

City of Imperial, California

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

For the Year Ended June 30, 2021

with Independent Auditor's Reports

City of Imperial, California

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and Supplementary Information
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City of Imperial
Measure D Sales Tax Fund
For the Year Ended June 30, 2021
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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Schedule

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, 2021, and the related notes to the Schedule.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule.

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 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, 2021, in accordance with accounting principles generally accepted in the United States of America.

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 and does not purport to, and does not, present fairly the financial position of the City of Imperial, California, as of June 30, 2021, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures and change in fund balance of the Measure D Sales Tax Fund of the City. The supplementary information on pages 12 through 15 is presented for purposes of additional analysis and is not a required part of the Schedule. The supplementary information has not been subjected to the auditing procedures applied in the audit of the Schedule 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 March 1, 2022, 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.

A handwritten signature in black ink that reads "Vaqueria & Company LLP".

Glendale, California
March 1, 2022

City of Imperial
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
For the Year Ended June 30, 2021

Revenues:

| | |
|-----------------------|-------------------------|
| Sales tax | \$ 1,037,328 |
| Interest earnings | 3,758 |
| Other | <u>253,957</u> |
| Total revenues | <u><u>1,295,043</u></u> |

Expenditures:

| | |
|------------------------------|-------------------------|
| Road repairs and maintenance | <u>2,704,299</u> |
| Total expenditures | <u><u>2,704,299</u></u> |

Deficiency of Revenues Over Expenditures (1,409,256)

Other Financing Uses:

| | |
|-----------------------------------|-------------------------|
| Transfers out to the City | <u>(104,438)</u> |
| Total other financing uses | <u><u>(104,438)</u></u> |

Change in Fund Balance \$ (1,513,694)

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 has established a special revenue fund to account for revenues and expenditures related to Ordinance No. 1-2008.

Basis of Presentation

The 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, 2021, 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 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 | \$ 1,533,086 |
| Withheld for debt service | <u>(495,758)</u> |
| Net sales tax allocation | <u>\$ 1,037,328</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 TRANSFER OUT TO THE CITY

The City recorded transfers out to the City of \$104,438 to reflect the reimbursement of costs incurred in another City fund for Measure D eligible projects.

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 of the Measure D Sales Tax Fund (the Fund) of the City of Imperial, California (City), for the year ended June 30, 2021, and the related notes to the schedule, and have issued our report thereon dated March 1, 2022.

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 may exist that have not been identified.



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.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
March 1, 2022**

Independent Auditor's Report on Compliance

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

Report on Compliance

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, 2021.

Management's Responsibility

Management is responsible for the City's compliance with the Ordinance.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance with the Ordinance based on our audit. We conducted our audit of compliance in accordance with the 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 Ordinance. Those standards 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 direct and material effect on Measure D Sales Tax Fund occurred. An audit includes examining, on a test basis, evidence about the City's 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 on compliance with the Ordinance. However, our audit does not provide a legal determination of the City's compliance with the Ordinance.

Opinion

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, 2021.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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's 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 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 with the requirements, such that there is a reasonable possibility that material noncompliance 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 requirements 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

Glendale, California
March 1, 2022

SECTION I COMPLIANCE FINDINGS

No findings were noted for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

City of Imperial
Measure D Sales Tax Fund
Schedule of Assets, Liabilities and Fund Balance
June 30, 2021
(Unaudited)

Assets:

| | |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 2,394,803 |
| Interest receivable | <u>349</u> |
| Total assets | \$ <u>2,395,152</u> |

Liabilities and Fund Balance:

Liabilities:

| | |
|--------------------------|-----------------------|
| Accounts payable | \$ <u>131,062</u> |
| Total liabilities | <u>131,062</u> |

Fund Balance:

| | |
|---|----------------------------|
| Restricted for road repairs and maintenance | <u>2,264,090</u> |
| Total fund balance | <u>2,264,090</u> |
| Total liabilities and fund balance | \$ <u>2,395,152</u> |

City of Imperial
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
For the Year Ended June 30, 2021
(Unaudited)

| | | |
|---|----|--------------------|
| Revenues: | | |
| Sales tax | \$ | 1,037,328 |
| Interest earnings | | 3,758 |
| Other | | <u>253,957</u> |
| Total revenues | | <u>1,295,043</u> |
| Expenditures: | | |
| Road repairs and maintenance | | <u>2,704,299</u> |
| Total expenditures | | <u>2,704,299</u> |
| Deficiency of Revenues Over Expenditures | | <u>(1,409,256)</u> |
| Other Financing Uses: | | |
| Transfers out to the City | | <u>(104,438)</u> |
| Total other financing uses | | <u>(104,438)</u> |
| Change in Fund Balance | | <u>(1,513,694)</u> |
| Fund Balance: | | |
| Beginning of year | | <u>3,777,784</u> |
| End of year | \$ | <u>2,264,090</u> |

City of Imperial
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget and Actual
For the Year Ended June 30, 2021
(Unaudited)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-----------------------|---------------------|---------------------------------------|
| Revenues: | | | |
| Sales tax | \$ 864,607 | \$ 1,037,328 | \$ 172,721 |
| Interest earnings | - | 3,758 | 3,758 |
| Other | - | 253,957 | 253,957 |
| | <u>864,607</u> | <u>1,295,043</u> | <u>430,436</u> |
| Expenditures: | | | |
| Road repairs and maintenance | 2,042,000 | 2,704,299 | (662,299) |
| | <u>2,042,000</u> | <u>2,704,299</u> | <u>(662,299)</u> |
| Deficiency of Revenues Over Expenditures | <u>(1,177,393)</u> | <u>(1,409,256)</u> | <u>(231,863)</u> |
| Other Financing Uses: | | | |
| Transfers out to the City | <u>(617,918)</u> | <u>(104,438)</u> | <u>513,480</u> |
| | <u>(617,918)</u> | <u>(104,438)</u> | <u>513,480</u> |
| Change in Fund Balance | <u>\$ (1,795,311)</u> | (1,513,694) | <u>\$ 281,617</u> |
| Fund Balance: | | | |
| Beginning of year | | <u>3,777,784</u> | |
| End of year | | <u>\$ 2,264,090</u> | |

**City of Imperial
Measure D Sales Tax Fund
Five Year Program of Projects
June 30, 2021
(Unaudited)**

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



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