



DATE SUBMITTED 06/13/2018
 SUBMITTED BY Finance
 DATE ACTION REQUIRED 06/20/2018

Agenda Item No **E-3**
 CITY COUNCIL ACTION (X)
 PUBLIC HEARING REQUIRED ()
 RESOLUTION ()
 ORDINANCE 1ST READING ()
 ORDINANCE 2ND READING ()
 CITY CLERK'S INITIALS 

**IMPERIAL CITY COUNCIL
 AGENDA ITEM**

SUBJECT: DISCUSSION/ACTION: TRANSPORTATION DEVELOPMENT ACT (TDA) FUNDS AUDIT.	
1. ACCEPT FOR FILING TDA AUDIT FOR YEAR ENDING JUNE 30, 2017.	
DEPARTMENT INVOLVED: City Manager/Finance	
BACKGROUND/SUMMARY: The annual audit has been performed by Hutchinson and Bloodgood, LLP as required. Report is submitted for review and acceptance for filing.	
FISCAL IMPACT: None	
STAFF RECOMMENDATION: Council accepts for filing the TDA Audit ending June 30, 2017.	
MANAGER'S RECOMMENDATION:	MANAGER'S INITIAL 
MOTION:	
SECONDED:	APPROVED () REJECTED ()
AYES:	DISAPPROVED () DEFERRED ()
NAYES:	
ABSENT:	REFERRED TO:

CITY OF IMPERIAL

Financial Report of the
Transportation Development Act Fund (TDA)
June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3 - 4
-------------------------------------	-------

FINANCIAL STATEMENTS

Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Article 3	7
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Article 8(a)	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Article 8(e)	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Article 8(c)	10
Notes to the Financial Statements	11 - 12

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	13 - 14
---	---------

Schedule of Findings and Recommendations	15 - 16
--	---------



INDEPENDENT AUDITORS' REPORT

To the City of Imperial Council Members
Imperial, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Local Transportation Funds, Transit and Non-Transit, of the City of Imperial, a single fund of the City of Imperial as of and for the year ended June 30, 2017, and the related notes to the financial statements, 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 statements 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 statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, 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 statements 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 polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Funds for Article 3, Article 8(a), Article 8(c), and Article 8(e) of the City of Imperial, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

As discussed in Note 2, the financial statements present only the Local Transportation Funds for Article 3, Article 8(a), Article 8(c), and Article 8(e), and are not intended to present fairly the financial position of the City of Imperial, and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2018 on our consideration of the City of Imperial Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, the Transportation Development Act (TDA) Statutes and California Codes of Regulation (CCR) 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 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* and should be considered in assessing the results of our audit.

Hutchinson and Bloodgood LLP

June 19, 2018

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Balance Sheet
June 30, 2017

	<u>Bicycles and Pedestrians Fund Article 3</u>	<u>Local Streets and Roads Fund Article 8(a)</u>	<u>Benches and Shelters Fund Article 8(e)</u>	<u>Transit Services Fund Article 8(c)</u>	<u>Totals</u>
ASSETS					
Cash and Cash Equivalents	\$ 183,646	\$ 400,546	\$ 15,764	\$ 14,606	\$ 614,562
Interest Receivable	<u>87</u>	<u>194</u>	<u>9</u>	<u>--</u>	<u>290</u>
Total Assets	<u>\$ 183,733</u>	<u>\$ 400,740</u>	<u>\$ 15,773</u>	<u>\$ 14,606</u>	<u>\$ 614,852</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	<u>\$ 69</u>	<u>\$ 153</u>	<u>\$ 7</u>	<u>\$ --</u>	<u>\$ 229</u>
Total Liabilities	<u>69</u>	<u>153</u>	<u>7</u>	<u>--</u>	<u>229</u>
Fund Balance					
Fund Balance	<u>183,664</u>	<u>400,587</u>	<u>15,766</u>	<u>14,606</u>	<u>614,623</u>
Total Fund Balance	<u>183,664</u>	<u>400,587</u>	<u>15,766</u>	<u>14,606</u>	<u>614,623</u>
Total Liabilities and Fund Balance	<u>\$ 183,733</u>	<u>\$ 400,740</u>	<u>\$ 15,773</u>	<u>\$ 14,606</u>	<u>\$ 614,852</u>

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017

	<u>Bicycles and Pedestrians Fund Article 3</u>	<u>Local Streets and Roads Fund Article 8(a)</u>	<u>Benches and Shelters Fund Article 8(e)</u>	<u>Transit Services Fund Article 8(c)</u>	<u>Totals</u>
Revenues					
Interest	\$ 302	\$ 674	\$ 30	\$ 5	\$ 1,011
Total Revenues	<u>302</u>	<u>674</u>	<u>30</u>	<u>5</u>	<u>1,011</u>
Expenditures					
Contract Services	--	9,131	--	--	9,131
Departmental Supplies	6,930	1,655	344	--	8,929
Administration	<u>--</u>	<u>5,000</u>	<u>--</u>	<u>--</u>	<u>5,000</u>
Total Expenditures	<u>6,930</u>	<u>15,786</u>	<u>344</u>	<u>--</u>	<u>23,060</u>
Change in Fund Balance	(6,628)	(15,112)	(314)	5	(22,049)
Fund Balance, July 1	<u>190,292</u>	<u>415,699</u>	<u>16,080</u>	<u>14,601</u>	<u>636,672</u>
Fund Balance, June 30	<u>\$ 183,664</u>	<u>\$ 400,587</u>	<u>\$ 15,766</u>	<u>\$ 14,606</u>	<u>\$ 614,623</u>

