

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
FINANCIAL REPORT OF THE
TRANSIT PLANNING AND PROGRAMS MANAGEMENT**

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

We have audited the accompanying financial statements of the Imperial County Transportation Commission Transit Planning and Programs Management as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Imperial County Transportation Commission's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Transit Planning and Programs Management Fund, and are not intended to present fairly the financial position of the Imperial County Transportation Commission, and the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Administration Program Fund of the Imperial County Transportation Commission as of June 30, 2012 and 2011, and the results of its operations and the cash flow of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2013 on our consideration of the Imperial County Transportation Commission Transit Planning and Programs 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Commission Board, Imperial County Transportation Commission and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

January 11, 2013

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current assets		
Cash and investments	\$ 3,654,115	\$ 2,694,305
Federal Grant 5311 receivable	411,399	385,536
Federal Grant 5307 receivable	--	919,646
Accounts receivable	14,006	20,164
Due from other funds	923,080	159,660
Fixed assets	68,863	14,045
Accumulated depreciation	(6,759)	(2,809)
Interest receivable	<u>4,523</u>	<u>4,036</u>
Total current assets	<u>5,069,227</u>	<u>4,194,583</u>
Total assets	<u>\$ 5,069,227</u>	<u>\$ 4,194,583</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,308,720	\$ 1,032,179
Encumbrances payable	649,947	1,242,377
Due to other funds	<u>4,773</u>	<u>18,568</u>
Total liabilities	<u>1,963,440</u>	<u>2,293,124</u>
Fund balance		
Fund balance - reserved	686,199	686,199
Fund balance - unreserved	<u>2,419,588</u>	<u>1,215,260</u>
Total fund balance	<u>3,105,787</u>	<u>1,901,459</u>
Total liabilities and fund balance	<u>\$ 5,069,227</u>	<u>\$ 4,194,583</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues		
State transit revenues	\$ 3,575,226	\$ 3,685,258
STIP-PPM revenues	100,000	100,000
Federal Grant 5307 revenue	1,440,680	1,069,351
Federal Grant 5311 revenue	682,394	422,556
Passenger fares	682,343	591,810
ICTC reimbursements	<u>648,049</u>	<u>864,749</u>
Total revenues	<u>7,128,692</u>	<u>6,733,724</u>
Expenses		
Purchased transportation services	4,163,108	4,884,115
Professional services	268,888	423,967
General administration	184,998	255,046
Capital projects	<u>1,330,659</u>	<u>210,569</u>
Total expenses	<u>5,947,653</u>	<u>5,773,697</u>
Operating income	<u>1,181,039</u>	<u>960,027</u>
Other revenues		
Interest revenue	22,713	16,591
Other refunds and reimbursements	<u>576</u>	<u>4</u>
Total other revenues	<u>23,289</u>	<u>16,595</u>
Net income	<u>1,204,328</u>	<u>976,622</u>
Fund balance, July 1	<u>1,901,459</u>	<u>924,837</u>
Fund balance, June 30	<u>\$ 3,105,787</u>	<u>\$ 1,901,459</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
STATEMENTS OF CASH FLOW
For the Years Ended June 30, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,204,328	\$ 976,622
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation expense	3,950	2,809
(Increase) decrease in:		
Receivables	899,941	152,798
Due from other funds	(763,421)	(159,370)
Interest receivables	(487)	(162)
(Decrease) increase in:		
Trade payables	276,542	409,254
Encumbrances payable	(592,430)	133,377
Due to other funds	(13,795)	15,807
Net cash provided by operating activities	<u>1,014,628</u>	<u>1,531,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Aquisition of capital assets	<u>(54,818)</u>	<u>(14,045)</u>
Net cash used by investing activities	<u>(54,818)</u>	<u>(14,045)</u>
Net increase in cash and cash equivalents	<u>959,810</u>	<u>1,517,090</u>
Cash and cash equivalents at beginning of year	<u>2,694,305</u>	<u>1,177,215</u>
Cash and cash equivalents at end of year	<u>\$ 3,654,115</u>	<u>\$ 2,694,305</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The Transit Planning and Programs Management Section of the Imperial County Transportation Commission was established in order to effectively administer the various transit programs, grants and services provided either in house or under contract with various providers. The program utilizes various State and federal grants including the Federal Transportation Administration "FTA" Sections 5307 and 5311. The specific federal funds received are programmed to be utilized for the Imperial Valley Transit (IVT), the IVT Blue and Green Lines, IVT Access, the ADA paratransit system and the transfer terminals.

The Imperial County Auditor-Controller's office acts as a trustee for the funds received and disbursed. The FTA Section 5307 and 5311 funds are not accessed until a scope of work is approved. The FTA Section 5307 and 5311 grants are developed based on estimates for each fiscal year, which are not available until October of each year.

Basis of Accounting

The funds are accounted for in a proprietary fund using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash Equivalents

For purposes of the statement of cash flows, the Imperial County Transportation Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Comparative Data

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the funds' financial positions and operations.

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 Imperial County Transportation Commission Transit Planning and Programs Management fund only.

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the County 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 County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

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

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 4. ACCOUNTS RECEIVABLE

During fiscal years ended June 30, 2012 and 2011 there was an amount of \$14,006 and \$20,164 respectively to recognize the ICTC membership revenues accrued for the year which were received in the subsequent year.

Note 5. DUE FROM OTHER FUNDS

During fiscal years ended June 30, 2012 and 2011 there was an amount of \$923,080 and \$159,660 respectively to recognize revenues for the year that were received in the subsequent year.

Note 6. ACCOUNTS PAYABLE

During fiscal years ended June 30, 2012 and 2011 there was an amount of \$1,308,720 and \$1,032,179 respectively to recognize operational expenses for the year that were paid in the following fiscal year.

Note 7. DUE TO OTHER FUNDS

During fiscal years ended June 30, 2012 and 2011 there was an amount of \$4,773 and \$18,568 respectively to recognize amounts due to other funds that were paid in the following fiscal year.

Note 8. ENCUMBRANCES PAYABLE

During fiscal years ended June 30, 2012 and 2011 the encumbrance payable amounts of \$649,947 and \$1,242,377 consists of purchased services for the contract period not yet paid.

Note 9. FUND BALANCE - RESERVE

Out of the total fund balance there is a reserve amount of \$686,199 which is the portion of the local match for federal grant CA-90-Y469-00 for the bus terminal project for the City of El Centro.

