

Imperial Valley Resource Management Agency

El Centro, California

Financial Statement and Independent Auditors' Report

June 30, 2020



Imperial Valley Resource Management Agency
June 30, 2020

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
of the Imperial Valley Resource Management Agency
El Centro, California

Opinion

We have audited the accompanying statement of net position of the Imperial Valley Resource Management Agency (the "Agency") as of June 30, 2020, and the related notes to the financial statement.

Basis for Opinion

We conducted our audit of the statement of net position of the Agency in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Imperial Valley Resource Management Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

To the Board of Directors
of the Imperial Valley Resource Management Agency
El Centro, CA
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In performing an audit in accordance with generally accepted auditing standards in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statement. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statement, and other knowledge we obtained during our audit of the financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The PwC Group, LLP

Santa Ana, California
August 1, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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**Imperial Valley Resource Management Agency
Management’s Discussion and Analysis (Unaudited)
June 30, 2020**

The discussion and analysis of the financial performance of the Imperial Valley Resource Management Agency (the Agency) provides an overview of the Agency’s financial position as of June 30, 2020. The intent of this discussion and analysis is to look at the Agency’s financial performance as a whole; users of the financial statement should read this discussion.

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the 2019-2020 fiscal year by \$424,861 (Net Position) of which \$96,432 is restricted for the used oil program, \$154,120 is restricted for City-County program and the remaining \$174,309 is unrestricted net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency’s financial statement. This statement is organized so that readers can understand the Agency’s financial position. The Agency’s financial statement is comprised of two components: 1) Statement of Net Position and 2) Notes to the financial statements.

The Statement of Net Position presents information on all of the Agency’s assets and liabilities. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The notes provide additional information that is essential to a full understanding of the data provided in the Statement of Net Position. The notes to the financial statements are presented on pages 11 through 16 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Agency, assets exceeded liabilities by \$424,861 (see below) at the close of the fiscal year.

	2020	2019	Change
Current assets and other assets	\$ 467,151	\$ 370,376	\$ 96,775
Total assets	<u>467,151</u>	<u>370,376</u>	<u>96,775</u>
Current liabilities	42,290	51,345	(9,055)
Total liabilities	<u>42,290</u>	<u>51,345</u>	<u>(9,055)</u>
Net position:			
Restricted	250,552	188,141	62,411
Unrestricted	174,309	130,890	43,419
Total net position	<u>\$ 424,861</u>	<u>\$ 319,031</u>	<u>\$ 424,861</u>

At the end of the current fiscal year, the Agency shows a positive balance in its unrestricted net position of \$174,309 that may be utilized in future years.

Imperial Valley Resource Management Agency
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the Agency's current financial position, net position or operating results in terms of past, present and future.

Request for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information you may reach the Agency at (760) 337-4586.

FINANCIAL STATEMENT

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Imperial Valley Resource Management Agency
Statement of Net Position
June 30, 2020

ASSETS

Current assets:

Cash and investments	\$ 407,623
Receivables	
Accounts receivable	<u>59,528</u>
Total current assets	<u>467,151</u>
Total assets	<u>467,151</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>42,290</u>
Total current liabilities	<u>42,290</u>
Total liabilities	<u>42,290</u>

NET POSITION

Restricted	
Used oil program	96,432
City-county program	154,120
Unrestricted	<u>174,309</u>
Total net position	<u>\$ 424,861</u>

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Imperial Valley Resource Management Agency
Notes to the Financial Statements
June 30, 2020

Note 1 – Reporting Entity

The Imperial Valley Resource Management Agency (Agency) was formed in 2005 under the Joint Powers Agreements pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, between the cities of Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial and Westmorland, and the County of Imperial, all municipal corporations duly organized and existing under the laws of the State of California. The Agency provides coordination of economical and regional source reduction recycling of solid waste to meet the diversion requirements mandated by the California Integrated Waste Management Act of 1989 including the monitoring and reporting of source reduction recycling information. The Agency is governed by a Board consisting of nine directors chosen from the participating entities. During February 2020 under Resolution 20-07, administration of the Agency was transferred to Imperial Valley Transportation Commission.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Basis of Accounting and Measurement Focus

The financial statement is presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position.

Use of Restricted/Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

The Agency maintains cash and investments in the Imperial County Investment Pool. The Imperial County Investment Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). These pooled funds are carried at costs which approximates fair value. Interest earned is deposited quarterly into participating funds. For further information regarding the Imperial County Investment Pool refer to the County of Imperial’s basic financial statements. Proceeds from the sale of bonds and amounts held for the repayment of principal and interest is held by a third-party fiscal agent. Funds held by the third-party fiscal agent are reported at fair value.

Net Position

Net position is classified in the following categories:

Restricted – This component of net position consist of restricted assets reduced by liabilities to those assets. The restrictions are placed by third parties or enabling legislation.

Unrestricted – This component of net position is the remaining amount of the assets and liabilities that are not included in the determination of the restricted component of net position.

Imperial Valley Resource Management Agency
Notes to the Financial Statements (Continued)
June 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statement. Actual results could differ from those estimates.

Note 3 – Cash and Investments

At June 30, 2020, the Agency has \$407,623 deposited in the Imperial County Investment Pool.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At June 30, 2020, the Agency's deposit in the Imperial County Investment Pool, have a weighted average maturity of less than 12 months.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Imperial County Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investments of the Agency are in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The County does not have any investments in any one issuer (other than for Imperial County Investment Pools) that represent 5% or more of total County investments portfolio.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Imperial Valley Resource Management Agency
Notes to the Financial Statements (Continued)
June 30, 2020

Note 3 – Cash and Investments (Continued)

The California Government Code and the Imperial County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance through Public Entity Risk Management Agency.

Note 5 – Commitments and Contingencies

A. Operating Lease

The Agency has a rental agreement for office space. The rental agreements require monthly payments of \$950 through October 31, 2021. The rent payment schedule is as follows:

<u>Year</u>	<u>Payments</u>
2021	<u>\$ 9,500</u>
Total	<u>\$ 9,500</u>

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