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - Article 3
For the Fiscal Year Ended June 30, 2017

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest	\$ <u>302</u>	\$ <u>302</u>	\$ --
Total Revenues	<u>302</u>	<u>302</u>	<u>--</u>
Expenditures			
Departmental Supplies	<u>6,930</u>	<u>6,930</u>	<u>--</u>
Total Expenditures	<u>6,930</u>	<u>6,930</u>	<u>--</u>
Change in Fund Balance	(6,628)	(6,628)	--
Fund Balance, July 1	<u>190,292</u>	<u>190,292</u>	<u>--</u>
Fund Balance, June 30	<u><u>\$ 183,664</u></u>	<u><u>\$ 183,664</u></u>	<u><u>\$ --</u></u>

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - Article 8(a)
For the Fiscal Year Ended June 30, 2017

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest	\$ 674	\$ 674	\$ --
Total Revenues	<u>674</u>	<u>674</u>	<u>--</u>
Expenditures			
Contract Services	9,131	9,131	--
Departmental Supplies	1,655	1,655	--
Administration	<u>5,000</u>	<u>5,000</u>	<u>--</u>
Total Expenditures	<u>15,786</u>	<u>15,786</u>	<u>--</u>
Change in Fund Balance	(15,112)	(15,112)	--
Fund Balance, July 1	<u>415,699</u>	<u>415,699</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 400,587</u>	<u>\$ 400,587</u>	<u>\$ --</u>

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - Article 8(e)
For the Fiscal Year Ended June 30, 2017

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest	\$ <u>30</u>	\$ <u>30</u>	\$ --
Total Revenues	<u>30</u>	<u>30</u>	<u>--</u>
Expenditures			
Departmental Supplies	<u>344</u>	<u>344</u>	<u>--</u>
Total Expenditures	<u>344</u>	<u>344</u>	<u>--</u>
Change in Fund Balance	(314)	(314)	--
Fund Balance, July 1	<u>16,080</u>	<u>16,080</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 15,766</u>	<u>\$ 15,766</u>	<u>\$ --</u>

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - Article 8(c)
For the Fiscal Year Ended June 30, 2017

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest	\$ 5	\$ 5	\$ --
Total Revenues	<u>5</u>	<u>5</u>	<u>--</u>
Expenditures			
Purchased Transportation Services	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Change in Fund Balance	5	5	--
Fund Balance, July 1	<u>14,601</u>	<u>14,601</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 14,606</u>	<u>\$ 14,606</u>	<u>\$ --</u>

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The Local Transportation Fund, Transit and Non-Transit, are special revenue funds of the City of Imperial and are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

Basis of Accounting

The funds are accounted for in special revenue funds using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and expenditures are recognized as soon as they are both measurable and available.

Note 2. ANNUAL FINANCIAL STATEMENTS

The financial statements are intended to present the financial position, results of operations and compliance with the Transportation Development Act for the Local Transportation Fund, Transit and Non-Transit, funds only of the City of Imperial.

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the City of Imperial to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds based upon monthly average cash balances. Information regarding categorization of investments and risk can be found in the City's financial statements. The financial statements for the City of Imperial may be obtained by contacting the City's Finance Department.

Investments are stated at fair value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Note 4. INTERGOVERNMENTAL ALLOCATIONS

The City of Imperial was not allocated any funds during this fiscal year.

Note 5. TRANSIT SERVICES PROVIDED

The City of Imperial contracted with a local transit provider to provide a demand response transportation service to handicapped individuals and senior citizens who are age sixty (60) and older within the city limits of Imperial, California. This contract ended in September 2014. This service will continue to be provided under the administration of the Imperial County Transportation Commission.

Note 6. SUBSEQUENT EVENTS

Management has evaluated its financial statements for subsequent events through June 19, 2018, the date of issuance of the financial statements. The City is not aware of any subsequent events that would require recognition or disclosure in the financial statements.



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

INDEPENDENT AUDITORS' REPORT

To the City of Imperial Council Members
Imperial, 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 financial statements of the Local Transportation Funds, Transit and Non-Transit, of the City of Imperial, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Local Transportation Funds of the City of Imperial's financial statements, and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the City of Imperial'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Imperial's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Imperial'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 audits 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 Local Transportation Funds of the City of Imperial's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, the Transportation Development Act (TDA) Statutes and the California Code of Regulation Section 6661, 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 City of Imperial'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 City of Imperial's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hitchiner and Bloodgood LLP

June 19, 2018

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2017

CURRENT YEAR FINANCIAL STATEMENTS FINDINGS

There are no current year findings

CITY OF IMPERIAL
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2017

STATUS OF PRIOR YEAR FINDINGS AND RESPONSES

There are no prior year findings