

**CITY OF IMPERIAL, CALIFORNIA**

**MEASURE D SALES TAX FUND**

**Financial Statements and  
Other Information with  
Independent Auditors' Reports**

**For the year ended June 30, 2017**

**CITY OF IMPERIAL, CALIFORNIA**

**Measure D Sales Tax Fund  
For the Year Ended June 30, 2017**

**TABLE OF CONTENTS**

	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statement</b>	
Statement of Revenues and Allowable Expenditures	3
Notes to the Financial Statements	4
<b>Other Reports</b>	
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 D     Compliance Requirements</i>	7
Schedule of Findings and Responses	9
<b>Other Information</b>	
Schedule of Assets, Liabilities and Fund Balance	11
Schedule of Revenues, Expenditures and Changes in Fund Balance	12
Five Year Program of Projects	13



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Imperial County Local Transportation Authority  
El Centro, California

### **Report on the Financial Statements**

We have audited the accompanying statement of revenues and allowable expenditures of the Measure D Sales Tax Fund of the City of Imperial, California (City) for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on this financial statement 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the revenues and allowable expenditures of the Measure D Sales Tax Fund of the City for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The statement of revenues and allowable expenditures presents only the activity of Measure D Sales Tax Fund and does not purport to, and does not, present fairly the financial position of the City of Imperial, California, as of June 30, 2017, 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***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the statement of revenues and allowable expenditures of the Measure D Sales Tax Fund of the City. The other information, on pages 11 through 13 is presented for purposes of additional analysis and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018, on our consideration of the City's internal control over financial reporting over the statement of revenues and allowable expenditures and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



San Diego, California  
April 6, 2018

**FINANCIAL STATEMENT**

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**STATEMENT OF REVENUES AND ALLOWABLE EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2017**

Revenues:	
Sales tax revenue	\$ 670,734
Interest revenue	5,940
Other revenue	<u>500,088</u>
Total Revenues	<u>1,176,762</u>
Expenditures:	
Current:	
Road repairs and maintenance	<u>254,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>922,650</u>
Other Financing Sources (Uses):	
Bond proceeds	278,768
Transfer in from City	5,382
Transfer out to City	<u>(94,308)</u>
Total Other Financing Sources (Uses)	<u>189,842</u>
Net Revenues Over Expenditures	<u><u>\$ 1,112,492</u></u>

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

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

*Imperial County Local Transportation Authority*

The Imperial County Local Transportation Authority (the Authority) was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance which was adopted by the electorate on November 4, 2008. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The purpose of this ordinance was to allow the Authority to issue bonds payable from the enactment of a one half of one percent sales tax for a period of forty years. The proceeds of this tax are first allocated to the monthly debt service payments of the bonds, then to the County of Imperial and the member agencies for local street road purposes. Also, a portion of the tax revenues would be used for administration, transit services, and state highway purposes.

The funds that are generated by implementation of the Imperial County Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the following member agencies:

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland
- 8) County of Imperial

The members of the Board of the Authority consist of one member of the City Council of each incorporated City of Imperial County and two members of the Board of Supervisors of Imperial County. The members serve staggered terms with no term exceeding a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

*Compliance requirements of the Imperial County Local Transportation Authority*

Each member agency is required to comply with the By-Laws of the Imperial County Local Transportation Authority and the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan.

*Fund accounting*

Fund accounting is designed to demonstrate local compliance and to aid financial management by segregating transactions related to certain government functions or activities. The City of Imperial has an established special revenue fund to account for revenues and expenditures related to Ordinance 1-2008.



**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE B – BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, the Measure D Sales Tax Fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses).

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measureable means the amount of the transaction can be determined and “available” means within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred.

Ordinance No. 1-2008, The Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan, between the City of Imperial and the Imperial County Local Transportation Authority dated July 27, 2008 requires the schedule of revenues and allowable expenditure be reported in conformity with the terms of the agreement. The City uses the modified accrual basis of accounting to record the revenues and expenditure related to this ordinance.

*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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

*Sales Tax Revenue*

The Authority allocates sales tax to each member agency. The City’s allocable sales tax is net of amounts withheld for debt service as follows:

Gross sales tax allocated	\$ 1,146,466
Withheld for debt service	<u>475,732</u>
Net allocable sales tax	<u><u>\$ 670,734</u></u>

**NOTE C – RESTRICTION OF NET REVENUES**

The revenues in excess of expenditures reported on the financial statement are restricted for future expenditures authorized by Ordinance No. 1-2008.

**NOTE D – TRANSFER OUT TO CITY**

The City recorded a transfer out to the City of \$94,308 to reflect the reimbursement of Measure D eligible costs incurred in another City fund. Those costs are being funded with Measure D sales tax revenue.

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE E – BOND PROCEEDS**

On May 1, 2012, the Authority issued \$53,975,000 of Sales Tax Revenue Bonds which are secured by a pledge of all ICLTA sales tax revenues allocated to the County of Imperial and the Cities of Brawley, Calexico, Calipatria, and Imperial. The bond proceeds are held by the Authority until a reimbursement is requested by the City. During the year ended June 30, 2017, the City requested and received \$278,768 in bond proceeds.

