

CITY OF WESTMORLAND
LTA-Streets Fund

Financial Statement and Supplementary Information with
Independent Auditor's Reports

For the Year Ended June 30, 2014

CITY OF WESTMORLAND
LTA-Streets Fund

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For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying statement of revenues and allowable expenses of the City of Westmorland LTA-Streets Fund for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of Ordinance No. 1-2008, The Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Fund, between the City of Westmorland and the Imperial County Local Transportation Authority dated July 27, 2008. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's 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 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 expenses of the City of Westmorland LTA-Streets Fund for the year ended June 30, 2014, in accordance with the financial reporting provisions of Ordinance No. 1-2008.

Basis of Accounting

We draw attention to Note B of the financial statement, which describes the basis of accounting. The financial statement is prepared by the City of Westmorland on the basis of the financial reporting provisions of Ordinance 1-2008 between the City of Westmorland and the Imperial County Local Transportation Authority which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2015 on our consideration of the City of Westmorland LTA-Streets Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Westmorland LTA-Streets Fund's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of the city council and management of the City of Westmorland and the board of directors and management of Imperial County Local Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, consisting of several fluid, overlapping strokes.

Palm Desert, California
April 9, 2015

FINANCIAL STATEMENT

CITY OF WESTMORLAND
LTA-Streets Fund

Statement of Revenues and Allowable Expenses

For the Year Ended June 30, 2014

Revenues:	
Sales Tax Revenue	\$ 336,131
Interest Revenue	<u> -</u>
Total Revenues	<u> 336,131</u>
Expenses:	
Road Repairs and Maintenance	<u> 363,946</u>
Total Expenses	<u> 363,946</u>
Net Revenues (Deficit)-Restricted	<u> \$ (27,815)</u>

See accompanying notes to financial statement

NOTES TO FINANCIAL STATEMENT

CITY OF WESTMORLAND
LTA-Streets Fund

Notes to Financial Statement

For the Year Ended June 30, 2014

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 as 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 is 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 small 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 Westmorland
- 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 the Imperial County and two members of the Board of Supervisors of Imperial County. The members serve staggered terms with no term over 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 Imperial County Local Transportation Authority and the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan.

CITY OF WESTMORLAND
LTA-Streets Fund

Notes to Financial Statement

For the Year Ended June 30, 2014

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 fund to account for revenues and expenditures related to Ordinance 1-2008.

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 LTA-Streets 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). "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 Fund, between the City of Westmorland and the Imperial County Local Transportation Authority dated July 27, 2008 requires the schedule of revenues and allowable costs be reported in conformity with the terms of the agreement. The City uses the modified accrual basis of accounting to record the revenues and costs related to this ordinance.

NOTE C. RESTRICTION OF NET REVENUES

The Net Revenues reported on the financial statement is restricted for future expenditures authorized by Ordinance No. 1-2008.

NOTE D. ADMINISTRATIVE COSTS

Ordinance No. 1-2008 prohibits the City of Westmorland from allocating administrative costs to the program.

AUDITOR'S OTHER REPORTS



INDEPENDENT AUDITOR'S 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

Board of Directors
Imperial County Local Transportation Commission
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 Revenue and Allowable Expenses of the City of Westmorland LTA-Streets Fund, for the year ended June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated April 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Westmorland LTA-Streets Fund'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 of Westmorland LTA-Streets Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the the City of Westmorland LTA-Streets Fund'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 statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westmorland LTA-Streets Fund financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Item 2014-001.

City of Westmorland LTA-Streets Fund Response to Findings

City of Westmorland LTA-Streets Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Westmorland LTA-Streets Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Palm Desert, California
April 9, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE IMPERIAL
COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS
AND USE TAX ORDINANCE NO. 1-2008

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

Compliance

We have audited the City of Westmorland LTA-Streets Fund compliance with Ordinance No. 1-2008 that could have direct and material effect on the City of Westmorland LTA-Streets Fund for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations and contracts applicable to its LTA-Streets Fund.

Auditor's Responsibility

Our responsibility is to express an opinion on the City of Westmorland LTA-Streets Fund compliance based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance No. 1-2008. Those standards and Ordinance 1-2008 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City of Westmorland's LTA-Streets Fund occurred. An audit includes examining, on a test basis, evidence about the City of Westmorland's LTA-Streets Fund compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Westmorland's LTA-Streets Fund compliance with those requirements.

Opinion

In our opinion, the City of Westmorland's LTA-Streets Fund compiled, in all material respects, with the compliance requirement referred to above that are applicable to the City of Westmorland's LTA-Streets Fund for the year ended June 30, 2014.

Internal Control Over Compliance

Management of the City of Westmorland's LTA-Streets Fund is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Westmorland's LTA-Streets Fund's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Westmorland's LTA-Streets Fund internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance No. 1-2008. Accordingly, this report is not suitable for any other purpose.

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Palm Desert, California
April 9, 2015

CITY OF WESTMORLAND
LTA-Streets Fund

Schedule of Findings and Questioned Costs

Finding 2014-001: Allocation of interest Earned on LTA-Streets Fund Cash Held by the City

Condition: We noted during our testing of revenues the City reported no earned interest from LTA-Streets Fund cash.

Criteria: Section 9 of the Imperial County Local Transportation Authority Retail Transactions and Use Ordinance and Expenditure Plan requires interest earned on LTA-Streets funds may only be used for expenses allowed by the Expenditure Plan.

