

CITY OF IMPERIAL
LTA Fund

Financial Statement and Supplementary Information with
Independent Auditor's Reports

For the Year Ended June 30, 2014

CITY OF IMPERIAL
LTA 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 Imperial LTA 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 Imperial 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 Imperial LTA 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 Imperial on the basis of the financial reporting provisions of Ordinance 1-2008 between the City of Imperial 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 Imperial LTA 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 Imperial LTA 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 Imperial 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, appearing to be a stylized name, possibly "J. Smith" or similar, written in a cursive style.

Palm Desert, California
April 9, 2015

FINANCIAL STATEMENT

CITY OF IMPERIAL
LTA Fund

Statement of Revenues and Allowable Expenses

For the Year Ended June 30, 2014

Revenues:	
Sales Tax Revenue	\$ 1,486,873
Interest Revenue	2,070
Other Revenue	<u>867,713</u>
Total Revenues	<u>2,356,656</u>
Expenses:	
Road Repairs and Maintenance	1,597,827
Dial A Ride	30,000
Principal Payments	225,000
Bond Interest	<u>250,138</u>
Total Expenses	<u>2,102,965</u>
Net Revenues-Restricted	<u>\$ 253,691</u>

See accompanying notes to financial statement

NOTES TO FINANCIAL STATEMENT

CITY OF IMPERIAL
LTA 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 Imperial
- 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 IMPERIAL
LTA 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 Imperial 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 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 Imperial 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 Imperial 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 Imperial LTA 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 Imperial LTA 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 Imperial LTA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the the City of Imperial LTA 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 Imperial LTA 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 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 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 Imperial's LTA Fund compliance with Ordinance No. 1-2008 that could have direct and material effect on the City of Imperial's LTA 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 Fund.

Auditor's Responsibility

Our responsibility is to express an opinion on the City of Imperial's LTA 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 Imperial's LTA Fund occurred. An audit includes examining, on a test basis, evidence about the City of Imperial's LTA 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 Imperial's LTA Fund compliance with those requirements.

Opinion

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

Internal Control Over Compliance

Management of the City of Imperial's LTA 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 Imperial's LTA 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 Imperial's LTA 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.

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

Palm Desert, California
April 9, 2015

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION



OSCAR G. ARMIJO
Certified Public Accountant

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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 Imperial LTA 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 11-15, 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 IMPERIAL
LTA Fund

Schedule of Assets, Liabilities and Fund Balance

June 30, 2014

ASSETS:	
Cash and cash equivalents	\$ 249,286
Interest receivable	<u>(100)</u>
TOTAL ASSETS	<u>\$ 249,186</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
FUND BALANCE:	
Restricted:	
Road repairs and maintenance	<u>249,186</u>
TOTAL RESTRICTED FUND BALANCE	<u>249,186</u>
TOTAL LIABILITIES AND RESTRICTED FUND BALANCE	<u>\$ 249,186</u>

CITY OF IMPERIAL
LTA Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2014

REVENUES:	
Sales tax	\$ 977,231
Interest	2,070
Other revenue	<u>867,713</u>
TOTAL REVENUES	<u>1,847,014</u>
EXPENSES:	
Road Repairs and Maintenance	<u>1,597,797</u>
TOTAL EXPENSES	<u>1,597,797</u>
Excess of Revenues over Expenses	249,217
Restricted Fund Balance, Beginning of Year	<u>(31)</u>
Restricted Fund Balance, End of Year	<u>\$ 249,186</u>

CITY OF IMPERIAL
LTA 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	\$ 977,231	\$ 977,231	\$ -
Interest	6,400	2,070	(4,330)
Other Revenues	<u>867,713</u>	<u>867,713</u>	<u>-</u>
 TOTAL REVENUES	 <u>1,851,344</u>	 <u>1,847,014</u>	 <u>(4,330)</u>
 EXPENDITURES			
Road repairs and maintenance	<u>1,600,000</u>	<u>1,597,827</u>	<u>(2,173)</u>
 TOTAL EXPENDITURES	 <u>1,600,000</u>	 <u>1,597,827</u>	 <u>(2,173)</u>
 Increase (decrease) in fund balance	 251,344	 249,187	 (2,157)
 Restricted Fund balance, Beg of Year	 <u>(31)</u>	 <u>(31)</u>	 <u>-</u>
Restricted Fund balance, End of Year	<u>\$ 251,313</u>	<u>\$ 249,156</u>	<u>\$ (2,157)</u>

