

IMPERIAL COUNTY TRANSPORTATION COMMISSION

Financial Report of the
SB 325 Funds for Article 8(c)
June 30, 2016 and 2015

TABLE OF CONTENTS

| | |
|--|---------|
| INDEPENDENT AUDITORS' REPORT | 3 - 4 |
| FINANCIAL STATEMENTS | |
| Statements of Net Position - Article 8(c) | 5 |
| Statements of Revenues, Expenses and Changes in Net Position | 6 |
| Statements of Cash Flows | 7 |
| Notes to the Financial Statements | 8 - 10 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 11 - 12 |



INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

Report on the Financial Statements

We have audited the accompanying financial statements of the SB 325 Funds for Article 8(c) of the Imperial County Transportation Commission as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2016 and 2015, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

As discussed in Note 2, the financial statements present only the 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 changes in financial position and cash flows in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2017 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* in considering Imperial County Transportation Commission's internal control over financial reporting and compliance.

Hutchinson and Bloodgood LLP

March 16, 2017

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND ARTICLE 8(c)
PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE
 Statements of Net Position
 June 30, 2016 and 2015

| | 2016 | 2015 |
|----------------------|-------------|-------------|
| ASSETS | | |
| Cash and Investments | \$ _____ -- | \$ _____ -- |
| Total Assets | _____ -- | _____ -- |
| NET POSITION | | |
| Restricted | _____ -- | _____ -- |
| Total Net Position | \$ _____ -- | \$ _____ -- |

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND ARTICLE 8(c)
PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Fiscal Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|-----------------------------------|---------------------|---------------------|
| Operating Revenues: | | |
| SB 325 Article 8(c) | <u>\$ 6,687,780</u> | <u>\$ 6,389,936</u> |
| Total Operating Revenues | <u>6,687,780</u> | <u>6,389,936</u> |
| Operating Expenses: | | |
| Purchased Transportation Services | <u>6,687,780</u> | <u>6,389,936</u> |
| Total Operating Expenses | <u>6,687,780</u> | <u>6,389,936</u> |
| Operating Income | <u>--</u> | <u>--</u> |
| Changes in Net Position | -- | -- |
| Net Position Beginning, July 1 | <u>--</u> | <u>--</u> |
| Net Position Ending, June 30 | <u>\$ --</u> | <u>\$ --</u> |

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND ARTICLE 8(c)
PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE
 Statements of Cash Flows
 For the Fiscal Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Transit Services | \$ 6,687,780 | \$ 6,389,936 |
| Payment for Transportation Services | <u>(6,687,780)</u> | <u>(6,389,936)</u> |
| Net Cash Provided By (Used For) Operating Activities | <u> --</u> | <u> --</u> |
| | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | -- | -- |
| | | |
| Cash and Cash Equivalents Beginning, July 1 | <u> --</u> | <u> --</u> |
| Cash and Cash Equivalents Ending, June 30 | <u>\$ --</u> | <u>\$ --</u> |
| | | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | |
| Operating Income (Loss) | <u>\$ --</u> | <u>\$ --</u> |
| | | |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | |
| (Increase) Decrease in Accounts Receivable | -- | -- |
| (Decrease) Increase in Accounts Payable | <u> --</u> | <u> --</u> |
| Total Adjustments | <u> --</u> | <u> --</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ --</u> | <u>\$ --</u> |

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND ARTICLE 8(c)
PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE
Notes to the Financial Statements
June 30, 2016 and 2015

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, net position, revenues and expenses.

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* fixed route bus service, the *IVT ACCESS* which provides paratransit service exclusively for disabled persons under the Americans with Disabilities Act (ADA), and IVT-RIDE an intra city dial-a-ride for seniors and persons with disabilities; Brawley, Calexico, Imperial and the West Shores. One contract is held with the ARC-Imperial Valley to provide the *Med-Express* which provides non-emergency transportation to medical facilities in San Diego.

Basis of Accounting

The Public Service Transit Fund, Article 8(c), is accounted for in a proprietary 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*.

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND ARTICLE 8(c)
PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE
Notes to the Financial Statements
June 30, 2016 and 2015

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 has several fare box recovery ratios for the various services.

| | <u>2015</u> | <u>2015</u> | <u>2016</u> | <u>2016</u> |
|-----|-------------|-------------|-------------|-------------|
| | Required | Actual | Required | Actual |
| IVT | 17% | 22.0% | 17% | 19.8% |

The blended fare box recovery ratio requirement for IVT is 17.0%.

| | | | | |
|------------|-----|-------|-----|-------|
| IVT Access | 10% | 5.0% | 10% | 4.4% |
| IVT RIDE | 10% | 5.6% | 10% | 6.9% |
| Medexpress | 20% | 15.9% | 16% | 15.1% |

For fiscal year June 30, 2016 the fare box recovery ratio requirement was not met for IVT ACCESS, IVT RIDE or Medexpress.

IMPERIAL COUNTY TRANSPORTATION COMMISSION
SB 325 FUND ARTICLE 8(c)
PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE
Notes to the Financial Statements
June 30, 2016 and 2015

Note 5. NET POSITION

The net position represents restricted funds for use in the TDA programs for which these funds have been authorized.

Note 6. SUBSEQUENT EVENTS

Management has evaluated its June 30, 2016 and 2015, financial statements for subsequent events through March 16, 2017, the date of issuance of the financial statements. The Commission is not aware of any subsequent events that would require recognition or disclosure in the financial statements.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the SB 325 Funds for Article 8(c) of the Imperial County Transportation Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the SB 325 Funds for Article 8(c) of the Imperial County Transportation Commission's financial statements, and have issued our report thereon dated March 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Imperial County Transportation Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Imperial County Transportation Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Transportation Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Imperial County Transportation Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Imperial County Transportation Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hutchinson and Bloodgood LLP

March 16, 2017