

DATE SUBMITTED February 27, 2019

SUBMITTED BY Laura Gutierrez

DATE ACTION REQUIRED March 6, 2019

COUNCIL ACTION (x)

PUBLIC HEARING REQUIRED ()

RESOLUTION ()

ORDINANCE 1ST READING ()

ORDINANCE 2ND READING ()

CITY CLERK'S INITIALS ()

**IMPERIAL CITY COUNCIL
AGENDA ITEM**

SUBJECT:	<p>DISCUSSION/ACTION – ACCPETANCE OF LTA MEASURE D SALES TAX FUND AUDIT.</p> <p>ACCEPTANCE OF LTA MEASURE D SALES TAX FUND AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2018.</p>		
DEPARTMENT INVOLVED:	FINANCE DEPARTMENT		
BACKGROUND/SUMMARY:	<p>The audit was performed by The Pun Group. The auditing firm was contracted through the Imperial County Transportation Commission (ICTC) and the audit was presented on February 27, 2019 at their regular meeting to Receive, Approve, and File the audit with each corresponding agency.</p> <p>LTA Measure D funds are distributed through the Imperial County Transportation Commission. These funds are received through a ½ cent transportation sales tax adopted in 1989. Funds distributed are for the purpose of repair and rehabilitation of existing roadways, to reduce congestion and improve safely, and to provide construction of needed facilities. Expenditures must be in accordance with the approved plan or amended plan as submitted to the authority.</p>		
FISCAL IMPACT:	No fiscal impact.	F.O. INITIALS	
STAFF RECOMMENDATION:	<p>After review and consideration by the Finance Department, it is recommended that the City Council accept the LTA Measure D Sales Tax Fund audit for filing.</p>		
MANAGER'S RECOMMENDATION:	<p>After review and consideration by the City Manager, it is recommended that the City Council accept the LTA Measure D Sales Tax Fund audit.</p>		
MOTION:	<p>SECONDED: APPROVED () REJECTED ()</p> <p>AYES: DISAPPROVED () DEFERRED ()</p> <p>NAYES:</p> <p>ABSENT: REFERRED TO:</p>		



Imperial County Local Transportation Authority

1503 N. Imperial Ave., Suite 104, El Centro, CA, 92243
Phone: 760-592-4494 | Fax: 760-592-4410

AGENDA

WEDNESDAY, FEBRUARY 27, 2019
6:00 PM or immediately after the ICTC meeting

County Administration Building, 2nd Floor
Board of Supervisors Chambers
940 W. Main St.
El Centro, CA 92243

CHAIRPERSON: ROBERT AMPARANO

EXECUTIVE DIRECTOR: MARK BAZA

Individuals wishing accessibility accommodations at this meeting, under the Americans with Disabilities Act (ADA), may request such accommodations to aid hearing, visual, or mobility impairment by contacting ICTC offices at (760) 592-4494. Please note that 48 hours advance notice will be necessary to honor your request.

I. CALL TO ORDER AND ROLL CALL

II. EMERGENCY ITEMS

- A. Discussion/Action of emergency items, if necessary.

III. PUBLIC COMMENTS

Any member of the public may address the Authority for a period not to exceed three minutes on any item of interest not on the agenda within the jurisdiction of the Authority. The Authority will listen to all communication, but in compliance with the Brown Act, will not take any action on items that are not on the agenda.

IV. CONSENT CALENDAR

- A. Approval of LTA Board Draft Minutes for October 24, 2019 Page 4

V. REPORTS

- A. LTA Executive Director Report Page 7

VI. ACTION CALENDAR

- A. Fund Request to the Local Transportation Authority (LTA) – Calexico East Port of Entry Bridge Expansion Project Page 9

The ICTC Management Committee met on February 20, 2019 and forwards this item to the LTA Board for review and approval, after the receipt of public comment:

- 1. Approve the allocation for funding needed in the amount of \$1.844 Million for expansion of the Calexico East Port of Entry Bridge Expansion project, from the LTA 5% Regional Highway Set-Aside from the Measure D allocations; and,

2. Authorize the Executive Director to execute the necessary agreements between Caltrans, the Imperial County Local Transportation Authority, and the U.S. Department of Transportation.

B. Adoption of the Imperial County Local Transportation Authority Annual Financial Audit for Fiscal Year Ended June 30, 2018 Page 16

The Pun Group will present an overview of the Audit.

The Local Taxpayer Supervising Committee (LTSC) or "Oversight Committee" met on February 21, 2019 and forwards this item to the LTA for their review and approval after public comment, if any:

1. Receive, Approve and File the FY 2017-18 Imperial County Local Transportation Authority Annual Financial Audit for the following agencies: Brawley, Calipatria, Calexico, El Centro, Holtville, Imperial, Westmorland, the County of Imperial and the ICLTA.

