

CITY OF WESTMORLAND, CALIFORNIA

MEASURE D SALES TAX FUND

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

For the year ended June 30, 2017

CITY OF WESTMORLAND, CALIFORNIA

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

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statement	
Statement of Revenues and Allowable Expenditures	3
Notes to the Financial Statements	4
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 <i>Government Auditing Standards</i> and <i>Measure D Compliance Requirements</i>	6
Schedule of Findings and Responses	8
Schedule of Prior Year Finding	10
Other Information	
Schedule of Assets, Liabilities and Fund Balance	11
Schedule of Revenues, Expenditures and Changes in Fund Balance	12
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	13
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balance To the Statement of Revenues and Allowable Expenditures	14
Five Year Program of Projects	15



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 Westmorland, 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Measure D Sales Tax Fund.

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.

Basis for Disclaimer of Opinion

Management has not reconciled balances in certain cash and investment accounts held by the City. The City pools its cash and investments other than accounts that are required to be held in separate bank accounts. The Measure D Sales Tax Fund is a participant in the City investment pool.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Measure D Sales Tax Fund of the City. Accordingly, we do not express an opinion on these financial statements.

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 Westmorland, California, as of June 30, 2017, 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.

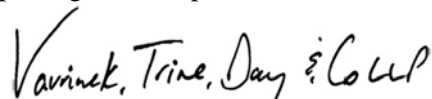
Other Matters

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 15 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 August 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
August 6, 2018

FINANCIAL STATEMENT

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

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

Revenues:		
Sales tax revenue		\$ 285,741
Interest revenue		<u>58</u>
Total Revenues		<u>285,799</u>
Expenditures:		
Current:		
Road repairs and maintenance		<u>50,697</u>
Excess revenues over allowable expenditures		<u><u>\$ 235,102</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WESTMORLAND, 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 Westmorland has an established special revenue fund to account for revenues and expenditures related to Ordinance 1-2008.

**CITY OF WESTMORLAND, 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 Westmorland and the Imperial County Local Transportation Authority dated July 27, 2008 requires the schedule of revenues and allowable expenditures be reported in conformity with the terms of the agreement. The City uses the modified accrual basis of accounting to record the revenues and expenditures 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.

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.

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 were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of revenues and allowable expenditures of the Measure D Sales Tax Fund of the City of Westmorland, California (City), for the year ended June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 6, 2018. Our report disclaims an opinion on such financial statements. Management has not reconciled balances in certain cash and investment accounts held by the City. The City pools its cash and investments other than accounts that are required to be held in separate bank accounts. The Measure D Sales Tax Fund is a participant in the City investment pool. Because of the significance of the matter described we were unable to apply other auditing procedures over these areas and therefore our scope of work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement. Our report also 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. 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 material weaknesses.

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 item 2017-001.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statement 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
August 6, 2018

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

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

Finding 2017-001

ALLOCATION OF INTEREST EARNED ON MEASURE D CASH AND INVESTMENTS

Criteria:

The *Imperial County Local Transportation Authority Retail Transactions and Use Tax Expenditure Plan (Plan)*, Section 9, states interest earned on funds allocated pursuant to this Ordinance shall be expended only for those purposes for which the funds were allocated.

Condition:

During our testing of revenues, it was noted that the City did not equitably allocate interest revenue to the Measure D Sales Tax Fund during the year.

Context:

As noted in item 2017-002 below, the City had accounts recorded that were not reconciled. In order to allocate interest from the City investment pool to participants, each participant's balance must be determined. Since the total balance is not reconciled, interest earned cannot be equitably allocated to participating funds.

Effect:

The City did not comply with Section 9 of the Plan.

Cause:

The City did not maintain policies and procedures to ensure interest revenue was equitably allocated to the Measure D Sales Tax Fund.

Recommendation:

We recommend that the City implement procedures to allocate interest revenue equitably to the Measure D Sales Tax Fund.

View of Responsible Official and Planned Corrective Action:

Corrective Action Plan:

A professional bookkeeping service is now providing financial and accounting services. A separate interest-bearing account was opened in April 2016 and accrued/earned interest has been documented in bank statements.

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

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

Finding 2017-002

BANK RECONCILIATIONS

Criteria:

The City of Westmorland should ensure that bank reconciliations are performed timely and accurately.

Condition:

During our testing, we noted that monthly bank reconciliations for the City's pooled cash and investment accounts were only performed for one bank account. The remaining accounts were not reconciled.

Context:

The condition noted above was identified during testing of cash and investment balances.

