

City of Westmorland Measure D Sales Tax Fund

Westmorland, California

Financial Statement and Other Information with Independent Auditors' Reports

For the Year Ended June 30, 2019



City of Westmorland
Measure D Sales Tax Fund
For the Year Ended June 30, 2019

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report on Financial Statement	1
Financial Statement:	
Statement of Revenues and Allowable Expenditures	5
Notes to the Financial Statement.....	9
Other Reports:	
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 <i>Government Auditing Standards</i> and <i>Measure D Compliance Requirements</i>	15
Schedule of Findings.....	17
Other Information:	
Schedule of Assets, Liabilities and Fund Balance	19
Schedule of Revenues, Expenditures, and Change in Fund Balance	20
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual	21
Five Year Program of Projects	22
Notes to Other Information	23

This page intentionally left blank.

FINANCIAL SECTION

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

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, 2019, 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 this 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 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, 2019, in accordance with accounting principles generally accepted in the United States of America.

4365 Executive Drive, Suite 710, San Diego, California 92121

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

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 Westmorland, California, as of June 30, 2019, 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 21 through 24 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 February 27, 2020, 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.

A handwritten signature in black ink that reads "The Pen Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
February 27, 2020

FINANCIAL STATEMENT

This page intentionally left blank.

City of Westmorland
Measure D Sales Tax Fund
Statement of Revenues and Allowable Expenditures
For the Year Ended June 30, 2019

Revenues:

Sales tax	\$ 22,391
Interest	103
Total revenues	<u>22,494</u>

Expenditures:

Current:	
Road repairs and maintenance	<u>303,512</u>
Total expenditures	<u>303,512</u>

Change in Fund Balance	<u><u>\$ (281,018)</u></u>
-------------------------------	----------------------------

This page intentionally left blank.

NOTES TO THE FINANCIAL STATEMENT

This page intentionally left blank.

City of Westmorland
Measure D Sales Tax Fund
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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 No. 1-2008.

City of Westmorland
Measure D Sales Tax Fund
Notes to the Financial Statement (Continued)
For the Fiscal Year Ended June 30, 2019

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 Westmorland, California, as of June 30, 2019, 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 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 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	\$	22,391
Withheld for debt service		-
Net allocable sales tax	\$	<u>22,391</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.

OTHER REPORTS

This page intentionally left blank.



**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***

Independent Auditors' Report

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 Westmorland, California (City), for the year ended June 30, 2019, and the related notes to the financial statement, and have issued our report thereon dated February 27, 2020. 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, 2019.

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. We consider the deficiency described in the accompanying Schedule of Findings to be a material weakness (item 2019-001).

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.

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

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*.

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
February 27, 2020

City of Westmorland
Measure D Sales Tax Fund
Schedule of Findings
June 30, 2019

Section I – Compliance Findings

A. Current Year Findings

Finding 2019-001 Restatement of Beginning Balance

Criteria:

Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing.

Condition:

During the audit, we noted amounts due from other funds in the amount of \$908,930 as of July 1, 2018 were not recorded. These amounts were the result of Measure D revenues being misidentified and recorded in another fund. A prior period adjustment was recorded to the Measure D Sales Tax Fund in order to record the amount due from other City funds.

Cause:

The City did not properly follow its policies and procedures for evaluating, reviewing, and properly recording financial transactions in the prior year. Certain Measure D revenues had been recorded in the incorrect fund and the City did not have effective review procedures in place to catch the error.

Effect:

The City's Measure D Sales Tax Fund's Schedule of Revenues, Expenditures, and Change in Fund Balance's beginning net position was understated by \$908,930.

Recommendation:

The City should enhance its review processes over revenue recording and year-end closing in order to facilitate accurate and complete revenue recording, year-end closing of the general ledger, and preparation of its basic financial statements.

View of Responsible Officials:

The City agrees with the recommendation.

B. Prior Year Findings

No findings were noted for the year ended June 30, 2018.

This page intentionally left blank.

OTHER INFORMATION
(Unaudited)

This page intentionally left blank.

