

DATE SUBMITTED June 10, 2020  
SUBMITTED BY Laura Gutierrez  
DATE ACTION REQUIRED June 17, 2020

COUNCIL ACTION  (x)  
PUBLIC HEARING REQUIRED  ( )  
RESOLUTION  ( )  
ORDINANCE 1<sup>ST</sup> READING  ( )  
ORDINANCE 2<sup>ND</sup> READING  ( )  
CITY CLERK'S INITIALS [Signature]

**IMPERIAL CITY COUNCIL  
AGENDA ITEM**

<b>SUBJECT: DISCUSSION/ACTION: ACCEPTANCE OF FISCAL YEAR 2018-2019 AUDITS.</b>													
<ol style="list-style-type: none"> <li>1. Acceptance of the FY 2018-2019 Single Audit for filing</li> <li>2. Acceptance of the FY 2018-2019 TDA Audit for filing</li> </ol>													
<b>DEPARTMENT INVOLVED: ADMINISTRATIVE SERVICES DEPARTMENT</b>													
<b>BACKGROUND/SUMMARY:</b> The City's Single and TDA Audits for Fiscal Year 2018-2019 was recently completed by Moss, Levy & Hartzheim, LLP. The audits are forwarded for City Council review and acceptance for filing. Once accepted, this report will be submitted to the State as required by law.													
<b>FISCAL IMPACT:</b>	<b>F.O. INITIALS</b> <u>[Signature]</u>												
<b>STAFF RECOMMENDATION:</b>  Council accept the audits as submitted and direct staff to file and submit to State of California as required.													
<b>MANAGER'S RECOMMENDATION:</b> <u>accept</u>	<b>MANAGER'S INITIALS</b> <u>[Signature]</u>												
<b>MOTION:</b>  <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">SECONDED:</td> <td style="width: 25%;">APPROVED <input type="checkbox"/> ( )</td> <td style="width: 25%;">REJECTED <input type="checkbox"/> ( )</td> </tr> <tr> <td>AYES:</td> <td>DISAPPROVED <input type="checkbox"/> ( )</td> <td>DEFERRED <input type="checkbox"/> ( )</td> </tr> <tr> <td>NAYES:</td> <td></td> <td></td> </tr> <tr> <td>ABSENT:</td> <td>REFERRED TO:</td> <td></td> </tr> </table>		SECONDED:	APPROVED <input type="checkbox"/> ( )	REJECTED <input type="checkbox"/> ( )	AYES:	DISAPPROVED <input type="checkbox"/> ( )	DEFERRED <input type="checkbox"/> ( )	NAYES:			ABSENT:	REFERRED TO:	
SECONDED:	APPROVED <input type="checkbox"/> ( )	REJECTED <input type="checkbox"/> ( )											
AYES:	DISAPPROVED <input type="checkbox"/> ( )	DEFERRED <input type="checkbox"/> ( )											
NAYES:													
ABSENT:	REFERRED TO:												

**CITY OF IMPERIAL, CALIFORNIA**

**SINGLE AUDIT REPORT**

June 30, 2019

# City of Imperial

## Single Audit Report

### TABLE OF CONTENTS

---

	<u>Page</u>
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	1
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	9
Status of Prior Year's Findings	13



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES  
433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES  
5800 HANNUM AVENUE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**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 Honorable Mayor and Members of the City Council  
of the City of Imperial  
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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial (City), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 18, 2020.

**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 opinions on the financial statements, 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. We did identify deficiencies in internal control (Finding 2019-1 through 2019-4) that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are 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 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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
May 18, 2020



**MOSS, LEVY & HARTZHEIM LLP**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

**COMMERCIAL ACCOUNTING & TAX SERVICES**

433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**GOVERNMENTAL AUDIT SERVICES**

5800 HANNUM AVENUE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

To the Honorable Mayor and Members of the City Council  
of the City of Imperial  
Imperial, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Imperial's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 a type of compliance requirement of a federal program 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.

### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 18, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
May 18, 2020

**City of Imperial**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Entity ID Number	Federal Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Housing and Urban Development:</b>				
<i>Passed through Programs From:</i>				
<i>State of California Department of Housing and Community Development:</i>				
Community Development Block Grant	14.218	15-CDBG-10577-1-1	\$ 1,141,917 *	\$ -
Total U.S. Department of Housing and Urban Development			<u>1,141,917</u>	
<b>U.S. Department of Transportation:</b>				
<i>Passed through Programs From:</i>				
<i>California Department of Transportation:</i>				
Highway Planning and Construction	20.205	HSIP-5134 (013)	852,300	
Highway Planning and Construction	20.205	CML-5134 (017)	4,526	
Highway Planning and Construction	20.205	STPL-5134 (018)	6,982	
Highway Planning and Construction	20.205	RSTP-5134 (019)	4,095	
Federal Transit Formula Grants	20.507	FTA-0248 (00)	<u>1,706,105 *</u>	
Total U.S. Department of Transportation			<u>2,574,008</u>	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,715,925</u>	<u>\$ -</u>

\* Denotes major program

See accompanying notes to the schedule of expenditures of federal awards

# City of Imperial

Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2019

---

## 1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Imperial (City), and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Accounting**

Funds received under the various grant programs have been recorded within special revenue and capital projects funds of the City. The City utilizes the modified accrual method of accounting for the special revenue, and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

The City has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

## 3. PROGRAM DESCRIPTIONS

### **U. S. Department of Housing and Urban Development**

#### **Community Development Block Grant/Entitlement Grant**

The Community Development Block Grant/Entitlement Grant provides funding for communities to undertake a wide range of community-based activities directed toward neighborhood revitalization, economic development, and community services, facilities, and improvements. Entitlement communities develop their programs and set their funding priorities in conformance with the statutory standards, program regulations, and other federal requirements. Specific activities that can be carried out with Community Development Block Grant (CDBG) funds include acquisition of real property; relocation; clearance and demolition; rehabilitation of residential and nonresidential structures; provision of public facilities and improvements, such as water and sewer facilities (which require reviews by the State single point of contact or a Regional Planning Agency in accordance with Executive Order 12372), streets, and neighborhood centers.

# City of Imperial

Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2019

---

## 3. PROGRAM DESCRIPTIONS (CONTINUED)

### U. S. Department of Transportation

#### **Highway Planning and Construction**

The objective of the Highway Planning and Construction cluster is to: (1) assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the national highway system, including interstate highways and most other public roads; (2) provide aid for the repair of roads following disasters; (3) foster safe highway design and replace or rehabilitate structurally deficient or functionally obsolete bridges; and (4) provide for other special purposes.

#### **Federal Transit Formula Grants**

The objective of the Urbanized Area Formula Program is to assist in financing the planning, acquisition, construction, preventive maintenance, and improvement of facilities and equipment in public transportation services.

**CITY OF IMPERIAL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2019

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued

**Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   None reported

Type of auditor’s report issued on compliance for major programs:

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 510 (a)

\_\_\_\_\_ Yes   X   No

Identification of major program:

**CFDA Number**

**Name of Federal Program or Cluster**

  14.218    
  20.507  

Community Development Block Grants  
Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:

**\$ 750,000**

Auditee qualified as low-risk auditee:

\_\_\_\_\_ Yes   X   No

**CITY OF IMPERIAL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2019

**Section II – Findings – Financial Statement Audit**

**Significant Deficiencies**

2019-1 Finding – Impact fee studies not updated in a timely manner

During our review of compliance, it was noted that the City’s development impact fee studies from the fiscal year ended 2010 were not updated in a timely manner. California Government Code title 7, chapter 5, section 66001 requires that on the 5<sup>th</sup> year of the initial established of a development impact fee and every 5 years after, the City needs to 1)identify the purposes that the fees were put towards during the 5 year period 2)demonstrate the relationship between the fees and the purpose for which it was charged 3)identify the status and future status of current projects and/or new projects 4)update the estimated time of completion for projects.

Effect:

The City is not in compliance with California Government Code by not updating the impact fees in a timely manner.

Recommendation:

We recommend that the City ensure the impact fees studies be updated in a timely manner.

Management Response:

2019-2 Finding – Credit card statements missing receipts:

During our test of employee credit card, we noted that 2 out of 2 credit card statements tested had missing credit card receipts.

Effect:

When an employee credit card is paid without all appropriate receipts attached, it is difficult to determine if all charges were appropriate and allowable.

Recommendation:

We recommend that the City ensure employee credit cards are only paid when all receipts have been obtained.