Note 10. FEDERAL TRANSIT FORMULA GRANTS

The following consists of the Activity of the U.S. Department of Transportation Federal Transit Grant (Urbanized Area Formula Program - Federal Grant 5307):

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 10. FEDERAL TRANSIT FORMULA GRANTS (Continued)

Program number CA-90-Y469-00		50% Federal	80% Federal	
		Reimbursement	Reimbursement	
		Operations	Capital	Total
Fiscal year 06/07	Construction	\$ --	\$ 2,798,409	\$ 2,798,409
	Capital			
Requested	6/30/12	--	--	--
	Per grant	--	2,948,114	2,948,114
	Available Grant	\$ --	\$ 2,798,409	\$ 2,798,409
	Balance at 6/30/12			

Program number CA-96-X064-00		50% Federal	100% Federal	
ARRA		Reimbursement	Reimbursement	
		Operations	Capital	Total
Fiscal year 09/10	Construction	\$ --	\$ 1,221,911	\$ 1,221,911
	Capital			
Requested	6/30/12	--	--	--
	Per grant	--	1,221,911	1,221,911
	Available Grant	\$ --	\$ 1,221,911	\$ 1,221,911
	Balance at 6/30/12			

Program number CA-90-Y952-00		50% Federal	80% Federal	
		Reimbursement	Reimbursement	
		Operations	Capital	Total
Fiscal year 11/12	Operations	\$ 1,440,680	\$ --	\$ 1,440,680
Requested	6/30/12	1,440,680	--	1,440,680
	Per grant	1,440,680	--	1,440,680
	Available Grant	\$ --	\$ --	\$ --
	Balance at 6/30/12			

The following consists of the Activity of the U.S. Department of Transportation Federal Transit Grant (Rural Area Formula Program - Federal Grant 5311):

Program number 649835 ARRA		50% Federal	100% Federal	
		Reimbursement	Reimbursement	
		Operations	Capital	Total
Fiscal year 09/10	Operations	\$ --	\$ 561,212	\$ 561,212
Requested	6/30/12	--	271,000	271,000
	Per grant	--	620,899	620,899
	Available Grant	\$ --	\$ 290,212	\$ 290,212
	Balance at 6/30/12			

Program number 642131		50% Federal	80% Federal	
		Reimbursement	Reimbursement	
		Operations	Capital	Total
Fiscal year 11/12	Operations	\$ 362,869	\$ --	\$ 362,869
Requested	6/30/12	294,860	--	294,860
	Per grant	362,869	--	362,869
	Available Grant	\$ 68,009	\$ --	\$ 68,009
	Balance at 6/30/12			

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 11. STIP-PLANNING, PROGRAMMING & MONITORING PROGRAM

The California State Budget Act of 2010 appropriates State Highway funds under local assistance for the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM). PPM is defined as the project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program and the STIP required by Government Code Section 14527 and for the monitoring of project implementation for approved projects, referred as PPM projects. The California Transportation Commission (CTC) is tasked to allocate these funds in accordance with the amounts approved in the STIP in accordance with section 14527(h) of the California Government code.

During the fiscal year ended June 30, 2012, the Imperial County Transportation Commission applied for and received proceeds of \$100,000 from the State of California STIP-PPM Program based on an agreement entered into on October 28, 2011. These funds are to be used for category C expenses which include the Regional transit planning activities, including program development & monitoring, and the 2012 update to the Short Range Transit Plan.

As of June 30, 2012, the proceeds received during this fiscal year and the remainder received in the prior fiscal year has been fully spent.

Note 12. RESTATEMENT OF PRIOR PERIOD

A failure to capitalize a purchase of fixed assets and record related annual depreciation resulted in the following changes on financial statement line items as of June 30, 2011.

	As Previously Reported	As Restated	Effect of Correction
Balance Sheet at June 30, 2011:			
Fixed assets	\$ --	\$ 14,045	\$ 14,045
Accumulated depreciation	\$ --	\$ (2,809)	\$ (2,809)
Fund balance - unreserved	\$ 1,204,024	\$ 1,215,260	\$ (11,236)
Statement of Revenues, Expenses, and Changes in Fund Balance for year ended June 30, 2011:			
General administration expense	\$ 266,282	\$ 255,046	\$ (11,236)
Net income	\$ 965,386	\$ 976,622	\$ 11,236

Note 13. RECLASSIFICATIONS

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 financial statement presentation. Such reclassifications had no effect on the reported fund balance.

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 11, 2013, the report date, and has determined that there are no reportable events.

See independent auditors' report

**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 Commission Board Members
County of Imperial, California

We have audited the financial statements of the Imperial County Transportation Commission Transit Planning and Programs Management, as of June 30, 2012, and for the year then ended and have issued our report thereon dated January 11, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imperial County Transportation Commission Transit Planning and Programs Management's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Transportation Development Act (TDA) Statutes and California Codes of Regulation (CCR) Section 6667, 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*.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

January 11, 2013

SUPPLEMENTARY INFORMATION

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
SCHEDULES OF SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Schedule I - State Transit Revenue		
State Transit Revenue - TDA/LTF/STA	\$ 2,515,562	\$ 3,682,908
State Transit Revenue - PTMISEA	923,080	--
State Transit Revenue - CTSGP	<u>136,584</u>	<u>2,350</u>
State Transit Revenue - Total	<u>\$ 3,575,226</u>	<u>\$ 3,685,258</u>
 Schedule II - ICTC Reimbursements Revenues		
Transfer from Admin, Plans and Programs funds	\$ 502,336	\$ 511,428
Membership revenues	75,000	146,203
LTA transit 2% allocation	30,000	20,000
Miscellaneous revenue	<u>40,713</u>	<u>187,118</u>
ICTC Reimbursement Revenues - Total	<u>\$ 648,049</u>	<u>\$ 864,749</u>
 Schedule III - Purchased Transportation Services		
Countywide Transit System	\$ 1,859,146	\$ 2,590,266
IVT - Blue/Green Line	576,696	531,984
ADA Paratransit	1,328,489	836,022
Med Express	156,291	141,847
West Shores - Dial-a-Ride	57,958	63,369
Transportation Reserves & Fare Adjustments	<u>184,528</u>	<u>720,627</u>
Purchased Transportation Services - Total	<u>\$ 4,163,108</u>	<u>\$ 4,884,115</u>
 Schedule IV - Professional Services		
Professional & Special Services	\$ 335,339	\$ 341,356
Prof & Spec Svs Data Pro	4,629	6,755
Prof & Spec Svs - Audit Services	21,355	26,920
Overhead reimbursement	--	46,556
Professional Services Reserves Adjustments	<u>(92,435)</u>	<u>2,380</u>
Professional Services - Total	<u>\$ 268,888</u>	<u>\$ 423,967</u>

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
SCHEDULES OF SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Schedule V - General Administration		
<i>General Administration - Salaries & Benefits</i>		
Permanent Salaries	\$ 93,464	\$ 143,204
Extra Help	--	3,585
Social Security - Medicare	1,337	2,100
County Contr Retirement	9,639	17,553
Ins-Workers Comp	2,470	2,325
Ins-Unemployment	880	1,028
Group Insurance	11,467	22,114
Retirement-Pension Bond	4,467	8,699
Retirement - Health Plan	<u>4,735</u>	<u>8,062</u>
<i>General Administration - Salaries & Benefits Total</i>	<u>128,459</u>	<u>208,670</u>
 <i>General Administration - Other</i>		
Communications - Phone Charge	1,316	1,409
Communications - Services	393	419
Communications - Cell Phones	1,767	--
Insurance Liability	17,959	21,701
Memberships	1,865	--
Office Expenses	3,598	3,650
Redemption of Benefits	--	900
Publications and Legal Notices	5,548	2,476
Rents & Leases	--	1,059
Travel In County Car	300	1,493
Travel Out of Cnty Misc	11,608	6,576
Special Dept Expense	145	1,703
Equipment	10,271	--
Depreciation Equipment	3,950	2,809
General Administration Reserves Adjustments	<u>(2,181)</u>	<u>2,181</u>
<i>General Administration - Other Total</i>	<u>56,539</u>	<u>46,376</u>
General Administration - Grand Total	<u>\$ 184,998</u>	<u>\$ 255,046</u>

Schedule VI - Capital Project Expenses

State Prop 1B - PTMISEA	\$ 1,059,664	\$ --
El Centro-IVC Transfer Terminal	--	150,882
Brawley Transfer Terminal	<u>270,995</u>	<u>59,687</u>
Capital Project Expenses - Total	<u>\$ 1,330,659</u>	<u>\$ 210,569</u>

See independent auditors' report



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Commission Board Members
County of Imperial, California

Compliance

We have audited the Imperial County Transportation Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Imperial County Transportation Commission's major federal programs for the year ended June 30, 2012. The Imperial County Transportation Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Imperial County Transportation Commission's management. Our responsibility is to express an opinion on the Imperial County Transportation Commission's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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 Imperial County Transportation Commission'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. Our audit does not provide a legal determination of the Imperial County Transportation Commission's compliance with those requirements.

