

**IMPERIAL COUNTY  
TRANSPORTATION COMMISSION**

**Financial Report of the  
Transportation Development Act Fund (TDA)  
June 30, 2018 and 2017**

**IMPERIAL COUNTY TRANSPORTATION COMMISSION**

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

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## 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 Transportation Development Act fund (TDA) of the Imperial County Transportation Commission as of and for the years 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 opinions 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 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 Transportation Development Act fund (TDA) of the Imperial County Transportation Commission as of June 30, 2018, and the respective changes in financial position thereof for the years 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 TDA 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**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TDA fund's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis 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 audits 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.

### *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 TDA 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 TDA 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 TDA fund.



San Diego, California  
July 2, 2019

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

**BALANCE SHEETS  
JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 12,163,494	\$ 9,482,195
Accounts receivable	-	195,097
Interest receivable	30,511	19,307
Total Assets	\$ 12,194,005	\$ 9,696,599
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 1,856,739	\$ -
Fund Balance		
Restricted	10,337,266	-
Assigned	-	8,397,785
Unassigned	-	1,298,814
Total Fund Balance	10,337,266	9,696,599
Total Liabilities and Fund Balance	\$ 12,194,005	\$ 9,696,599

The notes to the financial statements are an integral part of these statements.

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

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Revenues		
Transportation Development Act	\$ 6,800,179	\$ 6,092,290
Interest income	91,479	62,958
Total Revenues	6,891,658	6,155,248
 Expenditures		
Current:		
City of Brawley	117,674	87,422
City of Calexico	75,546	-
City of Calipatria	-	13,773
City of El Centro	124,556	126,085
City of Holtville	-	16,330
City of Imperial	49,682	-
City of Westmorland	-	-
County of Imperial	45,552	47,528
ICTC	4,254,782	5,008,726
Capital outlay	2,186,739	-
Total Expenditures	6,854,531	5,299,864
 Change in Fund Balance	 37,127	 855,384
 Fund Balance Beginning as restated	 10,300,139	 8,841,215
 Fund Balance Ending	 \$ 10,337,266	 \$ 9,696,599

The notes to the financial statements are an integral part of these statements.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

***A. Financial Reporting Entity***

The Imperial County Transportation Commission (ICTC) Transportation Development Act fund was established by ICTC in order to administer funds derived from  $\frac{1}{4}$  cent of the local general sales tax collected statewide. The State Board of Equalization returns the  $\frac{1}{4}$  cent to each county according to the amount of the tax collected. Disbursements from the TDA fund are made to the County of Imperial and the cities located within the County for eligible projects.

The financial statements are intended to reflect the financial position and changes in financial position of the TDA 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***

*Governmental Fund Financial Statements*

*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 TDA activities within its TDA Special Revenue Fund.

Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

*Measurement Focus and Basis of Accounting*

The special revenue funds of ICTC are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.

***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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

***D. Fund Balances***

Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the ICTC considers restricted funds to have been spent first.

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 assigned in the fund and not authorized for payment within three years after the date of allocation shall cease to be allocated or assigned 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. The TDA Fund reports fund balance as restricted.

***E. Cash and Investments***

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 TDA fund average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA 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.

The TDA fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA fund's deposits and withdrawals in the County Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the TDA fund's investment in the County Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

***F. 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 TDA's prior year financial statements, from which this selected financial data was derived.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 – ACCOUNTS PAYABLE**

At June 30, 2018, accounts payable of \$1,856,739 represents amounts being charged to the TDA fund for bus fleet replacement.

**NOTE 3 – BUDGETED EXPENDITURES**

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 4 – PRIOR PERIOD ADJUSTMENT**

During the year, resources previously unrecognized in the TDA Fund were identified. The beginning fund balance was adjusted accordingly. The impact to the beginning balances was as follows:

Fund balance as previously reported	\$ 9,696,599
Accumulated resources previously unrecognized	<u>603,540</u>
Fund balance as restated	<u><u>\$ 10,300,139</u></u>



**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 Transportation Development Act fund (TDA) 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 Transportation Development Act fund (TDA) 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2018-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Transportation Development Act fund (TDA) 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 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*.