Management Response:

2019-3 Finding – City does not have an adopted Appropriation Limit:

The California Constitution Article XIII B requires that all California cities pass an appropriation limit (GANN Limit) for each fiscal year. City did not establish an appropriation limit in the initial year of adoption (1979) and has not adopted an appropriation in any subsequent year.

Effect:

By not passing an appropriation limit, the City is not in compliance with the California Constitution.

Recommendation:

We recommend that the City pass an appropriation limit based on the requirements of the California Constitution.

Management Response:

**CITY OF IMPERIAL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2019

**Section II – Findings – Financial Statement Audit (Continued)**

**Significant Deficiencies (Continued)**

2019-4 Finding – Fixed asset schedule does not include adequate detail:

During our review of fixed assets, it was noted that the fixed assets schedule does not offer adequate detail as to the name, identifying numbers, vin number, or other information that is needed to be able to positively identify City assets.

Effect:

By not maintain adequate documentation for fixed assets, there is a greater chance of error going undetected or misappropriations going undetected that can lead to material misstatements.

Recommendation:

We recommend that the City perform a thorough fixed asset inventory and obtain and maintain a proper set of fixed asset records.

Management Response:

**CITY OF IMPERIAL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2019**

**Section III – Findings and Questioned Costs – Major Federal Award Programs Audit**

None reported in the current year.

**CITY OF IMPERIAL**  
**STATUS OF PRIOR YEAR'S FINDINGS**  
For the Fiscal Year Ended June 30, 2019

**Section IV – Prior Year Findings – Financial Statement Audit**

**Significant Deficiencies**

**2018-1 Finding – Impact fee studies not updated in a timely manner**

During our review of compliance, it was noted that the City's development impact fee studies from the fiscal year ended 2010 were not updated in a timely manner. California Government Code title 7, chapter 5, section 66001 requires that on the 5<sup>th</sup> year of the initial established of a development impact fee and every 5 years after, the City needs to 1)identify the purposes that the fees were put towards during the 5 year period 2)demonstrate the relationship between the fees and the purpose for which it was charged 3)identify the status and future status of current projects and/or new projects 4)update the estimated time of completion for projects.

**Effect:**

The City is not in compliance with California Government Code by not updating the impact fees in a timely manner.

**Recommendation:**

We recommend that the City ensure the impact fees studies be updated in a timely manner.

**Current Status:**

Not implemented, See Finding 2019-1.

**2018-2 Finding – Lack of control in the Human Resources and Payroll Departments:**

During our review of internal controls, we noted a lack of controls in the Human Resources and Payroll Department. Specifically, payroll changes were being made by the payroll department prior to approval and documentation of approval by the HR department. In one case, we could not find an authorized payroll adjustment form for a salary increase already entered by the payroll department. In another case, required payroll changes were not made in a timely manner, requiring retroactive adjustments after the fact.

**Effect:**

A lack of control in the payroll and HR departments increases the risk that errors and irregularities may occur and go undetected. It could adversely affect the City's ability to initiate authorize, record or process report financial data reliably, which could lead to a misappropriation of funds.

**Recommendation:**

We recommend that the City ensure that wage changes and other personnel related changes should be approved and processed by the HR department prior to input and that all wage and payroll changes be made in a timely manner

**Current Status:**

Implemented.

**CITY OF IMPERIAL**  
**STATUS OF PRIOR YEAR'S FINDINGS**  
**For the Fiscal Year Ended June 30, 2019**

**Section IV – Prior Year Findings – Financial Statement Audit (Continued)**

**Significant Deficiencies (Continued)**

**2018-3 Finding – Credit card statements missing receipts:**

During our test of employee credit card, we noted that 2 out of 2 credit card statements tested had missing credit card receipts.

Effect:

When an employee credit card is paid without all appropriate receipts attached, it is difficult to determine if all charges were appropriate and allowable.

Recommendation:

We recommend that the City ensure employee credit cards are only paid when all receipts have been obtained.

Current Status:

Not implemented, See Finding 2019-2.

**2018-4 Finding – City does not have an adopted Appropriation Limit:**

The California Constitution Article XIII B requires that all California cities pass an appropriation limit (GANN Limit) for each fiscal year. City did not establish an appropriation limit in the initial year of adoption (1979) and has not adopted an appropriation in any subsequent year.

Effect:

By not passing an appropriation limit, the City is not in compliance with the California Constitution.