In our opinion, the Imperial County Transportation Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Imperial County Transportation Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 Imperial County Transportation Commission'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Imperial County Transportation Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated January 11, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

January 11, 2013

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

<u>Federal Grant/Pass-Through Grantor</u>	<u>Federal C.F.D.A. Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
FTA Section 5307 - Urban Funding **	20.507	CA-90-Y952	\$ 1,440,680
		Subtotal 20.507	<u>1,440,680</u>
FTA Section 5311 - Rural Funding	20.509	642131	<u>294,860</u>
		Subtotal 20.509	<u>294,860</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,735,540</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,735,540</u>

** Major Fund

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes	<u>X</u> none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes	<u>X</u> none reported

Type of auditors' report issued on compliance Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Department of Transportation

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ yes X no

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012**

SECTION II – FINANCIAL STATEMENTS FINDINGS

There are no current year findings.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012**

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RESPONSES

There are no prior year findings.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Imperial County Transportation Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
FINANCIAL REPORT OF THE
REGIONAL PLANNING AND PROGRAMS**

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

We have audited the accompanying financial statements of the Regional Planning and Programs Fund of the Imperial County Transportation Commission as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Imperial County Transportation Commission's management. 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, the minimum audit requirements for special districts and the standards applicable to financial audits contained in *Government Auditing Standards*, issues 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Regional Planning and Programs and are not intended to present fairly the financial position of the Imperial County Transportation Commission and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Planning and Programs of the Imperial County Transportation Commission as of June 30, 2012 and 2011, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2012 on our consideration of the Imperial County Transportation Commission Regional Planning and Programs 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Commission Board, Imperial County Transportation Commission and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
REGIONAL PLANNING AND PROGRAMS**

**BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current assets		
Cash	\$ 207,000	\$ 206,334
Accounts receivable	4,438	--
Interest receivable	<u>520</u>	<u>276</u>
Total current assets	<u>211,958</u>	<u>206,610</u>
Total assets	<u>\$ 211,958</u>	<u>\$ 206,610</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 66,718	\$ 656
Due to other funds	<u>--</u>	<u>143,779</u>
Total Liabilities	<u>66,718</u>	<u>144,435</u>
Fund balance		
Fund balance	<u>145,240</u>	<u>62,175</u>
Total fund balance	<u>145,240</u>	<u>62,175</u>
Total liabilities and fund balance	<u>\$ 211,958</u>	<u>\$ 206,610</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
REGIONAL PLANNING AND PROGRAMS**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues		
Revenues	\$ 200,000	\$ 200,000
Membership revenue	75,000	24,962
Interest revenue	<u>1,847</u>	<u>296</u>
Total revenues	<u>276,847</u>	<u>225,258</u>
Expenses		
STIP-PPM Category A	78,331	80,352
STIP-PPM Category B	85,903	62,856
General and administrative expenses	24,911	9,496
Professional services	<u>4,637</u>	<u>10,379</u>
Total expenses	<u>193,782</u>	<u>163,083</u>
Excess of revenues over (under) expenses	83,065	62,175
Fund balance beginning, July 1	<u>62,175</u>	<u>--</u>
Fund balance ending, June 30	<u>\$ 145,240</u>	<u>\$ 62,175</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
REGIONAL PLANNING AND PROGRAMS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The Imperial County Transportation Commission (ICTC) Regional Planning and Programs fund was established by ICTC in order to administer regional transportation programs and services.

The operations of the Regional Planning and Programs fund of the Imperial County Transportation Commission are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses.

The County's Auditor-Controller's office acts as a trustee for the State and federal funds received and disbursed.

Basis of Accounting

The Regional Planning and Programs funds are accounted for in an agency fund using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Comparative Data

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the funds' financial positions and operations.

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 only the Regional Planning and Programs fund of the Imperial County Transportation Commission .

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the County to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Regional Planning and Programs fund, based upon monthly average cash balances. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

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. ACCOUNTS RECEIVABLE

During fiscal year ended June 30, 2012 there was an amount of \$4,438 in accounts receivable that represents an accrual of a reimbursement related to payroll activities for the year.

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
REGIONAL PLANNING AND PROGRAMS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 5. ACCOUNTS PAYABLE

During fiscal year ended June 30, 2012 there was an amount of \$66,718 in accounts payable that is the total of accrued expenses for the year related to day to day operations. For fiscal year ended June 30, 2011 the amount of accrued expenses was of \$656.

Note 6. DUE TO OTHER FUNDS

During fiscal year ended June 30, 2011 there was an amount of \$143,779 in the due to other funds account which represented the day to day operation expenses that were covered by another fund while this fund was in the process of being created. This amount was paid back in full during fiscal year ended June 30, 2012.

Note 7. STIP-PLANNING, PROGRAMMING & MONITORING PROGRAM

The California State Budget Act of 2010 appropriates State Highway funds under local assistance for the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM). PPM is defined as the project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program and the STIP required by Government Code Section 14527 and for the monitoring of project implementation for approved projects, referred as PPM projects. The California Transportation Commission (CTC) is tasked to allocate these funds in accordance with the amounts approved in the STIP in accordance with section 14527 (h) of the California Government code.

These funds are to be used for the following expense categories:

Category A: Regional transportation planning activities including development of the Regional Transportation Plan Update.

Category B: Program development and monitoring including the preparation of the ICTC Improvement Program and the State Transportation Improvement Program, monitoring the implementation of projects including project delivery and compliance with federal and state law, and California Transportation Commission Guidelines.

During the fiscal year ended June 30, 2011, the Imperial County Transportation Commission applied for and received proceeds of \$200,000 from the State of California STIP-PPM Program based on an agreement entered into on November 4, 2010. As of June 30, 2012 the remaining funds of the Category A proceeds in the amount of \$19,648, and remainder of Category B proceeds in the amount of \$37,144 have been fully expended.

During the fiscal year ended June 30, 2012, the Imperial County Transportation Commission applied for and received proceeds of \$200,000 from the State of California STIP-PPM Program based on an agreement entered into on September 28, 2011. As of June 30, 2012, the remaining balance of the total in STIP-PPM proceeds received for the year is of \$92,557 which includes; the remainder of the Category A proceeds in the amount of \$41,316, and remainder of Category B proceeds in the amount of \$51,241. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
REGIONAL PLANNING AND PROGRAMS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2012, the report date, and has determined that there are no reportable events.

