

**City of Holtville
Measure D Sales Tax Fund**

Holtville, California

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

For the Year Ended June 30, 2018



City of Holtville
Measure D Sales Tax Fund
For the Year Ended June 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the 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 Holtville, California ("City") for the year ended June 30, 2018, and the related notes to the financial statement, 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 statement 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 statement that is 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 of Holtville for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
of the Imperial County Local Transportation Authority
El Centro, California
Page 2

Emphasis of Matter

As discussed in Note 1 to the financial statement, 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 Holtville, California, as of June 30, 2018, 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 19 through 23 is presented for purposes of additional analysis and is not a required part of the financial statement. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, 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 solely 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 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 Measure D Sales Tax Fund.

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San Diego, California
February 26, 2019

FINANCIAL STATEMENT

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City of Holtville
Measure D Sales Tax Fund
Statement of Revenues and Allowable Expenditures
For the Year Ended June 30, 2018

| | |
|---|-------------------|
| Revenues: | |
| Sales tax | \$ 524,745 |
| Interest | 1,147 |
| Total revenues | <u>525,892</u> |
| Other Financing Sources (Uses): | |
| Transfer out to City | <u>(402,368)</u> |
| Total other financing sources (uses) | <u>(402,368)</u> |
| Change in Fund Balance | <u>\$ 123,524</u> |

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NOTES TO THE FINANCIAL STATEMENT

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City of Holtville
Measure D Sales Tax Fund
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Imperial County Local Transportation Authority

The Imperial County Local Transportation Authority “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 Holtville has an established special revenue fund to account for revenues and expenditures related to Ordinance 1, 2008.

City of Holtville
Measure D Sales Tax Fund
Notes to the Financial Statement (Continued)
For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statement 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 Holtville, California, as of June 30, 2018, 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.

Basis of Accounting

The Measure D Sales Tax Fund accounted for using a “*current financial resources*” measurement focus and the modified accrual basis of accounting. The statement of revenues, expenditures, and change in fund balance of the Measure D Sales Tax Fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable 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 Holtville 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 accounts for the Measure D Sales Tax Fund using a Special Revenue Fund to track and 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 2 - 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 | \$ 1,011,236 |
| Withheld for debt service | <u>486,491</u> |
| Net allocable sales tax | <u>\$ 524,745</u> |

Note 3 – 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.

City of Holtville
Measure D Sales Tax Fund
Notes to the Financial Statement (Continued)
For the Fiscal Year Ended June 30, 2018

Note 4 – Transfers Out to City

The City recorded a transfer out of \$402,368 to reflect the reimbursement of costs incurred in another City fund for Measure D eligible projects.

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OTHER REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND *MEASURE D COMPLIANCE REQUIREMENTS***

To the Board of Directors
of the 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 Holtville, California (“City”), for the year ended June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 26, 2019. 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, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the Imperial County Local Transportation Authority
El Centro, California
Page 2

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.

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San Diego, California
February 26, 2019

OTHER INFORMATION
(unaudited)

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City of Holtville
Measure D Sales Tax Fund
Schedule of Assets, Liabilities, and Fund Balance
June 30, 2018

Assets:

| | |
|--------------------------|----------------------------|
| Cash and cash equivalent | \$ 1,144,974 |
| Total assets | <u><u>\$ 1,144,974</u></u> |

Fund Balance:

| | |
|------------------------------|----------------------------|
| Restricted for: | |
| Road repairs and maintenance | \$ 1,144,974 |
| Total fund balance | <u><u>\$ 1,144,974</u></u> |

City of Holtville
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2018

Revenues:

| | |
|-----------------------|----------------|
| Sales tax | \$ 524,745 |
| Interest | <u>1,147</u> |
| Total revenues | <u>525,892</u> |

Other Financing Sources (Uses):

| | |
|---|------------------|
| Transfer out to City | <u>(402,368)</u> |
| Total other financing sources (uses) | <u>(402,368)</u> |

Change in Fund Balance

123,524

Fund Balance:

| | |
|-------------------|----------------------------|
| Beginning of year | <u>1,021,450</u> |
| End of year | <u><u>\$ 1,021,450</u></u> |