Recommendation:

We recommend that the City pass an appropriation limit based on the requirements of the California Constitution.

Current Status:

Not implemented, See Finding 2019-3.

**2018-5 Finding – Fixed asset schedule does not include adequate detail:**

During our review of fixed assets, it was noted that the fixed assets schedule does not offer adequate detail as to the name, identifying numbers, vin number, or other information that is needed to be able to positively identify City assets.

Effect:

By not maintain adequate documentation for fixed assets, there is a greater chance of error going undetected or misappropriations going undetected that can lead to material misstatements.

Recommendation:

We recommend that the City perform a thorough fixed asset inventory and obtain and maintain a proper set of fixed asset records.

Current Status:

Not implemented, See Finding 2019-4.

**CITY OF IMPERIAL**  
**STATUS OF PRIOR YEAR'S FINDINGS**  
**For the Fiscal Year Ended June 30, 2019**

**Section IV – Prior Year Findings – Major Federal Award Programs Audit**

None reported in the prior year.

**CITY OF IMPERIAL**  
**TRANSPORTATION DEVELOPMENT ACT FUNDS**  
**FINANCIAL STATEMENTS**

June 30, 2019

**CITY OF IMPERIAL**  
TRANSPORTATION DEVELOPMENT ACT FUNDS

TABLE OF CONTENTS  
June 30, 2019

---

	<u>Page</u>
<b>LOCAL TRANSPORTATION FUND – NON -TRANSIT</b>	
Independent Auditor’s Report	1
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balances	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Article 8(a)	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Article 8(e)	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Article 3	7
Notes to Financial Statements	8
<b>LOCAL TRANSPORTATION FUND</b>	
Independent Auditor’s Report	9
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14
Schedule of Findings and Questioned Costs	16
Schedule of Prior Year Findings and Questioned Costs	17

**CITY OF IMPERIAL**  
**LOCAL TRANSPORTATION FUND – NON-TRANSIT**

June 30, 2019



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

## **PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

## **COMMERCIAL ACCOUNTING & TAX SERVICES**

433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
[www.mlhcpas.com](http://www.mlhcpas.com)

## **GOVERNMENTAL AUDIT SERVICES**

5800 HANNUM AVE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
[www.mlhcpas.com](http://www.mlhcpas.com)

## **INDEPENDENT AUDITOR'S REPORT**

City of Imperial  
Imperial, California

### Report on the Financial Statement

We have audited the financial statements of the Local Transportation Fund Non-Transit of the City of Imperial, California (City) as of and for the fiscal year ended June 30, 2019, which collectively comprise the Local Transportation Fund Non-Transit 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.

### Auditor's 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 from 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 risks 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit was also conducted for the purpose of determining compliance with the Transportation Development Act Section 99400 (a), the California Code of Regulations, and the rules and regulations of the Imperial Valley Association of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6664 of Title 21 of the California Code of Regulations.

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 Fund Non-Transit as of June 30, 2019, and the changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, the funds allocated and received by the Local Transportation Fund Non-Transit were expended and accounted for in conformance with the applicable laws, rules, and regulations of the Transportation Development Act, the California Code of Regulations, and the allocation instructions of the Imperial Valley Association of Governments.

Emphasis of Matter

The financial statements present only the Local Transportation Fund Non-Transit of the City of Imperial and do not purport to, and do not, present fairly the financial position of the City of Imperial as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the fiscal 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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
May 18, 2020

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUNDS – NON-TRANSIT  
 BALANCE SHEET  
 June 30, 2019

	Local Streets and Roads Fund Article 8(a)	Bus Benches and Shelters Fund Article 8(e)	Pedestrians and Bicycles Fund Article 3	Totals
<u>ASSETS</u>				
Cash and investments	\$ 386,002	\$ 31,597	\$ 18,119	\$ 435,718
Interest receivable	534			534
<b>TOTAL ASSETS</b>	<b>\$ 386,536</b>	<b>\$ 31,597</b>	<b>\$ 18,119</b>	<b>\$ 436,252</b>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>				
<u>FUND EQUITY</u>				
Fund balances - restricted for transportation	386,536	31,597	18,119	436,252
<b>TOTAL FUND EQUITY</b>	<b>386,536</b>	<b>31,597</b>	<b>18,119</b>	<b>436,252</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 386,536</b>	<b>\$ 31,597</b>	<b>\$ 18,119</b>	<b>\$ 436,252</b>