See independent auditors' report

**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 Commission Board Members
County of Imperial, California

We have audited the financial statements of the Imperial County Transportation Commission Regional Planning and Programs Management, as of June 30, 2012, and for the year then ended and have issued our report thereon dated October 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Imperial County Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imperial County Transportation Commission Regional Planning and Programs Management's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Transportation Development Act (TDA) Statutes and California Code of Regulation 6662, 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*.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

SUPPLEMENTARY INFORMATION

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
REGIONAL PLANNING AND PROGRAMS
SCHEDULES OF SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Schedule I - General Administration		
Communications - Phone Charge	\$ 1,313	\$ --
Communications - Cell Phone/Pager	4,171	3,282
Communications - Services	--	109
Insurance Liability	4,273	2,009
Memberships	4,693	--
Office expenses	--	670
Publications and Legal Notices	293	284
Rents & Leases	--	1,058
Special Dept expense	1,683	45
Travel Out of County - Misc	--	2,039
Equipment	<u>8,485</u>	<u>--</u>
General Administration - Total	<u>\$ 24,911</u>	<u>\$ 9,496</u>
 Schedule II - Professional Services		
Professional & Special Service	\$ 1,662	\$ 9,808
Professional & Special Services - Data Pro	<u>2,975</u>	<u>571</u>
Professional Services - Total	<u>\$ 4,637</u>	<u>\$ 10,379</u>
 Schedule III - STIP-PPM Category A		
Professional & Special Services	\$ 74,906	\$ 80,352
Travel	<u>3,425</u>	<u>--</u>
STIP-PPM Category A - Total	<u>\$ 78,331</u>	<u>\$ 80,352</u>
 Schedule IV - STIP-PPM Category B		
Professional & Special Services	\$ 77,252	\$ 62,856
Office expense	2,262	--
Travel	<u>6,389</u>	<u>--</u>
STIP-PPM Category B - Total	<u>\$ 85,903</u>	<u>\$ 62,856</u>

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
FINANCIAL REPORT OF THE
ADMINISTRATION, PLANS & PROGRAMS FUNDS**

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

We have audited the accompanying financial statements of the Imperial County Transportation Commission Administration, Plans and Programs Funds as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Imperial County Transportation Commission's management. 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, the minimum audit requirements for special districts, the Guidelines on Auditing for Conformance, published by the Imperial County Transportation Commission and the standards applicable to financial audits contained in *Government Auditing Standards*, issues 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Imperial County Transportation Commission Administration, Plans and Programs Funds, and are not intended to present fairly the financial position of the Imperial County Transportation Commission and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Imperial County Transportation Commission Administration, Plans and Programs Funds as of June 30, 2012 and 2011, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2012 on our consideration of the Imperial County Transportation Commission 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 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.

This report is intended solely for the information and use of the management, Commission Board, Imperial County Transportation Commission and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

**IMPERIAL COUNTY TRANSPORTATION COMMISSION ADMINISTRATION,
PLANS AND PROGRAMS FUNDS**

**BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and Investments - Administration 7147	\$ --	\$ 33,377
Cash and Investments - Plans and programs 7148	<u> --</u>	<u> 126,740</u>
Total Current Assets	<u>\$ --</u>	<u>\$ 160,117</u>
 FUND BALANCE		
Fund Balance		
Fund Balance - Unreserved	<u>\$ --</u>	<u>\$ 160,117</u>
Total Fund Balance	<u>\$ --</u>	<u>\$ 160,117</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION ADMINISTRATION,
PLANS AND PROGRAMS FUNDS**

**STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues		
Transfers in - Administration 7147	\$ 456,436	\$ 253,475
Transfers in - Plans and programs 7148	<u>45,900</u>	<u>121,500</u>
Total revenue	<u>502,336</u>	<u>374,975</u>
Expenses		
Administration 7147	489,813	378,476
Plans and programs 7148	<u>172,640</u>	<u>132,952</u>
Total expenses	<u>662,453</u>	<u>511,428</u>
Excess of revenues over (under) expenses	<u>\$ (160,117)</u>	<u>\$ (136,453)</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION ADMINISTRATION,
PLANS AND PROGRAMS FUNDS**

**STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Fund balance, beginning		
Administration 7147	\$ 33,377	\$ 158,378
Plans and programs 7148	<u>126,740</u>	<u>138,192</u>
Total Fund balance, beginning	<u>160,117</u>	<u>296,570</u>
Excess of revenues over (under) expenses		
Administration 7147	(33,377)	(125,001)
Plans and programs 7148	<u>(126,740)</u>	<u>(11,452)</u>
Total Excess of revenues over (under) expenses	<u>(160,117)</u>	<u>(136,453)</u>
Fund balance, ending		
Administration 7147	--	33,377
Plans and programs 7148	<u>--</u>	<u>126,740</u>
Total Fund Balance, ending	<u>\$ --</u>	<u>\$ 160,117</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION ADMINISTRATION,
PLANS AND PROGRAMS FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The Imperial County Transportation Commission Administration, Plans and Programs Funds, an Agency Fund, was created pursuant to SB 620 to supplement existing funding sources for public transit services.

The County's Auditor-Controller's office acts as a trustee for the funds received and disbursed. The revenues of the fund are derived from ¼ cent of the local general sales tax collected statewide. The State Board of Equalization returns the ¼ cent to each county according to the amount of the tax collected.

The County's Auditor-Controller, based upon allocation instructions received from the Imperial County Transportation Commission "the ICTC", makes disbursements from the TDA fund to the County of Imperial and the cities, located within the County, which are eligible for TDA funds. The allocation instructions apportion the revenues received by the TDA fund among the incorporated and unincorporated areas of the County, based on population.

Basis of Accounting

The accounting policies of the Imperial County Transportation Commission Administration, Plans and Programs Funds conform to generally accepted accounting principles as applicable to governments.

The Imperial County Transportation Commission Administration, Plans and Programs Funds are accounted for in an agency fund using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

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 only the Imperial County Transportation Commission, Plans and Programs Funds.

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the County of Imperial to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Imperial County Transportation Commission Administration, Plans and Programs Funds, based upon monthly average cash balances. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, California.

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

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION ADMINISTRATION,
PLANS AND PROGRAMS FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 4. CLOSURE OF FUNDS

On December 31, 2011 the Imperial County Transportation Commission Plans and Programs funds 7147 and 7148 were closed. This is the last year that financial statements will be prepared.

Note 5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2012, the report date, and has determined that there are no reportable events.

See independent auditors' report

**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 Commission Board Members
County of Imperial, California

We have audited the financial statements of the Imperial County Transportation Commission Administration, Plans and Programs Funds, as of June 30, 2012, and for the year then ended and have issued our report thereon dated October 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Imperial County Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Imperial County Transportation Commission Administration, Plans and Programs Funds are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Transportation Development Act (TDA) Statutes and California Code of Regulation 6662, 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*.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
FINANCIAL REPORT OF THE
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

We have audited the accompanying financial statements of the Transportation Development Act Fund of the Imperial County Transportation Commission as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Imperial County Transportation Commission's management. 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*, issues 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Transportation Development Act Fund (TDA) and are not intended to present fairly the financial position of the Imperial County Transportation Commission and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Fund (TDA) of the Imperial County Transportation Commission as of June 30, 2012 and 2011, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2012 on our consideration of the Imperial County Transportation Commission 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of allocations and disbursements listed as supplementary information in the table of contents has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Commission Board, Imperial County Transportation Commission and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

**BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and Investments	\$ 4,519,830	\$ 2,428,077
Interest Receivable	<u>7,735</u>	<u>5,860</u>
Total Assets	<u>\$ 4,527,565</u>	<u>\$ 2,433,937</u>
FUND BALANCE		
Fund Balance - Unreserved	\$ 4,479,967	\$ 2,295,820
Fund Balance - Reserved	<u>47,598</u>	<u>138,117</u>
Total Fund Balance	<u>\$ 4,527,565</u>	<u>\$ 2,433,937</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues		
Transportation Development Act fund	\$ 5,514,769	\$ 5,296,686
Interest Pooled Money	<u>27,070</u>	<u>21,233</u>
Total revenues	<u>5,541,839</u>	<u>5,317,919</u>
Expenses		
City of Brawley	234,172	200,458
City of Calexico	319,236	234,142
City of Calipatria	23,797	12,721
City of El Centro	263,742	200,557
City of Holtville	13,530	213,254
City of Imperial	248,604	--
City of Westmorland	--	105,183
County of Imperial	29,232	24,450
IC Transportation Commission	<u>2,315,898</u>	<u>2,746,715</u>
Total expenses	<u>3,448,211</u>	<u>3,737,480</u>
Excess of revenues over (under) expenses	<u>2,093,628</u>	<u>1,580,439</u>
Transfers out		
Administration - ICTC 7147	--	253,475
Plans and program - ICTC 7148	<u>--</u>	<u>121,500</u>
Total transfers out	<u>--</u>	<u>374,975</u>
Change in fund balance	2,093,628	1,205,464
Fund balance beginning, July 1	<u>2,433,937</u>	<u>1,228,473</u>
Fund balance ending, June 30	<u>\$ 4,527,565</u>	<u>\$ 2,433,937</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The operations of the Transportation Development Act fund of the Imperial County Transportation Commission are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

The County's Auditor-Controller's office acts as a trustee for the funds received and disbursed. The revenues of the fund are derived from ¼ cent of the local general sales tax collected statewide. The State Board of Equalization returns the ¼ cent to each county according to the amount of the tax collected.

The County's Auditor-Controller, based upon allocation instructions received from the Imperial County Transportation Commission (ICTC), makes disbursements from the TDA fund to the County of Imperial and the cities, located within the County for projects, which are eligible for TDA funds. The allocation instructions apportion the revenues received by the TDA fund among the eligible projects in the incorporated and unincorporated areas of the County and based on population.

Basis of Accounting

The TDA funds are accounted for in an agency fund using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Comparative Data

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the funds' financial positions and operations.

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 only the Transportation Development Act fund of the Imperial County Transportation Commission.

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the County to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the TDA fund, based upon monthly average cash balances. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

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

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 4. FUND BALANCE

The TDA fund distributes funds according to the annual regional ICTC Overall Work Plan & Budget and in accordance with the annual disbursements schedule adopted each year by ICTC. Any monies allocated and reserved in the local transportation fund and not authorized for payment within three years after the date of allocation shall cease to be allocated or reserved and shall become and be treated as an unallocated apportionment retained in the fund in accordance with Section 6655.1. Also, allocations for benches and shades made in accordance with PUC Code Section 99400(e) do not carryover, and lapse if not claimed in the year allocated.

Out of the total fund balance for fiscal years 2011-12 and 2010-11 the amounts of \$47,598 and \$138,117 represent the reserve of the apportioned but unallocated TDA funds as of June 30, 2012 and June 30, 2011 respectively. The reserved funds are for claims that have been submitted by member entities that have not completed the requirements for disbursement.

Note 5. BUDGETED EXPENSES

The TDA distributes funds in accordance with the annual disbursements schedule and according to the annual regional ICTC Overall Work Plan & Budget adopted each year by ICTC. Any variance is due to cities not spending their current year's budgeted appropriations or spending prior year's appropriations in the current year.

Note 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2012, the report date, and has determined that there are no reportable events.

See independent auditors' report

**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 Commission Board Members
County of Imperial, California

We have audited the financial statements of the Transportation Development Act Fund of the Imperial County Transportation Commission, as of June 30, 2012, and for the year then ended and have issued our report thereon dated October 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Imperial County Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Transportation Development Act Fund of the Imperial County Transportation Commission are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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*.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

SUPPLEMENTARY INFORMATION

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

**SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year Ended June 30, 2012**

<u>ALLOCATIONS</u>	<u>PUC Section</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>City of Brawley</u>				
Bicycles	99233.3	\$ 17,445	\$ 17,445	\$ --
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	209,130	209,130	--
Benches and Shades	99400(e)	<u>7,597</u>	<u>7,597</u>	<u>--</u>
Total		<u>234,172</u>	<u>234,172</u>	<u>--</u>
<u>City of Calexico</u>				
Bicycles	99233.3	21,547	21,547	--
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	285,906	285,906	--
Benches and Shades	99400(e)	<u>11,783</u>	<u>11,783</u>	<u>--</u>
Total		<u>319,236</u>	<u>319,236</u>	<u>--</u>
<u>City of Calipatria</u>				
Bicycles	99233.3	11,037	22,164	(11,127)
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	--	--	--
Benches and Shades	99400(e)	<u>1,058</u>	<u>1,633</u>	<u>(575)</u>
Total		<u>12,095</u>	<u>23,797</u>	<u>(11,702)</u>
<u>City of El Centro</u>				
Bicycles	99233.3	22,540	22,540	--
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	223,406	223,406	--
Benches and Shades	99400(e)	<u>17,796</u>	<u>17,796</u>	<u>--</u>
Total		<u>263,742</u>	<u>263,742</u>	<u>--</u>
<u>City of Holtville</u>				
Bicycles	99233.3	11,782	13,530	(1,748)
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	--	--	--
Benches and Shades	99400(e)	<u>1,818</u>	<u>--</u>	<u>1,818</u>
Total		<u>13,600</u>	<u>13,530</u>	<u>70</u>
<u>City of Imperial</u>				
Bicycles	99233.3	14,461	28,271	(13,810)
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	128,969	215,781	(86,812)
Benches and Shades	99400(e)	<u>4,552</u>	<u>4,552</u>	<u>--</u>
Total		<u>147,982</u>	<u>248,604</u>	<u>(100,622)</u>

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSPORTATION DEVELOPMENT ACT FUND (TDA)**

**SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year Ended June 30, 2012**

<u>ALLOCATIONS</u>	<u>PUC Section</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>City of Westmorland</u>				
Bicycles	99233.3	10,668	--	10,668
Streets and Roads	99400(a)	--	--	--
Transit	99400(c)	--	--	--
Benches and Shades	99400(e)	<u>682</u>	--	<u>682</u>
Total		<u>11,350</u>	--	<u>11,350</u>
<u>County of Imperial</u>				
Bicycles	99233.3	19,519	19,519	--
Benches and Shades	99400(e)	<u>9,714</u>	<u>9,713</u>	<u>1</u>
Total		<u>29,233</u>	<u>29,232</u>	<u>1</u>
<u>IC Transportation Commission</u>				
SB 325 - DAR Dial A Ride	99400(c)	55,027	55,027	--
SB 325 -County Wide Transit	99400(c)	1,482,843	1,482,843	--
SB 325 - Med Express	99400(c)	184,589	184,589	--
SB 325 - ADA	99400(c)	91,103	91,103	--
SB 325 - ICTC Admin	92233.1	456,436	456,436	--
SB 325 - ICTC Planning	99400(a)	<u>45,900</u>	<u>45,900</u>	--
Total		<u>2,315,898</u>	<u>2,315,898</u>	--
Grand Total		<u>\$ 3,347,308</u>	<u>\$ 3,448,211</u>	<u>\$ (100,903)</u>