Effect: The City is not in compliance with Section 9 of the Imperial County Local Transportation Authority Retail Transactions and Use Ordinance and Expenditure Plan.

Recommendation: We recommend interest earned on LTA-Streets funds be used only for purposes stated in the Expenditure Plan.

Management's Response: City Treasurer and staff will be working on establishing the best method of calculating interest earned to the LTA fund.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION



OSCAR G. ARMIJO
Certified Public Accountant

41-990 COOK ST., STE. 501 • PALM DESERT, CALIFORNIA 92211 • (760) 773-4078 • FAX (760) 773-4079

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statement of the City of Westmorland LTA-Streets Fund as of and for the year ended June 30, 2014, and our report thereon dated April 9, 2015, which expressed an unmodified opinion on the financial statement, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The supplementary information on pages 12-16, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we do not express an opinion or provide any assurance on it.

Palm Desert, CA
April 9, 2015

SUPPLEMENTARY INFORMATION

CITY OF WESTMORLAND
LTA-Streets Fund

Schedule of Assets, Liabilities and Fund Balance

June 30, 2014

ASSETS:	
Cash and cash equivalents	\$ 1,359,236
TOTAL ASSETS	<u>\$ 1,359,236</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 17
TOTAL LIABILITIES	<u>17</u>
FUND BALANCE:	
Restricted:	
Road repairs and maintenance	<u>1,359,219</u>
TOTAL RESTRICTED FUND BALANCE	<u>1,359,219</u>
TOTAL LIABILITIES AND RESTRICTED FUND BALANCE	<u>\$ 1,359,236</u>

CITY OF WESTMORLAND
LTA-Streets Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2014

REVENUES:	
Sales tax	\$ 309,611
Interest	<u>-</u>
TOTAL REVENUES	<u>309,611</u>
EXPENSES:	
Road Repairs and Maintenance	<u>382,001</u>
TOTAL EXPENSES	<u>382,001</u>
Excess of Revenues under Expenses	(72,390)
Restricted Fund Balance, Beginning of Year	<u>1,431,609</u>
Restricted Fund Balance, End of Year	<u>\$ 1,359,219</u>

CITY OF WESTMORLAND
LTA-Streets Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual

For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance-Over (Under)</u>
REVENUES			
Revenues	\$ 336,131	\$ 309,611	\$ (26,520)
Interest	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>336,131</u>	<u>309,611</u>	<u>\$ (26,520)</u>
EXPENDITURES			
Road repairs and maintenance	<u>365,000</u>	<u>382,001</u>	<u>17,001</u>
TOTAL EXPENDITURES	<u>365,000</u>	<u>382,001</u>	<u>17,001</u>
Increase (decrease) in fund balance	(28,869)	(72,390)	(43,521)
Restricted Fund balance, Beg of Year	<u>1,431,609</u>	<u>1,431,609</u>	<u>-</u>
Restricted Fund balance, End of Year	<u>\$ 1,402,740</u>	<u>\$ 1,359,219</u>	<u>\$ (43,521)</u>

CITY OF WESTMORLAND
LTA-Streets Fund

5 Year Program of Projects 2012/17

<u>ROAD</u>	<u>FROM</u>	<u>TO</u>	<u>PROJECT DESCRIPTION</u>
S. Center Street	Highway 86	Baughman Road	Traffic Claming
N. Center Street	Highway 86	Seventh Street	Rehabilitation
N. Center Street	Seventh Street	Eighth Street	Reconstruction
First Street	S. Center Street	F Street	Rehabilitation
First Street	S. Center Street	C Street	Maintenance
First Street	H Street	G Street	Rehabilitation
Second Street	G Street	S. Center Street	Maintenance
Third Street	F Street	S. Center Street	Maintenance
Fifth Street	G Street	C Street	Maintenance
Fifth Street	H Street	West end of Street	Repair/Maintenance
Sixth Street	F Street	N. Center Street	Reconstruction
Sixth Street	H Street	West end of Street	Repair/Maintenance
Seventh Street	N. Center Street	H Street	Maintenance
Seventh Street	H Street	Martin Rd	Rehabilitation
Seventh Street	D Street	B Street	Reconstruction
Eighth Street	J Street	H Street	Reconstruction
Eighth Street	Center Street	150' E. of D Street	Repair/Maintenance
B Street	Highway 86	Seventh Street	Reconstruction
B Street	Third Street	Highway 86	Reconstruction
C Street	Highway 86	Seventh Street	Repair/Maintenance
D Street	Seventh Street	Eighth Street	Repair/Maintenance
F Street	Highway 86	Fifth Street	Reconstruction
F Street	Third Street	Seventh Street	Reconstruction
G Street	Highway 86	Third Street	Rehabilitation
H Street	Fifth Street	Highway 86	Reconstruction
H Street	Seventh Street	Eighth Street	Reconstruction
J Street	Seventh Street	Eighth Street	Repair/Maintenance
Jauregui Street	G Street	End of Cul-de-sac	Repair/Maintenance
Sundance	J Street	End of Cul-de-sac	Repair/Maintenance
Seventh Street	Seventh Street	N. Center Street	Drainage Repairs
Eighth Street	E. Eighth Street	N. Center Street	Drainage Repairs
Eighth Street	W. Eighth Street	Martin Rd	Drainage Repairs
N. Center Street	N. Center Street	E. Main Street	Drainage Repairs