

**IMPERIAL COUNTY  
TRANSPORTATION COMMISSION**

**Financial Report of the  
SB 325 Funds for Article 8(c)  
June 30, 2018 and 2017**

**IMPERIAL COUNTY  
TRANSPORTATION COMMISSION**

**Financial Report of the  
SB 325 Funds for Article 8(c)  
June 30, 2018 and 2017**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	3
Statements of Revenues, Expenses and Changes in Net Position .....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6
<b>INDEPENDENT AUDITORS' 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>.....</b>	<b>9</b>



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## 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 Fund for Article 8(c) of the Imperial County Transportation Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SB 325 Fund for Article 8(c) of the Imperial County Transportation Commission as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the SB 325 Fund for Article 8(c) fund and do not purport to, and do not, present fairly the financial position of Imperial County Transportation Commission as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis for the SB 325 Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Prior-Year Comparative Information*

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the SB 325 Fund's financial statements for the year ended June 30, 2017, from which such partial information was derived. The financial statements as of and for the year ended June 30, 2017 were audited by other auditors and their report dated March 31, 2018 expressed an unmodified opinion on the financial statements.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated July 2, 2019, on our consideration of the Imperial County Transportation Commission's internal control over financial reporting of the SB 325 Fund 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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 as it relates to the SB 325 Fund.



San Diego, California  
July 2, 2019

**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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>	<u>\$ -</u>	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of these statements.

**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, 2018 AND 2017**

	2018	2017
Operating Revenues:		
SB 325 Article 8(c)	\$ 3,140,850	\$ 3,525,096
Operating Expenses:		
Purchased Transportation Services	3,140,850	3,525,096
Changes in Net Position	-	-
Net Position Beginning	-	-
Net Position Ending	\$ -	\$ -

The Notes to the Financial Statements are an integral part of these statements.

**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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Transit Services	\$ 3,140,850	\$ 3,525,096
Payment for Transportation Services	(3,140,850)	(3,525,096)
Net Cash Provided By Operating Activities	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents Beginning	-	-
Cash and Cash Equivalents Ending	\$ -	\$ -

The Notes to the Financial Statements are an integral part of these statements.

**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, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Financial Reporting Entity***

The Imperial County Transportation Commission (ICTC) SB 325 Fund was established through five contracts with outside vendors. They 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), *IVT-RIDE* an intra city dial-a-ride for seniors and persons with disabilities within Brawley, Calexico, Imperial and the West Shores, *IVT-RIDE* El Centro an intra city dial-a-ride for seniors and persons with disabilities within El Centro, and *IVT MedTrans* which provides non-emergency transportation to medical facilities in San Diego in order to administer regional transportation programs and services.

The financial statements are intended to reflect the financial position and changes in financial position of the SB 325 Fund of ICTC only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of ICTC, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**B. *Basis of Accounting***

Fund Accounting

The accounts of ICTC are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. ICTC accounts for the SB 325 activities within its SB 325 Proprietary Fund.

**C. *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**D. *Cash and Cash Equivalents***

The County of Imperial's Auditor-Controller's office acts as a trustee for the funds received and disbursed. Cash and investments are held in the County investment pool to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the SB 325 fund average cash balance. The investment policies and the risks related to cash and investments, applicable to the SB 325 fund, are those of the County investment pool and are disclosed in the County's basic financial statements. The County's basic financial statements can be obtained at the County Administrative Office.

**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, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***E. Prior Year Data***

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the SB 325 Fund’s prior year financial statements, from which this selected financial data was derived.

**NOTE 2 – 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.

ICTC 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>2017</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
	Required	Actual	Required	Actual
IVT	17%	21.97%	17%	17.74%
IVT Access	10%	4.8%	10%	4.5%
IVT RIDE	10%	5.3%	10%	4.4%
MedTrans	15%	8.1%	15%	9.0%

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

**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, 2018 AND 2017**

**NOTE 2 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS  
(CONTINUED)**

For fiscal year June 30, 2018 the fare box recovery ratio requirement was not met for IVT ACCESS, IVT RIDE (consolidated) or IVT MedTrans.

For fiscal year June 30, 2017 the fare box recovery ratio requirement was not met for IVT ACCESS, IVT RIDE or IVT MedTrans.



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITORS' 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, 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, 2018, 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 July 2, 2019 .

**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 charge 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.



San Diego, California

July 2, 2019