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
FINANCIAL REPORT OF THE
STATE TRANSIT ASSISTANCE FUND**

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

We have audited the accompanying combined financial statements of the State Transit Assistance Fund, of the Imperial County Transportation Commission as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Imperial County Transportation Commission's management. 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, the Guidelines on Auditing for Conformance, published by the Imperial Valley Association of Governments 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the State Transit Assistance Fund, and are not intended to present fairly the financial position of the Imperial County Transportation Commission and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Transit Assistance Fund of the Imperial County Transportation Commission as of June 30, 2012 and 2011, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We have also issued a report dated October 26, 2012 on our consideration of the State Transit Assistance Fund's compliance over financial reporting based on an audit performed in accordance with statutes, rules and regulations of the California Development Act and the allocation instructions and resolutions of the Transportation Commission. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2012 on our consideration of the Imperial County Transportation Commission 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Commission Board, Imperial County Transportation Commission and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND**

**COMBINED BALANCE SHEETS
June 30, 2012 and 2011**

ASSETS	2012	2011
Current assets		
Cash	\$ 2,619,124	\$ 1,986,412
Interest receivable	<u>4,281</u>	<u>4,539</u>
Total current assets	<u>2,623,405</u>	<u>1,990,951</u>
Total assets	<u>\$ 2,623,405</u>	<u>\$ 1,990,951</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>923,080</u>	\$ <u>--</u>
Total liabilities	<u>923,080</u>	<u>--</u>
Fund balance		
Fund balance	<u>1,700,325</u>	<u>1,990,951</u>
Total fund balance	<u>1,700,325</u>	<u>1,990,951</u>
Total liabilities and fund balance	<u>\$ 2,623,405</u>	<u>\$ 1,990,951</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND**

**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues		
State Aid - Other	\$ 699,961	\$ --
PTMISEA Funds	754,290	--
CTSGP Funds	--	133,338
Interest - STA	3,925	9,492
Interest - PTMISEA	11,183	7,577
Interest - CTSGP	<u>1,679</u>	<u>826</u>
Total revenues	<u>1,471,038</u>	<u>151,233</u>
Expenses		
Paratransit Service	702,000	936,194
IVC Bus Transfer Terminal - PTMISEA	923,080	--
IVC Bus Transfer Terminal - CTSGP	<u>136,584</u>	<u>2,350</u>
Total expenses	<u>1,761,664</u>	<u>938,544</u>
Excess of revenues over (under) expenses	(290,626)	(787,311)
Fund balance, beginning	<u>1,990,951</u>	<u>2,757,717</u>
Prior period adjustment	<u>--</u>	<u>20,545</u>
Fund balance, Adjusted	<u>1,990,951</u>	<u>2,778,262</u>
Fund balance, ending	<u>\$ 1,700,325</u>	<u>\$ 1,990,951</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
June 30, 2012**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The State Transit Assistance Fund (STAF) of the County of Imperial, California, an agency fund was created pursuant to SB 620 to supplement existing funding sources for public transit services. The Imperial County Transportation Commission (ICTC) administers the STAF.

The revenues of the fund are derived from a portion of the sales tax on gasoline, and are subject to appropriation by the legislature. Disbursements from the fund are made by the Imperial County Auditor-Controller based upon allocation instructions received from ICTC.

Basis of Accounting

The accounting policies of the State Transit Assistance Fund of the County of Imperial conform to generally accepted accounting principles as applicable to governments.

The State Transit Assistance Fund of the County of Imperial, California, is accounted for in a agency fund using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Combination Policy

The accompanying combined balance sheets and combined statements of revenues, expenses and changes in fund net assets referred to as "State Transit Assistance Fund," include the account balances of:

STA
PTMISEA
CTSGP

Interfund balances and transactions are eliminated in the combination. There were no interfund balances per fiscal years 2012 and 2011.

Comparative Data

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the fund's financial positions and operations.

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 State Transit Assistance Fund of the County of Imperial.

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
June 30, 2012**

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the County 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 County of Imperial's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, California.

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. ACCOUNTS PAYABLES

During fiscal year 2011-12 there was an amount of \$923,080 in accounts payable which was entirely related to PTMISEA IVC bus transfer terminal expenses.

Note 5. PTMISEA

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement

Each year the State of California solicits grant requests for projects meeting the necessary criteria and then finances the programs through the sale of bonds.

During the fiscal year ended June 30, 2008, the County of Imperial applied for and received proceeds of \$1,337,071 from the State's PTMISEA account for Phase I of the design and construction of the bus transfer terminal at the Imperial Valley College.

During the fiscal year ended June 30, 2009, the County of Imperial applied for \$750,957 from the State's PTMISEA account for Phase II of the design and construction of the bus transfer terminal at the Imperial Valley College. The proceeds were received in FY 2009-10.

During the fiscal year ended June 30, 2011, ICTC applied for \$754,290 from the State's PTMISEA account for the various right of way acquisition, design and construction phases for the Brawley and Imperial bus transfer terminals. The proceeds were received in FY 2011-12.

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
June 30, 2012**

Note 5. PTMISEA (continued)

As of June 30, 2012, the remaining balance of the proceeds is \$821,185 which includes; the remainder of the Phase II proceeds in an amount of \$55,712, proceeds from the Brawley and Imperial projects of \$754,290 and interest earned in the amount of \$11,183 and excludes qualifying expenses incurred in the amount of \$923,080 from the IVC transfer terminal Phase II. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

Note 6. CTSGP

In November 2006, California Voters passed a bond measure (Proposition 1B) enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$1 billion was set aside by the State as instructed by statute as the Transit System Safety, Security and Disaster Response Account.

Sixty percent of this set aside (\$600 million) is available to agencies and transit operators eligible to receive State Transit Assistance (STA) funds through the California Transit Security Grant Program (CTSGP). These funds are to be used for capital expenses to provide increased protection against security or safety threats or to increase the capacity of transit operators to develop disaster response transportation systems.

During FY 07-08 and FY 08-09, the County of Imperial successfully applied for CTSGP grants of \$133,338 each year for the procurement and installation of security infrastructure at the bus transfer terminals at Imperial Valley College. Delivery of these funds was delayed pending bond sales by the state, but during the fiscal year ended June 30, 2010, the STA fund of the County of Imperial received proceeds of \$266,676 from the State's CTSGP account.

During the fiscal year ended June 30, 2010 ICTC applied for CTGSP funds of \$133,338 for the procurement and installation of solar lighting facilities at the Brawley transfer terminal. The proceeds were received in FY 2010-11.

As of June 30, 2012, the remaining balance of the initial proceeds is \$131,235 which includes interest earned in the amount of \$1,679 for the Brawley Transfer terminal and excludes qualifying expenses incurred in the amount of \$136,584 for IVC Transfer Terminal Phase II. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

Note 7. PRIOR PERIOD ADJUSTMENTS

In the 2009-10 fiscal year an amount of \$20,545 was claimed as administrative expenses related to the PTMISEA funds. However, during fiscal year 2010-11 these administrative expenses were disallowed and were properly returned back to the PTMISEA reserve funds. A prior period adjustment was performed. The effect of this adjustment was an increase in fund balance for the prior fiscal year.