City of Westmorland
Measure D Sales Tax Fund
Schedule of Assets, Liabilities and Fund Balance
June 30, 2019
(Unaudited)

Assets:

Cash and cash equivalents	\$ 372,268
Due from other funds	<u>807,807</u>
Total assets	<u><u>\$ 1,180,075</u></u>

Liabilities and Fund Balance:

Fund Balance:

Restricted for:	
Road repairs and maintenance	<u>1,180,075</u>
Total fund balance	<u>1,180,075</u>
Total liabilities and fund balance	<u><u>\$ 1,180,075</u></u>

City of Westmorland
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2019
(Unaudited)

Revenues:

Sales tax	\$ 22,391
Interest	103
Total revenues	<u>22,494</u>

Expenditures:

Current:	
Road repairs and maintenance	303,512
Total expenditures	<u>303,512</u>

Change in Fund Balance	(281,018)
-------------------------------	-----------

Fund Balance:

Beginning of year, as restated	1,461,093
End of year	<u>\$ 1,180,075</u>

City of Westmorland
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(Unaudited)

	Budget	Actual	Variance with Final Budget
Revenues:			
Sales tax	\$ 266,557	\$ 22,391	\$ (244,166)
Interest	96	103	7
Total revenues	266,653	22,494	(244,159)
Expenditures:			
Current:			
Road repairs and maintenance	66,353	303,512	(237,159)
Transfers out to City	143,727	-	143,727
Total expenditures	210,080	303,512	(93,432)
Change in Fund Balance	\$ 122,926	(281,018)	\$ 403,944
Fund Balance:			
Beginning of year, as restated		1,461,093	
End of year		\$ 1,180,075	

City of Westmorland
Measure D Sales Tax Fund
Five Year Program of Projects
June 30, 2019
(Unaudited)

STREET	FROM	TO	PROJECT
Center Street	Baughman Rd.	8 th Street	Rehab/Maintenance
Bee Street	3 rd Street	Hwy 86	Rehab/Maintenance
B Street	Hwy 86	7 th Street	Construct/Rehab/Repair/Maintenance
C Street	1 st Street	7 th Street	Construct/Rehab/Repair/Maintenance
D Street	1 st Street	8 th Street	Construct/Rehab/Repair/Maintenance
F Street	1 st Street	7 th Street	Construct/Rehab/Repair/Maintenance
G Street	1 st Street	7 th Street	Construct/Rehab/Repair/Maintenance
H Street	1 st Street	8 th Street	Construct/Rehab/Repair/Maintenance
I St	7 th Street	8 th Street	Construct/Repair/Maintenance
J Street	7 th Street	8 th Street	Construct/Repair/Maintenance
Martin Road	South City limits	8 th Street	Construct/Rehab/Repair/Maintenance
Martin/SR86	Intersection		Signalize/Intersection Improvements
Baughman Road	Center Street	West City Lim.	Repair/Maintenance
1 st Street	B Street	H Street	Construct/Rehab/Repair/Maintenance
2 nd Street	C Street	G Street	Construct/Rehab/Repair/Maintenance
3 rd Street	C Street	G Street	Construct/Rehab/Repair/Maintenance
5 th Street	B Street	West of H St.	Construct/Rehab/Repair/Maintenance
6 th Street	B Street	West of H St.	Construct/Rehab/Repair/Maintenance
7 th Street	Dean Road	Martin Road	Construct/Rehab/Repair/Maintenance
8 th Street	East of D St	Center St	Construct/Rehab/Repair/Maintenance
8 th Street	H Street	Martin Road	Construct/Rehab/Repair/Maintenance
Jauregui Street	G Street	Cul de sac	Repair/Rehab/Maintenance
Sundance Street	J Street	Cul de sac	Repair/Rehab/Maintenance
Bonita Street	Center St	Cook Street	Construct/Rehab/Repair/Maintenance
Beverlee Way	Center St	Cook Street	Construct/Rehab/Repair/Maintenance
Cook Street	Baughman Road	1 st Street	Construct/Rehab/Repair/Maintenance
Dean Road	7 th Street	Howenstein Rd.	Construct
Howenstein Road	Dean Road	C Street	Construct
Howenstein Road	Martin Road	I Street	Construct

City of Westmorland
Measure D Sales Tax Fund
Notes to Other Information
For the Fiscal Year Ended June 30, 2019

Note 1 – Prior Period Adjustment

The City recorded a prior period adjustment of \$908,930 in order to record amounts due from other funds as of July 1, 2018. The prior period adjustment is as follows:

Fund balance as previously reported	\$ 552,163
Adjustment	908,930
Adjusted beginning fund balance	<u>\$ 1,461,093</u>

This page intentionally left blank.