See accompanying notes to financial statements

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUNDS – NON-TRANSIT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 For the Fiscal Year Ended June 30, 2019

	Local Streets and Roads Fund Article 8(a)	Bus Benches and Shelters Fund Article 8(e)	Pedestrians and Bicycles Fund Article 3	Totals
<u>REVENUES</u>				
Use of money and property	\$ 2,059	\$ 108	\$ -	\$ 2,167
Intergovernmental - TDA/LTF		7,982	21,603	29,585
TOTAL REVENUES	2,059	8,090	21,603	31,752
<u>EXPENDITURES</u>				
Transportation			17,795	17,795
TOTAL EXPENDITURES	-	-	17,795	17,795
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,059	8,090	3,808	13,957
Fund balances, July 1, 2018	384,477	23,507	14,311	422,295
Fund balances, June 30, 2019	\$ 386,536	\$ 31,597	\$ 18,119	\$ 436,252

See accompanying notes to financial statements

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUND – NON-TRANSIT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – ARTICLE 8 (a)  
 For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
<u>REVENUES</u>			
Use of money and property	\$ 200	\$ 2,059	\$ 1,859
TOTAL REVENUES	200	2,059	1,859
<u>EXPENDITURES</u>			
Transportation	400,000		400,000
TOTAL EXPENDITURES	400,000		400,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(399,800)	2,059	401,859
Fund balance, July 1, 2018	384,477	384,477	
Fund balance, June 30, 2019	\$ (15,323)	\$ 386,536	\$ 401,859

See accompanying notes to financial statements

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUND – NON-TRANSIT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – ARTICLE 8 (e)  
 For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
<u>REVENUES</u>			
Use of money and property	\$ -	\$ 108	\$ 108
Intergovernmental - TDA/LTF	7,803	7,982	179
<b>TOTAL REVENUES</b>	<b>7,803</b>	<b>8,090</b>	<b>287</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,803</b>	<b>8,090</b>	<b>287</b>
Fund balance, July 1, 2018	23,507	23,507	
Fund balance, June 30, 2019	<u>\$ 31,310</u>	<u>\$ 31,597</u>	<u>\$ 287</u>

See accompanying notes to financial statements

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUND – NON-TRANSIT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – ARTICLE 3  
 For the Fiscal Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>REVENUES</u>			
Intergovernmental - TDA/LTF	\$ 20,717	\$ 21,603	\$ 886
TOTAL REVENUES	<u>20,717</u>	<u>21,603</u>	<u>886</u>
<u>EXPENDITURES</u>			
Transportation	<u>21,000</u>	<u>17,795</u>	<u>3,205</u>
TOTAL EXPENDITURES	<u>21,000</u>	<u>17,795</u>	<u>3,205</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(283)	3,808	4,091
Fund balance, July 1, 2018	<u>(329)</u>	<u>14,311</u>	<u>14,640</u>
Fund balance, June 30, 2019	<u>\$ (612)</u>	<u>\$ 18,119</u>	<u>\$ 18,731</u>

See accompanying notes to financial statements

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUNDS – NON-TRANSIT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Local Transportation Funds-Non-Transit are special revenue funds of the City of Imperial (City) and the financial statements of the funds are included in the basic financial statements of the City.

Basis of Accounting

The Local Transportation Funds-Non-Transit are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

NOTE 2     INTERGOVERNMENTAL ALLOCATIONS – TDA/LTF

The City was allocated the following funds:

Article	Fund	Section		
8(e)	LTF	99233.3	\$	7,982
3	LTF	99234		21,603
			\$	29,585

NOTE 3     INTERNAL ACCOUNTING CONTROL

As part of our audit, a study was performed of the City’s system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements. No material weaknesses in internal control were discovered.

**CITY OF IMPERIAL**  
**LOCAL TRANSPORTATION FUND**

June 30, 2019



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES  
433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES  
5800 HANNUM AVE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

## INDEPENDENT AUDITOR'S REPORT

City of Imperial  
Imperial, California

### Report on the Financial Statement

We have audited the financial statements of the Local Transportation Fund of the City of Imperial, California (City) as of and for the fiscal year ended June 30, 2019, which collectively comprise the Local Transportation Fund 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.

