

# Draft 2/1/24

**City of Imperial, California**

**Schedule of Revenues, Expenditures and Change in Fund Balance  
and Supplementary Information of  
Measure D Sales Tax Fund**

**Year Ended June 30, 2023**

**with Independent Auditor's Reports**



# Draft 2/1/24

**City of Imperial, California**

**Schedule of Revenues, Expenditures and Change in Fund Balance  
and Supplementary Information  
of Measure D Sales Tax Fund**

**Year Ended June 30, 2023**

**with Independent Auditor's Reports**

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# Draft 2/1/24

## **FINANCIAL SECTION**



## Independent Auditor's Report

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

### Report on the Schedule

#### *Opinions*

We have audited the accompanying schedule of revenues, expenditures and change in fund balance (Schedule) of the Measure D Sales Tax Fund of the City of Imperial, California ("City") for the year ended June 30, 2023, and the related notes to the Schedule.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the revenues, expenditures and change in fund balance of the Measure D Sales Tax Fund of the City of Imperial, California for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

As discussed in Note 1, the schedule of revenues, expenditures and change in fund balance presents only the activity of Measure D Sales Tax Fund of the City and does not purport to, and does not, present fairly the financial position of the City of Imperial, California, as of June 30, 2023, and the changes in its financial position 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.



## ***Responsibilities of Management for the Schedule***

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, 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 amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



## ***Other Information***

Management is responsible for the other information included in this report. The other information comprises the Schedule of Assets, Liabilities and Fund Balance, Schedule of Revenues, Expenditures and Change in Fund Balance, and the Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual as of and for the year ended June 30, 2023, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, on our consideration of the City's internal control over financial reporting which includes preparation of the schedule of revenues, expenditures and change in fund balance 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.

**Glendale, California**  
**January 10, 2024**

City of Imperial  
Measure D Sales Tax Fund

Draft 2/1/24  
Schedule of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2023

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**Revenues**

Sales tax	\$ 1,580,696
Interest earnings	1,607
State grant	<u>169,370</u>
<b>Total revenues</b>	<u>1,751,673</u>

**Expenditures**

Road repairs and maintenance	<u>1,174,095</u>
<b>Total expenditures</b>	<u>1,174,095</u>

<b>Deficiency of Revenues Over Expenditures</b>	<u>577,578</u>
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**Other Financing Uses:**

Transfers out to the City	<u>(565,311)</u>
<b>Total other financing uses</b>	<u>(565,311)</u>

<b>Change in Fund Balance</b>	<u>\$ 12,267</u>
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*See accompanying Notes to the Schedule.*



**NOTE 1      REPORTING ENTITY AND 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 the 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.

**NOTE 1      REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)****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 Imperial, California (City) has established a special revenue fund to account for revenues and expenditures related to Ordinance No. 1-2008.

**Basis of Presentation**

The schedule of revenues, expenditures and change in fund balance (Schedule) 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 Imperial, California, as of June 30, 2023, and the changes in its financial position 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 is accounted for using a “*current financial resources*” measurement focus and the modified accrual basis of accounting. The schedule 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) of the fund.

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 Imperial and the Imperial County Local Transportation Authority dated July 27, 2008 requires the schedule of revenues and 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 the Schedule 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 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 2<sup>nd</sup> 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 1, 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.



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**



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## Section I – Compliance Findings

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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
<b>Total assets</b>	<b>\$ 1,993,767</b>

**Liabilities and Fund Balance:****Liabilities:**

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

**Fund Balance**

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

# Draft 2/1/24

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

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## Revenues

Sales tax	\$ 1,580,696
Interest earnings	1,607
State grant	169,370
<b>Total revenues</b>	<u>1,751,673</u>

## Expenditures

Road repairs and maintenance	1,174,095
<b>Total expenditures</b>	<u>1,174,095</u>

<b>Deficiency of Revenues Over Expenditures</b>	<u>577,578</u>
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## Other Financing Uses:

Transfers out to the City	(565,311)
<b>Total other financing uses</b>	<u>(565,311)</u>

<b>Change in Fund Balance</b>	12,267
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## 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)

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

<b>STREET</b>	<b>LOCATION</b>	<b>PROJECT DESCRIPTION</b>
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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