VII. ADJOURNMENT

- A. Motion to Adjourn

City of Imperial Measure D Sales Tax Fund

Imperial, California

Financial Statement and Other Information with Independent Auditors' Reports

For the Year Ended June 30, 2018

**City of Imperial
Measure D Sales Tax Fund
For the Year Ended June 30, 2018**

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FINANCIAL SECTION

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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 Imperial, California ("City") for the year ended June 30, 2018, 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 these 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 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 expenditures of the Measure D Sales Tax Fund of the City of Imperial for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

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 of the City of Imperial and does not purport to, and does not, present fairly the financial position of the City of Imperial, California, as of June 30, 2018, 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 19 through 21 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 26, 2019, 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 PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
February 26, 2019

FINANCIAL STATEMENT

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City of Imperial
Measure D Sales Tax Fund
Statement of Revenues and Allowable Expenditures
For the Year Ended June 30, 2018

Revenues:	
Sales tax	\$ 789,327
Interest	11,431
Other	<u>13,477</u>
Total revenues	<u>814,235</u>
Expenditures:	
Current:	
Road repairs and maintenance	<u>1,578,878</u>
Total expenditures	<u>1,578,878</u>
Revenues Over (Under) Expenditures	<u>(764,643)</u>
Other Financing Sources (Uses):	
Proceeds from Issuance of Bonds	266,188
Transfer out to City for Measure D projects	<u>(100,418)</u>
Total Other Financing Sources (Uses)	<u>165,770</u>
Change in Fund Balance	<u><u>\$ (598,873)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

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City of Imperial
Measure D Sales Tax Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 Imperial has an established special revenue fund to account for revenues and expenditures related to Ordinance 1, 2008.

City of Imperial
Measure D Sales Tax Fund
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

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 Imperial, California, as of June 30, 2018, 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). Measureable 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 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	\$	1,254,758
Withheld for debt service		465,431
Net allocable sales tax	\$	<u>789,327</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.

City of Imperial
Measure D Sales Tax Fund
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 4 – Transfers Out to City

The City recorded a transfer out of \$100,418 to reflect the reimbursement of costs incurred in another City fund for Measure D eligible projects.

Note 5 – Bond Proceeds

On May 1, 2012, the Authority issued \$53,975,000 of Sales Tax Revenue Bonds which are secured by a pledge of all ICLTA sales tax revenues allocated to the County of Imperial and the Cities of Brawley, Calexico, Calipatria, and Imperial. The bond proceeds are held by the Authority until a reimbursement is requested by the City. During the year ended June 30, 2018, the City requested and received \$266,188 in bond proceeds.

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OTHER REPORTS

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**INDEPENDENT AUDITORS' 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*
AND *MEASURE D COMPLIANCE REQUIREMENTS***

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 Imperial, California ("City"), for the year ended June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 26, 2019. 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, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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. 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 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 instance of noncompliance which is required to be reported under *Government Auditing Standards*.

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

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www.pungroup.com

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

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.

The Pw Group, LLP

San Diego, California
February 26, 2019

OTHER INFORMATION
(unaudited)

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City of Imperial
Measure D Sales Tax Fund
Schedule of Assets, Liabilities, and Fund Balance
June 30, 2018

Assets:

Cash and cash equivalent	\$ 3,482,592
Interest receivable	3,252
Total assets	<u><u>\$ 3,485,844</u></u>

Liabilities and Fund Balance:

Liabilities:

Accounts payable	\$ 3,315
Total liabilities	<u>3,315</u>

Fund Balance:

Restricted	
Road repairs and maintenance	3,482,529
Total fund balance	<u>3,482,529</u>
Total liabilities and fund balance	<u><u>\$ 3,485,844</u></u>

City of Imperial
Measure D Sales Tax Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances
For the Year Ended June 30, 2018

Revenues:	
Sales tax	\$ 789,327
Interest	11,431
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Total expenditures	<u>1,578,878</u>
Revenues Over (Under) Expenditures	<u>(764,643)</u>
 Other Financing Sources (Uses):	
Bond proceeds	266,188
Transfer out to City for Measure D projects	(100,418)
Total Other Financing Sources (Uses)	<u>165,770</u>
Change in Fund Balance	(598,873)
 Fund Balance:	
Beginning of year	4,081,402
End of year	<u>\$ 3,482,529</u>

City of Imperial
Measure D Sales Tax Fund
Five Year Program of Projects
June 30, 2018

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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