## **Management's Response to Findings**

Imperial County Transportation Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Imperial County Transportation Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 as it relates to the TDA Fund. Accordingly, this communication is not suitable for any other purpose.



San Diego, California  
July 2, 2019

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

**SCHEDULE OF FINDING AND RESPONSE  
JUNE 30, 2018**

**Finding 2018-001**

**YEAR-END CUTOFF**

**Criteria:**

In order to fairly present year-end financial statements, management must perform a year-end closing process to accumulate, reconcile, and summarize information for inclusion. The closing process should include the review of balances for proper cutoff.

**Condition:**

During our audit, resources previously unrecognized in the TDA Fund were identified and the beginning equity balances were restated accordingly.

**Context:**

The condition noted above was identified during testing over various accounts and balances.

**Effect:**

Adjustments were necessary to fairly present the financial statements.

**Cause:**

The year-end closing process was not complete.

**Recommendation:**

We recommend that ICTC enhance its year-end closing process. This can be accomplished through a comprehensive closing checklist. The checklist should list each task, the person responsible for its completion, and the date the task should be completed.

**View of Responsible Officials and Planned Corrective Action:**

ICTC staff will research additional resources, obtain tools, i.e., checklists and templates, in order to ensure that the year-end close is completed as required. ICTC staff will create documentation to track year end transactions.

## **SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>ALLOCATIONS</u>	<u>PUC Section</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>City of Brawley</u>				
Bicycles	99233.3	\$ 25,393	\$ -	\$ 25,393
Benches and Shades	99400(e)	178,882	117,674	61,208
Total		<u>204,275</u>	<u>117,674</u>	<u>-</u>
<u>City of Calexico</u>				
Bicycles	99233.3	33,486	33,444	42
Benches and Shades	99400(e)	42,102	42,102	-
Total		<u>75,588</u>	<u>75,546</u>	<u>42</u>
<u>City of Calipatria</u>				
Bicycles	99233.3	12,126	-	12,126
Benches and Shades	99400(e)	1,548	-	1,548
Total		<u>13,674</u>	<u>-</u>	<u>-</u>
<u>City of El Centro</u>				
Bicycles	99233.3	35,782	35,782	-
Benches and Shades	99400(e)	88,774	88,774	-
Total		<u>124,556</u>	<u>124,556</u>	<u>-</u>
<u>City of Holtville</u>				
Bicycles	99233.3	13,600	-	13,600
Benches and Shades	99400(e)	2,620	-	2,620
Total		<u>16,220</u>	<u>-</u>	<u>-</u>
<u>City of Imperial</u>				
Bicycles	99233.3	20,717	41,879	(21,162)
Benches and Shades	99400(e)	7,803	7,803	-
Total		<u>28,520</u>	<u>49,682</u>	<u>(21,162)</u>
<u>City of Westmorland</u>				
Bicycles	99233.3	11,364	-	11,364
Benches and Shades	99400(e)	964	-	964
Total		<u>12,328</u>	<u>-</u>	<u>12,328</u>
<u>County of Imperial</u>				
Bicycles	99233.3	30,572	30,572	-
Benches and Shades	99400(e)	14,980	14,980	-
Total		<u>45,552</u>	<u>45,552</u>	<u>-</u>
<u>ICTC</u>				
SB 325 - IVT-RIDE	99400(c)	1,314,661	1,314,661	-
SB 325 - County Wide Transit	99400(c)	1,687,480	1,687,480	-
SB 325 - Quechan Tribe/YCAT	99400(c)	138,709	138,709	-
SB 325 - ICTC Admin	92233.1	716,062	716,062	-
SB 325 - ICTC Planning	99400(a)	397,870	397,870	-
Total		<u>4,254,782</u>	<u>4,254,782</u>	<u>-</u>