## **OTHER REPORTS**



**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 D COMPLIANCE REQUIREMENTS**

Board of Directors  
Imperial County Local Transportation Authority  
El Centro, 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 statement of revenues and allowable expenditures of the Measure D Sales Tax Fund of the City of Imperial, California (City), for the year ended June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated April 6, 2018. Our report included an emphasis of matter stating that the financial statement of the Measure D Sales Tax Fund does not purport to, and does not, present fairly the financial statements of the City as of June 30, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statement of the Measure D Sales Tax Fund of the City is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including the requirements of Measure D matters as specified in the Imperial County Local Transportation Authority Retail Transactions and Use Ordinance No. 1-2008 (Ordinance), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance which is required to be reported under *Government Auditing Standards* and in accordance with the Ordinance and which is described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002. Our opinion is not modified with respect to these matters.

## **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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



San Diego, California  
April 6, 2018

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2017**

**Finding 2017-001**

**FIVE-YEAR LIST OF PROJECTS**

**Criteria:**

The *Imperial County Local Transportation Authority Retail Transactions and Use Tax Expenditure Plan (Plan)*, Section 5, states that each Local Agency shall annually notify the Authority of its policy body's official action approving its five-year list of projects.

**Condition:**

During our testing of the five-year list of projects, it was noted that the City was unable to provide the City Council approval of the list of projects.

**Context:**

The condition was noted during our testing of the five-year list of projects.

**Effect:**

The City was unable to demonstrate compliance with the Plan.

**Cause:**

The City was unable to provide the approval of the list of projects.

**Recommendation:**

We recommend the City enhance procedures to maintain documentation evidencing compliance with the Plan.

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

The City will ensure that a 5-year list of projects is approved annually by the City Council. The projects list will be approved in conjunction with the approval of the annual adopted budget.

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2017**

**Finding 2017-002**

**EXPENDITURES ON PROJECTS NOT INCLUDED IN FIVE YEAR LIST OF PROJECTS**

**Criteria:**

The *Imperial County Local Transportation Authority Retail Transactions and Use Tax Expenditure Plan (Plan)*, Section 5, states each Local Agency shall annually then develop a five-year list of projects to be funded with revenues made available under Section 4.

**Condition:**

The City was unable to provide a nexus between certain costs and the projects listed in the City's 5 year list of projects.

**Context:**

The condition was noted during our testing of expenditures and Section 5 of the Plan. The costs appeared to be for activities allowable under the Plan however the projects were not listed on the five-year list of projects. Exceptions totaling \$46,045 were noted.

**Effect:**

Exceptions totaling \$46,045 were noted.

**Cause:**

The City did not maintain policies and procedures to ensure Measure D revenues were used only for projects that are listed in the City's five- year list of projects.

**Recommendation:**

We recommend that the City implement procedures to ensure Measure D revenues are used only for projects approved in the City's five- year list of projects.

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

The City will ensure Measure D monies are used only for projects listed in the City's 5-year list of projects.

## **OTHER INFORMATION**



**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE  
JUNE 30, 2017**

Assets:	
Cash and cash equivalents	\$ 4,083,899
Accounts receivable	8,630
Interest receivable	1,932
	<hr/>
Total Assets	<u><u>\$ 4,094,461</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 13,060
	<hr/>
Fund Balance:	
Restricted:	
Road repairs and maintenance	4,081,401
	<hr/>
Total Liabilities and Fund Balance	<u><u>\$ 4,094,461</u></u>

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

Revenues:	
Sales tax	\$ 670,734
Interest	5,940
Other revenue	<u>500,088</u>
Total Revenues	<u>1,176,762</u>
Expenditures:	
Current:	
Road repairs and maintenance	<u>254,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>922,650</u>
Other Financing Sources (Uses):	
Bond proceeds	278,768
Transfer in	5,382
Transfer out	<u>(94,308)</u>
Total Other Financing Sources (Uses)	<u>189,842</u>
Net Change in Fund Balance	1,112,492
Restricted Fund Balance, Beginning of Year	<u>2,968,909</u>
Restricted Fund Balance, End of Year	<u><u>\$ 4,081,401</u></u>

**CITY OF IMPERIAL, CALIFORNIA  
MEASURE D SALES TAX FUND**

**FIVE YEAR PROGRAM OF PROJECTS  
JUNE 30, 2017**

<b><u>Project Name</u></b>	<b><u>Project Description</u></b>
1) La Brucherie South	Widening and associated improvement on La Brucherie between Treshill & Aten
2) Town Core	Roadway and sidewalk rehabilitation and associated work on all streets within the original Town Core of Imperial south of 15 <sup>th</sup> Street, west of P Street, north of 1 <sup>st</sup> Street and east of B Street
3) La Brucherie North	Roadway widening on Larsen Road and La Brucherie Road between Neckel and Larsen Road
4a) Joshua Tree Street	Pavement overlay and associated streetscape improvements on Joshua Tree Street
4b) Southwest City	Pavement overlay on Bougainvillea Trail and Sandalwood Glen Avenue; pavement overlay on Aten Blvd west of Vilore Way
4c) Northeast City	Pavement overlay and associated improvement on Canon and Rodeo Drive