

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 allocation	\$	1,953,196
Withheld for debt service		<u>(372,500)</u>
Net sales tax allocation	\$	<u>1,580,696</u>

NOTE 3 RESTRICTION OF NET REVENUES

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

NOTE 4 STATE GRANT

State grant under Measure D Sales Tax Fund consists of reimbursements from California Department of Transportation for the 2nd street rehabilitation and reconstruction amounted to \$169,370.

NOTE 5 TRANSFERS OUT TO THE CITY

The Measure D Sales Tax Fund recorded a transfer out to the City of \$565,311. The transfer out was used to reimburse a portion of its share of the street maintenance projects incurred in another City fund.



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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of revenues, expenditures and change in fund balance (Schedule) of the Measure D Sales Tax Fund (the Fund) of the City of Imperial, California (City), for the year ended June 30, 2023, and the related notes to the schedule, and have issued our report thereon dated January 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered the City's internal control over the Fund's financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, 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 or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule 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 Schedule. 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 City's internal control or on compliance related to the Measure D Sales Tax Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's Measure D Sales Tax Fund internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Glendale, California
January 1, 2024



Independent Auditor's Report on Compliance

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

Report on Compliance

Opinion

We have audited the City of Imperial, California's (the City) compliance with the requirements of Measure D as specified in the Imperial County Local Transportation Authority Retail Transactions and Use Ordinance No. 1-2008 ("Ordinance") for the year ended June 30, 2023.

In our opinion, the City of Imperial, California complied, in all material respects, with the compliance requirements of the Ordinance for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards and the Ordinance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance with the Ordinance. Our audit does not provide a legal determination of City's compliance with the Ordinance.

Responsibilities of Management for Compliance

Management is responsible for the City's compliance with the Ordinance and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the Ordinance.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Ordinance as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Ordinance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Ordinance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Ordinance will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Ordinance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Draft 2/1/24

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.

Glendale, California
January 1, 2024

Section I – Compliance Findings

No findings were noted for the year ended June 30, 2023.

Draft 2/1/24

OTHER INFORMATION

Assets

Cash and cash equivalents	\$ 1,993,767
Total assets	<u>\$ 1,993,767</u>

Liabilities and Fund Balance:

Liabilities:

Accounts payable	\$ 159,633
Total liabilities	<u>159,633</u>

Fund Balance

Restricted for road repairs and maintenance	<u>1,834,134</u>
Total fund balance	<u>1,834,134</u>
Total liabilities and fund balance	<u>\$ 1,993,767</u>

City of Imperial
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2023
(Unaudited)

Revenues		
Sales tax	\$	1,580,696
Interest earnings		1,607
State grant		169,370
	Total revenues	<u>1,751,673</u>
Expenditures		
Road repairs and maintenance		<u>1,174,095</u>
	Total expenditures	<u>1,174,095</u>
Deficiency of Revenues Over Expenditures		<u>577,578</u>
Other Financing Uses:		
Transfers out to the City		<u>(565,311)</u>
	Total other financing uses	<u>(565,311)</u>
Change in Fund Balance		12,267
Fund Balance		
Beginning of year		959,165
Prior period adjustment		862,702 **
End of year	\$	<u>1,834,134</u>

** Prior period adjustments for the net impact of refund from Imperial Irrigation District, state grant from California Department of Transportation, April 2022 sales tax allocation from the Authority, and prior period expenditures incurred under the Measure D Sales Tax Fund

City of Imperial
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget and Actual
Year Ended June 30, 2023
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Sales tax	\$ 850,000	\$ 1,580,696	\$ 730,696
Interest earnings	200	1,607	1,407
State grant	<u>8,217,302</u>	<u>169,370</u>	<u>(8,047,932)</u>
Total revenues	<u>9,067,502</u>	<u>1,751,673</u>	<u>(7,315,829)</u>
Expenditures			
Road repairs and maintenance	<u>8,787,229</u>	<u>1,174,095</u>	<u>7,613,134</u>
Total expenditures	<u>8,787,229</u>	<u>1,174,095</u>	<u>7,613,134</u>
Excess Revenues Over Expenditures	<u>280,273</u>	<u>577,578</u>	<u>297,305</u>
Other Financing Uses			
Transfers out to the City	<u>(566,311)</u>	<u>(565,311)</u>	<u>1,000</u>
Total other financing uses	<u>(566,311)</u>	<u>(565,311)</u>	<u>1,000</u>
Change in Fund Balance	<u>\$ (286,038)</u>	12,267	<u>\$ 298,305</u>
Fund Balance			
Beginning of year, as restated		<u>1,821,867</u>	
End of year		<u>\$ 1,834,134</u>	

STREET	LOCATION	PROJECT DESCRIPTION
Various Streets	Various Limits	Rehabilitation/Maintenance
Town Core	South of 15th Street, west of P Street, north of 1st Street and east of B Street	Construction/Rehabilitation/Maintenance
South West	South of Worthington Rd, west of Hwy 86, north of Treshill Rd, and east of Austin Rd	Construction/Rehabilitation/Maintenance
South East	South of Worthington Rd, west of Dogwood Rd, north of Treshill Rd, and east of Hwy 86	Construction/Rehabilitation/Maintenance
North West	North of Worthington Rd, west of Hwy 86, south of Larsen Rd, east of Austin Rd	Construction/Rehabilitation/Maintenance
North East	North of Worthington Rd, west of Dogwood Rd, south of Larsen Rd, and east of Hwy 86	Construction/Rehabilitation/Maintenance

Draft 2/1/24



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