### Auditor's 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 from 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 risks 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit was also conducted for the purpose of determining compliance with the Transportation Development Act Section 99400 (c), the California Code of Regulations, and the rules and regulations of the Imperial Valley Association of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6664 of Title 21 of the California Code of Regulations.

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 respective financial position of the Local Transportation Fund, as of June 30, 2019, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, the funds allocated and received by the Local Transportation Fund were expended and accounted for in conformance with the applicable laws, rules, and regulations of the Transportation Development Act, the California Code of Regulations, and the allocation instructions of the Imperial Valley Association of Governments.

Emphasis of Matter

The financial statements present only the Local Transportation Fund of the City of Imperial and do not purport to, and do not, present fairly the financial position of the City of Imperial as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the fiscal 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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
May 18, 2020

CITY OF IMPERIAL  
LOCAL TRANSPORTATION FUND  
STATEMENT OF NET POSITION  
June 30, 2019

ASSETS

Cash and cash equivalents	<u>\$ 14,607</u>
TOTAL ASSETS	<u>14,607</u>

NET POSITION

Restricted for transportation	<u>14,607</u>
<u>NET POSITION</u>	<u>\$ 14,607</u>

See accompanying notes to financial statements

CITY OF IMPERIAL  
LOCAL TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2019

OPERATING REVENUES:

Fares and other fees	<u>\$ -</u>
TOTAL OPERATING REVENUES	<u>                    </u>
CHANGE IN NET POSITION	
NET POSITION AT BEGINNING OF FISCAL YEAR	<u>14,607</u>
NET POSITION AT END OF FISCAL YEAR	<u>\$ 14,607</u>

See accompanying notes to financial statements

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUND  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ -
Cash payments to suppliers and contractors	<u>                    </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>                    </u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>14,607</u>
CASH AND CASH EQUIVALENTS, END OF THE FISCAL YEAR	<u>\$ 14,607</u>
RECONCILIATION TO STATEMENT OF NET POSITION:	
Cash and investments	<u>\$ 14,607</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	<u>\$ -</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ -</u>

See accompanying notes to financial statements

CITY OF IMPERIAL  
LOCAL TRANSPORTATION FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Local Transportation Fund is an enterprise fund of the City of Imperial (City) and the financial statements of the fund are included in the basic financial statements of the City.

Basis of Accounting

The Local Transportation Fund is accounted for using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Amounts Due from Other Governments

Generally, amounts due from other governments are recorded as revenues when received. However, when the expense of the fund is the prime factor for determining eligibility for grants, revenue is accrued when the expenses have been incurred on an approved grant.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Local Transportation Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2     INTERGOVERNMENTAL EXPENSE

The City used to provide a demand response transportation service for the general public within the city limits of Imperial, California. Transit services have ceased as of the fiscal year ended June 30, 2017.

NOTE 3     INTERNAL ACCOUNTING CONTROL

As part of our audit, a study was performed of the City's system of internal accounting control to the extent considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements. No material weaknesses in internal control were discovered.

NOTE 4     FARE REVENUE RATIOS 2018-2019

The Local Transportation Fund has ceased transit operations as of the fiscal year ended June 30, 2017 and the fare revenue ratio requirement does not apply for the fiscal year end June 30, 2019.

CITY OF IMPERIAL  
 LOCAL TRANSPORTATION FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 5      CAPITAL RESERVES

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the required fare, local support, and the amount received during the fiscal year from a City or County to which the operator has provided service beyond its boundaries. Net excess at June 30, 2019 and 2018 were:

	Operating Funds	
	2019	2018
TDA unearned excess revenue	\$ 14,607	\$ 14,607
Net TDA excess unearned revenue	\$ 14,607	\$ 14,607

Funds which have been drawn down by the City of Imperial cannot be held in their own account for more than three years minus the time such monies remain reserved in the LTF. The City is in compliance with the California Code of Regulations (CCR) section 6634.

NOTE 6      CESSATION OF TRANSIT OPERATIONS

The Local Transportation Fund has ceased transit operations as of the fiscal year ended June 30, 2017. Excess funds have been returned to the funding source.

CITY OF IMPERIAL  
LOCAL TRANSPORTATION FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2019

No Findings Noted

CITY OF IMPERIAL  
LOCAL TRANSPORTATION FUND  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2019

No Findings Noted