ (Uses)	-	(220,180)	(220,134)	46
Net Change in Fund Balance	-	(220,180)	(220,133)	47
Fund Balance Beginning of Year	220,133	220,133	220,133	-
Fund Balance End of Year	\$ 220,133	\$ (47)	\$ -	\$ 47

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, 2016**

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, 2016**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by Council Resolution No. 4814-2015 and subsequently amended through agenda item 2640. 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>	<u>5-Year Plan Project Budget</u>	<u>Current Fiscal Year Expenditures</u>	<u>Unexpended Budget</u>
Henderson / Cameron Area Project	\$ 2,789,678	\$ 2,789,678	\$ -
Lenwood Grade Separation	201,881	207,987	(6,106)
Barstow Road Area Traffic Signal Upgrade	47,018	1,680	45,338
First Ave Bridge over BNSF (PAED)	156,897	39,069	117,828
TRIP Debt Service Payment	1,449,000	1,449,000	-
Bond Fees	5,500	1,700	3,800
		<u>4,489,114</u>	
Expenditures for Regional Funding Agreement - North			
First Avenue Bridge Over Mojave River		13,446	
Total expenditures		<u>\$ 4,502,560</u>	
Total transfers out to City in Measure I 2010-2040 Fund		\$ 2,831,683	
Total transfers out to City in Measure I Trip Financing Fund		220,178	
Total expenditures in Measure I Trip Debt Service Fund		<u>1,450,699</u>	
Total Measure I expenditures at June 30, 2016		<u>\$ 4,502,560</u>	

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

**MAINTENANCE OF EFFORT: COMPARISON OF BASE LEVEL AMOUNT
TO ANNUAL EXPENDITURES
JUNE 30, 2016**

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

Fiscal Year Ending June 30,	General Fund Street and Highway Funds Utilized	Base Level Amount	Excess/(Deficiency)	Cumulative Excess/(Deficiency)
2010	\$ 1,458,719	\$ (601,014)	\$ 857,705	\$ 857,705
2011	1,991,867	(601,014)	1,390,853	2,248,558
2012	2,292,244	(601,014)	1,691,230	3,939,788
2013	1,495,321	(601,014)	894,307	4,834,095
2014	811,872	(601,014)	210,858	5,044,953
2015	489,166	(601,014)	(111,848)	4,933,105



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 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, 2016, 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 20, 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, 2016, 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's internal control over financial reporting of the Measure I Funds (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 20, 2016