Effect:

The City's internal control is weakened by not performing bank reconciliations for all cash balances.

Cause:

The City did not maintain procedures to ensure that the bank reconciliations were properly prepared and reviewed in a timely manner.

Recommendation:

We recommend strengthening procedures to ensure the bank reconciliations are performed and reviewed in a timely manner.

View of Responsible Official and Planned Corrective Action:

Corrective Action Plan:

The City Treasurer has conducted reconciliation of bank statements/accounts; however, a more in-depth reconciliation process is planned for FY 18/19.

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

**SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2017**

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2016-001	Allocation of Interest Earned on Measure D Cash and Investments	Partially Implemented, See Finding 2017-001
2016-002	Bank Reconciliations	Not Implemented, See Finding 2017-002
2016-003	Unallowable Expenditures	Implemented

OTHER INFORMATION

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

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

Assets:	
Cash and cash equivalents	<u>\$ 1,233,337</u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	<u>\$ 136</u>
Fund Balance:	
Restricted:	
Road repairs and maintenance	<u>1,233,201</u>
Total Liabilities and Fund Balance	<u>\$ 1,233,337</u>

**CITY OF WESTMORLAND, 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	\$ 275,556
Interest	<u>58</u>
Total Revenues	<u>275,614</u>
Expenditures:	
Current:	
Road repairs and maintenance	<u>50,697</u>
Net Change in Fund Balance	224,917
Restricted Fund Balance, Beginning of Year	<u>1,008,284</u>
Restricted Fund Balance, End of Year	<u><u>\$ 1,233,201</u></u>

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance-Over (Under)</u>
Revenues:			
Revenues	\$ 278,200	\$ 275,556	\$ (2,644)
Interest	-	58	58
Total Revenues	<u>278,200</u>	<u>275,614</u>	<u>(2,586)</u>
Expenditures:			
Current:			
Road repairs and maintenance	<u>56,362</u>	<u>50,697</u>	<u>5,665</u>
Net Change in Fund Balance	221,838	224,917	3,079
Restricted Fund Balance, Beginning of Year	<u>1,008,284</u>	<u>1,008,284</u>	<u>-</u>
Restricted Fund Balance, End of Year	<u><u>\$ 1,230,122</u></u>	<u><u>\$ 1,233,201</u></u>	<u><u>\$ 3,079</u></u>

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

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

Revenues:

Sales tax - Schedule	\$ 275,556
May and June 2016 sales tax received in 2016-2017	(42,404)
May and June 2017 sales tax received in 2017-2018	<u>52,589</u>
Sales tax - Statement of Revenues and Allowable Expenditures	<u><u>\$ 285,741</u></u>

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

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

<u>ROAD</u>	<u>FROM</u>	<u>TO</u>	<u>PROJECT DESCRIPTION</u>
S.Center Street	SR 86	Baughman Rd	Traffic Calming
N. Center Street	SR 86	7th Street	Rehabilitation
N. Center Street	7th Street	8th Street	Reconstruction
1st Street	S. Center Street	F Street	Rehabilitation
1st Street	S. Center Street	C Street	Maintenance
1st Street	H Street	G Street	Rehabilitation
2nd Street	G Street	S. Center Street	Maintenance
3rd Street	F Street	S. Center Street	Maintenance
5th Street	G Street	B Street	Maintenance
5th Street	H Street	west end of street	Repair/Maintenance
G Street	6th Street	7th Street	Rehabilitation
6th Street	F Street	N. Center Street	Reconstruct
6th Street	H Street	west end of street	Repair/Maintenance
7th Street	N.Center	H Street	Minor / Maint
7th Street	H Street	Martin Rd	Rehabilitation
7th Street	D Street	Center Street	Reconstruction
8th Street	J Street	H Street	Reconstruction
8th Street	Center Street	150' E. of D St.	Repair/Maintenance
B Street	SR86	7th Street	Reconstruction
B Street	3rd Street	SR86	Reconstruction
C Street	SR 86	7th Street	Repair/Maintenance
D Street	7th Street	8th Street	Repair/Maintenance
F Street	SR86	5th Street	Reconstruction
F Street	6th Street	7th Street	Reconstruction
G Street	SR 86	3rd Street	Rehabilitation
H Street	5th Street	SR 86	Reconstruction
H Street	7th Street	8th Street	Reconstruction
J Street	7th Street	8th Street	Repair/Maintenance
Jauregui Street	G Street	End of Cul-de-sac	Repair/Maintenance
Sundance	J Street	End of Cul-de-sac	Repair/Maintenance