City of Holtville
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------|---------------------|---------------------------------------|
| Revenues: | | | |
| Sales tax | \$ 480,000 | \$ 524,745 | \$ 44,745 |
| Interest | 750 | 1,147 | 397 |
| Total revenues | <u>480,750</u> | <u>525,892</u> | <u>45,142</u> |
| Other Financing Sources (Uses): | | | |
| Transfer out to City | <u>(1,001,820)</u> | <u>(402,368)</u> | <u>599,452</u> |
| Total other financing sources (uses) | <u>(1,001,820)</u> | <u>(402,368)</u> | <u>599,452</u> |
| Change in Fund Balance | (521,070) | 123,524 | 644,594 |
| Fund Balance: | | | |
| Beginning of year | <u>1,021,450</u> | <u>1,021,450</u> | <u>-</u> |
| End of year | <u>\$ 500,380</u> | <u>\$ 1,144,974</u> | <u>\$ 644,594</u> |

City of Holtville
Measure D Sales Tax Fund
Five Year Program of Projects
June 30, 2018

| STREET | FROM | TO | PROJECT |
|---------------------------------------|-------------------|----------------------|---|
| Fern Avenue | Fifth Street | Fourth Street | Reconstruct |
| Fern Avenue | Fifth Street | Sixth Street | Resurface |
| Various Streets | | | Maintenance & Restorative Seal |
| Artesia Avenue | Myrtle Avenue | Olive Avenue | Maintenance & Restorative Seal |
| Eighth Street | Melon | Olive Avenue | Maintenance & Restorative Seal |
| Fern Avenue | Sixth Street | Ninth Street | Maintenance & Restorative Seal |
| Orange Avenue | Fifth Street | Tenth Street | Maintenance & Restorative Seal |
| Walnut Avenue | 237 S of Third St | Tenth Street | Maintenance & Restorative Seal |
| Maple Avenue | Fourth Street | Ninth Street | Maintenance & Restorative Seal |
| Chestnut Avenue | Fourth Street | Ninth Street | Maintenance & Restorative Seal |
| Brentwood Avenue | Seventh Street | Ninth Street | Maintenance & Restorative Seal |
| Holt Avenue | Fifth Street | Ninth Street | Maintenance & Restorative Seal |
| Sixth Street | Orange Avenue | 350 East of Grape | Maintenance & Restorative Seal |
| Grape Avenue | Fifth Street | Sixth Street | Maintenance & Restorative Seal |
| Myrtle Avenue | Sixth Street | West Seventh St | Maintenance & Restorative Seal |
| South Half of 6th St | Tamarack | Melon Ave | Maintenance & Restorative Seal |
| Fifth Street | Tamarack Ave | Mesquite Ave | Maintenance & Restorative Seal |
| Cedar Street | Fourth Street | Alamo Bridge | Maintenance & Restorative Seal |
| Holt Avenue | Ninth Street | Tenth Street | Maintenance & Restorative Seal |
| Tenth Street | Holt Avenue | Orange Ave | Maintenance & Restorative Seal |
| Cedar Avenue | Seventh Street | Ninth Street | Maintenance & Restorative Seal |
| Fourth Street | Highway 115 | Holt Avenue | Maintenance & Restorative Seal |
| Fourth Street | Holt Avenue | Walnut Avenue | Maintenance & Restorative Seal |
| Fourth Street | Walnut Avenue | Grape Avenue | Maintenance & Restorative Seal |
| Pine Avenue | Fourth Street | Fifth Avenue | Maintenance & Restorative Seal |
| Pine Avenue | Fifth Street | Ninth Street | Maintenance & Restorative Seal |
| Holt Avenue | Fourth Street | Fifth Street | Maintenance & Restorative Seal |
| Walnut Avenue | South County Line | 237 S of Third St | Maintenance & Restorative Seal |
| Sixth Street | Holt Avenue | Orange Avenue | Maintenance & Restorative Seal Tamarack |
| Sixth Street | Melon Avenue | Holt Avenue Of Fifth | Maintenance & Restorative Seal |
| Tenth Street | Orange Avenue | | Maintenance & Restorative Seal |
| Figueroa Avenue | Ninth Street | Tenth Street | Maintenance & Restorative Seal |
| Circle Drive | Eighth Street | Ninth Street | Maintenance & Restorative Seal |
| Circle Drive | Eighth Street | Chestnut Ave | Maintenance & Restorative Seal |
| Figueroa Avenue | Seventh St | Eighth Street | Maintenance & Restorative Seal |
| Fig Avenue | Fifth Street | Sixth Street | Maintenance & Restorative Seal |
| Maple Avenue | Third Street | Fourth Street | Maintenance & Restorative Seal |
| Third Street | Walnut Avenue | Grape Avenue | Maintenance & Restorative Seal |
| Chestnut Avenue | Third Street | Fourth Street | Maintenance & Restorative Seal |
| Rose Avenue - East of Chestnut Avenue | | | Maintenance & Restorative Seal |
| Ninth Street | Beale Avenue | Towland Road | Maintenance & Restorative Seal |
| Seventh Street | Beale Avenue | Towland Road | Maintenance & Restorative Seal |
| Webb Avenue | Seventh Street | Ninth Street | Maintenance & Restorative Seal |
| Ash Avenue | Eighth Street | Ninth Street | Maintenance & Restorative Seal |
| Elm Avenue | Eighth Street | Ninth Street | Maintenance & Restorative Seal |
| Oak Avenue | Eighth Street | Ninth Street | Maintenance & Restorative Seal |
| Eighth Street | Ash Avenue | Oak Avenue | Maintenance & Restorative Seal |
| Grape Avenue | Fourth Street | Fifth Street | Maintenance & Restorative Seal |
| Seventh Street | Myrtle Avenue | Beale Avenue | Maintenance & Restorative Seal |
| Eighth Street | Olive Avenue | Beale Avenue | Maintenance & Restorative Seal |
| Wooldridge Ave | Melon Ave | Olive Avenue | Maintenance & Restorative Seal |
| Ninth Street | Olive Avenue | Beale Avenue | Maintenance & Restorative Seal |