CITY OF IMPERIAL
LTA Fund

5 Year Program of Projects 2012/17

<u>ROAD</u>	<u>FROM</u>	<u>TO</u>	<u>PROJECT DESCRIPTION</u>
Various Streets	Various Limits		Const/Rehab/Maintenance
Neckel	Hwy86	Railroad	Rehab/Repair/ Maint.
Ralph	Hwy86	Railroad	Rehab/Repair/Maint
Neckel/Hwy 86	Intersection		Improve & Signalize
Ralph/Hwy 86	Intersection		Improve & Signalize
Treshill/Hwy 86	Intersection		Construct & Signalize
1st St	N St	P St	Construct
1st St	D St	Imperial Ave	Repair/Maintenance
2nd St	K St	P St	Const/Repair/Maint
3rd St	E St	F St	Repair/Maintenance
3rd St	G St	K St	Repair/Maintenance
3rd St	N St	P St	Construct
4th St	E St	F St	Repair/Maintenance
4th St	N St	P St	Construct
5th St	E St	Imperial Ave	Repair/Maintenance
5th St	Hwy 86	K St	Repair/Maintenance
5th St	N St	P St	Construct
6th St	Hwy 86	K St	Repair/Maintenance
6th St	D St	H St	Rehab/Repair/Maint
7th St	D St	F St	Repair/Maintenance
7th St	H St	Imperial Ave	Repair/Maintenance
Barioni Blvd	B St	P St	Repair/Maintenance
9th St	F St	G St	Repair/Maintenance
9th St	N St	P St	Construct
10th St	F St	Imperial Ave	Repair/Maintenance
10th St	N St	P St	Construct
11th St	D St	Imperial Ave	Construct/Repair/Maint
11th St	N St	P St	Construct
12th St	J St	K St	Const/Repair/Maint
12th St	N St	P St	Construct
14th St	B St	D St	Repair/Const/Maint
14th St	F St	Hwy86	Rehab/Repair/Maint
15th St	Hwy86	M St	Repair/Maintenance
15th St	La Brucherie	D St	Construct
E St	3rd St	4th St	Repair/Maintenance
E St	12th St	14th St	Repair/Maintenance
D St	1st St	3rd St	Repair/Maintenance
D St	4th St	5th St	Repair/Maintenance
E St	1st St	3rd St	Repair/Maintenance
F St	1st St	14th St	Repair/Maintenance
G St	2nd St	10th St	Rehab/Repair/Maint
G St	13th St	14th St	Rehab/Repair/Maint
H St	1st St	Barioni Blvd	Rehab/Repair/Maint
H St	10th St	11th St	Rehab/Repair/Maint

CITY OF IMPERIAL
LTA Fund

5 Year Program of Projects 2012/17

<u>ROAD</u>	<u>FROM</u>	<u>TO</u>	<u>PROJECT DESCRIPTION</u>
Imperial Ave	Hwy86	2nd St	Repair/Maintenance
Imperial Ave	12th St	15th St	Repair/Maintenance
K St	2nd St	10th St	Repair/Maintenance
L St	2nd St	Barioni Blvd	Rehab/Repair/Maint
M St	Barioni Blvd	15th St	Construct
N St	1st St	Barioni Blvd	Rehab/Repair/Maint
O St	Barioni Blvd	13th St	Const/Repair/Maint
P St	Barioni Blvd	Neckel Rd	Construct
Aten Blvd	Dogwood Rd	Austin Rd	Rehab/Repair/Maint
La Brucherie	Aten Blvd	Intersection	Const/Rehab/Maint/Sign
Preble Ave	Aten Rd	Treshill Rd	Rehab/Repair/ Maint
Treshill Blvd	Hwy86	La Brucherie	Construct
Clark & Aten Rd	Intersection		Const/Rehab/Signal
Wall St	Hwy86	La Brucherie	Const/Rehab
Myrtle Ave	Aten Blvd	Treshill St	Rehab/Repair/Maint
Bougainvillea Tr	Aten Blvd	Joshua Tree	Repair/Maintenance
Brushwood	Desert Willow	Joshua Tree	Repair/Maintenance
Morning Glory	Aten Blvd	Joshua Tree	Repair/Maintenance
Smokewood	Desert Willow	Joshua Tree	Repair/Maintenance
Joshua Tree	Desert Willow	Bougainvillea	Repair/Maintenance
Desert Willow	Brushwood	Smokewood	Repair/Maintenance
Baywood	Brushwood	Smokewood	Repair/Maintenance
Sequoia	Brushwood	Smokewood	Repair/Maintenance
Juniper	Brushwood	Smokewood	Repair/Maintenance
Canon	Rodeo Dr	Neckel Ave	Repair/Maintenance
Lariat Ln	Rodeo Dr	Sage Ct	Repair/Maintenance
Winchester Ln	Rodeo Dr	Sage Ct	Repair/Maintenance
Sage Court	Lariat Ln	Winchester	Repair/Maintenance
Mustang Ln	Canon Dr	End of Lane	Repair/Maintenance
Conestoga Ln	Canon Dr	End of Lane	Repair/Maintenance
Roadrunner	Canon Dr	End of Lane	Repair/Maintenance