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
June 30, 2012**

Note 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2012, the report date, and has determined that there are no reportable events.

See independent auditors' report

REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE TRANSPORTATION COMMISSION

We have audited the financial statements of the State Transit Assistance Fund of the Imperial County Transportation Commission as of and for the year ended June 30, 2012 and have issued our report therein dated October 26, 2012. 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.

As part of obtaining reasonable assurance about whether the State Transit Assistance Fund of the Imperial County Transportation Commission's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenses paid by the State Transit Assistance Fund of the Imperial County Transportation Commission were made in accordance with allocation instructions and resolutions of the Imperial County Transportation Commission and in conformance with the Transportation Development Act (TDA) Statutes and California Code of Regulation 6751. In connection with our audit, nothing came to our attention that caused us to believe the State Transit Assistance Fund of the Imperial County Transportation Commission failed to comply with the the Transportation Development Act (TDA) Statutes and California Codes of Regulation (CCR) and the allocation instructions and resolutions of the Imperial County Transportation Commission. 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

Also as part of our audit we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the PTMISEA guidelines and state accounting requirements.

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. This Bond Act set aside funds for two categories of transportation improvement programs:

1. The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) to fund capital projects that relate to infrastructure improvement
2. The California Transit Security Grant Program-California Transit Assistance Fund (CTSGP) for transit system safety, security and disaster response capital projects

Each year the State of California solicits grant requests for projects meeting the necessary criteria and then finances the programs through the sale of bonds.

During the fiscal year ended June 30, 2008, the State Transit Assistance Fund of the County of Imperial applied and received proceeds of \$1,333,071 from the State's PTMISEA account for the design and construction of the bus transfer terminal at IVC. During the fiscal year ended June 30, 2009, the County of Imperial applied for \$750,957 from the State's PTMISEA account for Phase II of the design and construction of the bus transfer terminal at the Imperial Valley College. During the fiscal year ended June 30, 2011, ICTC applied for \$754,290 from the State's PTMISEA account for the various right of way acquisition, design and construction phases for the Brawley and Imperial bus transfer terminals.

As of June 30, 2012, the PTMISEA funds received, interest earned and expended were verified in the course of our audits as follows:

PTMISEA Funds Current Year Activity:	
Beginning Balance	\$ 978,792
Additional Funds Received this Year	754,290
Interest earned	<u>11,183</u>
	1,744,265
Expenses Incurred this Year:	
IVC Bus Transfer Terminal	<u>923,080</u>
Unexpended proceeds as of June 30, 2012	<u>\$ 821,185</u>

During FY 07-08 and FY 08-09, the County of Imperial successfully applied for CTSGP grants of \$133,338 each year for the procurement and installation of security infrastructure at the bus transfer terminals at Imperial Valley College. During FY 2009-10, ICTC applied for CTGSP funds of \$133,338 for the procurement and installation of solar lighting facilities at the Brawley transfer terminal.

As of June 30, 2012, CTSGP funds received, interest earned and funds expended were verified in the course of our audits as follows:

CTSGP Funds Current Year Activity:	
Beginning Balance	\$ 266,140
Additional Funds Received this Year	--
Interest earned	<u>1,679</u>
	267,819
Expenses Incurred this Year:	
IVC Bus Transfer Terminal	<u>136,584</u>
Unexpended proceeds as of June 30, 2012	<u>\$ 131,235</u>

This report is intended solely for the information and use of the State Transit Assistance Fund of the Imperial County Transportation Commission's management, the California Department of Transportation, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

**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 Commission Board Members
County of Imperial, California

We have audited the financial statements of the State Transit Assistance Fund, of the Imperial County Transportation Commission, as of June 30, 2012, and for the year then ended and have issued our report thereon dated October 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Imperial County Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the State Transit Assistance Fund, of the Imperial County Transportation Commission are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Transportation Development Act (TDA) Statutes and California Code of Regulation 6751, 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*.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 26, 2012

SUPPLEMENTARY INFORMATION

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SCHEDULES OF SUPPLEMENTARY INFORMATION
June 30, 2012 and 2011

	2012	2011
Schedule I - Balance Sheets - STA		
ASSETS		
Current assets		
Cash and Investments- STA	\$ 746,680	\$ 743,582
Accounts Receivable - Interest on STA	<u>1,225</u>	<u>2,437</u>
Total current assets	<u>\$ 747,905</u>	<u>\$ 746,019</u>
FUND BALANCE		
Fund Balance - Unreserved- STA	<u>\$ 747,905</u>	<u>\$ 746,019</u>
Total fund balance	<u>\$ 747,905</u>	<u>\$ 746,019</u>

See independent auditors' report

IMPERIAL COUNTY TRANSPORTATION COMMISSION

SCHEDULES OF SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2012 and 2011

	2012	2011
Schedule II - Statements of Revenues, Expenses and Changes in Fund Balances - STA		
Revenues		
State Aid - Other	\$ 699,961	\$ --
Interest - STA	<u>3,925</u>	<u>9,492</u>
Total revenues	<u>703,886</u>	<u>9,492</u>
Expenses		
Paratransit Service	<u>702,000</u>	<u>936,194</u>
Total expenses	<u>702,000</u>	<u>936,194</u>
Excess of revenues over (under) expenses	1,886	(926,702)
Fund balance, beginning	<u>746,019</u>	<u>1,672,721</u>
Fund balance, ending	<u>\$ 747,905</u>	<u>\$ 746,019</u>

See independent auditors' report

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SCHEDULES OF SUPPLEMENTARY INFORMATION
June 30, 2012 and 2011

Schedule III - Balance Sheets - PTMISEA	2012	2011
ASSETS		
Current assets		
Cash and Investments - PTMISEA	\$ 1,741,424	\$ 976,943
Accounts Receivable - Interest on PTMISEA	<u>2,841</u>	<u>1,849</u>
Total current assets	<u>1,744,265</u>	<u>978,792</u>
Total assets	<u>\$ 1,744,265</u>	<u>\$ 978,792</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	<u>\$ 923,080</u>	<u>\$ --</u>
Total liabilities	<u>923,080</u>	<u>--</u>
Fund balance		
Fund Balance - Restricted PTMISEA	<u>821,185</u>	<u>978,792</u>
Total fund balance	<u>821,185</u>	<u>978,792</u>
Total liabilities and fund balance	<u>\$ 1,744,265</u>	<u>\$ 978,792</u>

See independent auditors' report

IMPERIAL COUNTY TRANSPORTATION COMMISSION

SCHEDULES OF SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2012 and 2011

	2012	2011
Schedule IV - Statements of Revenues, Expenses and Changes in Fund Balances - PTMISEA		
Revenues		
PTMISEA Funds	\$ 754,290	\$ --
Interest - PTMISEA	<u>11,183</u>	<u>7,577</u>
Total revenues	<u>765,473</u>	<u>7,577</u>
Expenses		
IVC Bus Transfer Terminal - PTMISEA	<u>923,080</u>	<u>--</u>
Total expenses	<u>923,080</u>	<u>--</u>
Excess of revenues over (under) expenses	(157,607)	7,577
Fund balance, beginning	<u>978,792</u>	<u>950,670</u>
Prior period adjustment	<u>--</u>	<u>20,545</u>
Adjusted fund balance	<u>978,792</u>	<u>971,215</u>
Fund balance, ending	<u>\$ 821,185</u>	<u>\$ 978,792</u>