City of Holtville
Measure D Sales Tax Fund
Five Year Program of Projects (Continued)
June 30, 2018

| STREET | FROM | TO | PROJECT |
|--|---------------------------|----------------|---------------------------------|
| Melon Avenue | Sixth Street | Ninth Street | Maintenance & Restorative Seal |
| Olive Avenue | Fifth Street | Ninth Street | Maintenance & Restorative Seal |
| Palm Avenue | Fourth Street | Highway 115 | Maintenance & Restorative Seal |
| Palm Avenue | Fifth Street | Ninth Street | Maintenance & Restorative Seal |
| Cedar Avenue | Fourth Street | Seventh Street | Maintenance & Restorative Seal |
| Orange Avenue | 200' S of Fifth St | | Maintenance & Restorative Seal |
| Beale Avenue | Seventh Street | Ninth Street | Maintenance & Restorative Seal |
| 8th Street | Maple | Walnut Ave | Maintenance & Restorative Seal |
| Figueroa Avenue | Fifth Street | Sixth Street | Maintenance & Restorative Seal |
| Olive Avenue | Ninth Street | Tenth Street | Maintenance & Restorative Seal |
| Ninth Street | Slaton | Brentwood | Maintenance & Restorative Seal |
| Grape Avenue | Fourth Street | Third Street | Construct Extension |
| Beale Avenue | Ninth Street | Tenth Street | Construct Extension |
| Willow Avenue | Ninth Street | Tenth Street | Construct Extension |
| Grape Court | East of Grape Avenue | | Construct Extension |
| Grape Avenue | Fourth Street | Fifth Street | Install Curb, Gutter & Sidewalk |
| Walnut Ave Impr Phase II | First Street | Fourth Street | |
| Monument Sign Phase II | | | |
| Cedar Avenue | Fourth Street | Fifth Street | Install Curb, Gutter & Sidewalk |
| Fourth Street | Cedar Avenue | Walnut Avenue | Install Curb, Gutter & Sidewalk |
| 5th Street, Holt Ave & Cedar Ave | | | Bus Shelter/Curbs TDA Projects |
| 4th Street/SR 115 - Alamo River Trail | | | |
| Alamo River Habitat Conservation | | | |
| Citywide | | | Develop Electric Vehicle Plan |
| 4th Street/SR 115 - Alamo River Bridge | | | Develop Electric Vehicle Plan |
| Rail ROW Acquisitions | Grape Avenue Intersection | | Acquire EV Path Route |
| SR 115/5th Street | | | Install Curb, Gutter & Sidewalk |
| Ninth Street | Brentwood | | Underground IID Lateral Canal |
| 9th Street Constr | | | |
| Ninth Street | Slayton | Beale | Underground IID Lateral Canal |
| Ninth Street | Cedar | Palm | Underground IID Lateral Canal |
| Citywide | | | Street Sign Replacement |
| Citywide | | | Sidewalk Rehab/Replacement |
| Complete Street Plan | | | Transportation Planning Project |
| 6th Street Improvements | | | |
| 4th Street Project | | | |
| 9th St Lateral | Cedar | Olive | |

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