See independent auditors' report

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SCHEDULES OF SUPPLEMENTARY INFORMATION
June 30, 2012 and 2011

	2012	2011
Schedule V - Balance Sheets - CTSGP		
ASSETS		
Current assets		
Cash and Investments - CTSGP	\$ 131,020	\$ 265,887
Accounts Receivable - Interest on CTSGP	<u>215</u>	<u>253</u>
Total current assets	<u>\$ 131,235</u>	<u>\$ 266,140</u>
 FUND BALANCE		
Fund Balance - Restricted CTSGP	<u>\$ 131,235</u>	<u>\$ 266,140</u>
Total fund balance	<u>\$ 131,235</u>	<u>\$ 266,140</u>

See independent auditors' report

IMPERIAL COUNTY TRANSPORTATION COMMISSION

SCHEDULES OF SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2012 and 2011

	2012	2011
Schedule VI - Statements of Revenues, Expenses and Changes in Fund Balances - CTSGP		
Revenues		
CTSGP Funds	\$ --	\$ 133,338
Interest - CTSGP	<u>1,679</u>	<u>826</u>
Total revenues	<u>1,679</u>	<u>134,164</u>
Expenses		
IVC Bus Transfer Terminal - CTSGP	<u>136,584</u>	<u>2,350</u>
Total expenses	<u>136,584</u>	<u>2,350</u>
Excess of revenues over (under) expenses	(134,905)	131,814
Fund balance, beginning	<u>266,140</u>	<u>134,326</u>
Fund balance, ending	<u>\$ 131,235</u>	<u>\$ 266,140</u>

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
FINANCIAL REPORT OF THE
SB 325 FUNDS FOR ARTICLE 8(c)**

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial

We have audited the accompanying financial statements of the Imperial County Transportation Commission SB 325 Funds for Article 8(c), a single fund of the Imperial County Transportation Commission as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Imperial County Transportation Commission's management. 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Guidelines on Auditing for Conformance*, originally published by the Imperial Valley Association of Governments. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the SB 325 Funds for Article 8(c) and are not intended to present fairly the financial position of the Imperial County Transportation Commission, and the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SB 325 Funds for Article 8(c) of the Imperial County Transportation Commission as of June 30, 2012 and 2011, and the results of its operations and the cash flow of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2013 on our consideration of the Imperial County Transportation Commission 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 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.

In connection with our examination, we also performed, to the extent applicable, the seventeen tasks in *Guidelines on Auditing Conformance* originally published by the Imperial Valley Association of Governments. 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 non compliance that are required to be reported under *Guidelines on Auditing for Conformance*.

This report is intended solely for the information and use of the management, Commission Board, Imperial County Transportation Commission and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

January 11, 2013

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND**

**BALANCE SHEETS
ARTICLE 8(c)
PERTAINING TO SECTION 99400(c) OF THE PUBLIC UTILITIES CODE
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and investments	\$ _____ --	\$ _____ --
Total assets	<u>\$ _____ --</u>	<u>\$ _____ --</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ _____ --	\$ _____ --
Total liabilities	_____ --	_____ --
Fund balance		
Fund balance - reserved	_____ --	_____ --
Total fund balance	_____ --	_____ --
Total liabilities and fund balance	<u>\$ _____ --</u>	<u>\$ _____ --</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ARTICLE 8(c)
PERTAINING TO SECTION 99400(c) OF THE PUBLIC UTILITIES CODE
For the Years Ended June 30, 2012 and 2011**

	2012			2011		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues						
Intergovernmental:						
SB 325 Article 8(c)	<u>\$ 1,813,562</u>	<u>\$ 1,813,562</u>	<u>\$ --</u>	<u>\$ 2,060,520</u>	<u>\$ 2,060,520</u>	<u>\$ --</u>
Total revenues	<u>1,813,562</u>	<u>1,813,562</u>	<u>--</u>	<u>2,060,520</u>	<u>2,060,520</u>	<u>--</u>
Expenditures						
Operations	<u>1,813,562</u>	<u>1,813,562</u>	<u>--</u>	<u>2,060,520</u>	<u>2,060,520</u>	<u>--</u>
Total expenditures	<u>1,813,562</u>	<u>1,813,562</u>	<u>--</u>	<u>2,060,520</u>	<u>2,060,520</u>	<u>--</u>
Excess of revenues over expenditures	--	--	--	--	--	--
Fund balance, July 1	--	--	--	--	--	--
Fund balance, June 30	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

See accompanying notes and independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entities

The operations of the SB 325 Fund of the Imperial County Transportation Commission, "the ICTC," are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

Article 8(c) of the SB 325 Fund is provided by the Imperial County Transportation Commission through five contracts with outside vendors. Three contracts are held with First Transit, Inc. to provide the Imperial Valley Transit Service, including the IVT-ACCESS which provides paratransit service exclusively for disabled persons. Two contracts are held with the ARC-Imperial Valley to provide: Med-Express which provides non-emergency transportation to medical facilities in San Diego, and Westshores Dial-a-Ride a community based paratransit service.

Basis of Accounting

The Public Service Transit Fund, Article 8(c), is accounted for in an enterprise fund using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Comparative Data

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the funds' financial positions and operations.

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 only the Public Service Transit Fund of the Imperial County Transportation Commission.

Note 3. CASH AND INVESTMENTS

Cash is pooled with other cash of the County of Imperial to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the SB 325 Fund, based upon monthly average cash balances. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

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

See independent auditors' report

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

Note 4. TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with Section 99400(c) of the Public Utilities Code, funds received pursuant to this section may only be used for public transportation services. The Imperial County Transportation Commission has complied with the guidelines in respect to the use of funds.

The Imperial County Transportation Commission is subject to provisions pursuant to Section 6634 and 6637 of the California Administrative Code (CAC) and Sections 99268.3, 99268.4, and 99268.5 of the Public Utilities Code.

Section 6634

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 year from a city or county to which the operator has provided service beyond its boundaries.

Section 6637

Pursuant to Section 6637, the claimant must maintain its accounts and records in accordance with the Uniform System of Accounts and Records adopted by the State Controller. The Imperial County Transportation Commission did maintain its accounts and records in accordance with the Uniform System of Accounts and Records.

Section 99268.3, 99268.4 and 99268.5

The Imperial County Transportation Commission's fare box recovery ratio was approximately 14.88% and 18.04% for the fiscal years ending June 30, 2012 and 2011, respectively. The blended fare box recovery minimum ratio requirement is 14.5%, as stated in the letter of approval from the State of California Department of Transportation. For this year this fare box recovery ratio requirement was met.

Note 5. FUND BALANCE

The fund balance represents undesignated fund balances, restricted for use in the TDA programs for which these funds have been authorized.

Note 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 11, 2013, the report date, and has determined that there are no reportable events.

See independent auditors' report

**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 Commission Board Members
County of Imperial, California

We have audited the financial statements of the Imperial County Transportation Commission SB 325 Funds for Article 8(c), as of June 30, 2012, and for the year then ended and have issued our report thereon dated January 11, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial County Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Imperial County Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imperial County Transportation Commission SB 325 Funds for Article 8(c)'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Transportation Development Act (TDA) Statutes and California Codes of Regulation (CCR) Section 6667, 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*.

This report is intended solely for the information and use of the management, Commission Board, the California State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

January 11, 2013