

Imperial County Transportation Commission

Financial Report of the
Transit Planning and Programs Management Fund
June 30, 2013 and 2012

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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 Transit Planning and Programs Management fund of the Imperial County Transportation Commission as of and for the years ended June 30, 2013 and 2012, 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Planning and Programs Management fund of the Imperial County Transportation Commission as of June 30, 2013 and 2012, 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.

Other Matters

Other Information

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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2014 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.

Hutchinson and Bloodgood LLP

January 15, 2014

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND**

Statements of Net Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and investments	\$ 4,789,855	\$ 3,654,115
Federal Grant 5311 receivable	524,775	411,399
Accounts receivable	12,403	14,006
Due from other funds	--	923,080
Interest receivable	<u>5,389</u>	<u>4,523</u>
Total current assets	<u>5,332,422</u>	<u>5,007,123</u>
Noncurrent assets:		
Fixed assets	41,454	41,454
Less accumulated depreciation	<u>(11,874)</u>	<u>(6,050)</u>
Total noncurrent assets	<u>29,580</u>	<u>35,404</u>
Total assets	<u>5,362,002</u>	<u>5,042,527</u>
LIABILITIES		
Liabilities:		
Accounts payable	449,386	1,308,720
Encumbrances payable	994,446	649,947
Due to other funds	<u>1,943</u>	<u>4,773</u>
Total liabilities	<u>1,445,775</u>	<u>1,963,440</u>
NET POSITION		
Net position:		
Restricted	680,773	686,199
Unrestricted	<u>3,235,454</u>	<u>2,392,888</u>
Total net position	<u>\$ 3,916,227</u>	<u>\$ 3,079,087</u>

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
State transit revenues	\$ 3,452,009	\$ 3,575,226
STIP-PPM revenues	--	100,000
Federal Grant 5307 revenue	3,008,078	1,440,680
Federal Grant 5311 revenue	488,098	682,394
Passenger fares	651,532	682,343
ICTC reimbursements	<u>639,378</u>	<u>648,049</u>
Total operating revenues	<u>8,239,095</u>	<u>7,128,692</u>
Operating expenses:		
Purchased transportation services	5,161,265	4,163,108
Professional services	313,714	268,888
General administration	354,157	184,289
Capital projects	<u>1,602,190</u>	<u>1,330,659</u>
Total operating expenses	<u>7,431,326</u>	<u>5,946,944</u>
Operating income	<u>807,769</u>	<u>1,181,748</u>
Nonoperating revenues:		
Interest revenue	22,952	22,713
Other refunds and reimbursements	<u>6,419</u>	<u>576</u>
Total nonoperating revenues	<u>29,371</u>	<u>23,289</u>
Change in net position	837,140	1,205,037
Net position - beginning	<u>3,079,087</u>	<u>1,874,050</u>
Net position - ending	<u>\$ 3,916,227</u>	<u>\$ 3,079,087</u>

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND**

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Passenger fares	\$ 651,532	\$ 682,343
Receipts from transit services	7,757,889	5,923,726
Other receipts	640,981	654,207
Payment for transportation services	(7,275,296)	(5,870,091)
Payment for general administration	(354,157)	(184,289)
Payment for professional services	<u>(313,714)</u>	<u>(268,888)</u>
Net cash provided by (used for) operating activities	<u>1,107,235</u>	<u>937,008</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>28,505</u>	<u>22,802</u>
Net cash provided by investing activities	<u>28,505</u>	<u>22,802</u>
Net increase (decrease) in cash and cash equivalents	1,135,740	959,810
Cash and cash equivalents July 1	<u>3,654,115</u>	<u>2,694,305</u>
Cash and cash equivalents June 30	<u>\$ 4,789,855</u>	<u>\$ 3,654,115</u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ 807,769</u>	<u>\$ 1,181,748</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	5,824	3,241
(Increase) decrease in accounts receivable	(111,773)	845,124
(Increase) decrease in due from other funds	923,080	(763,420)
(Decrease) increase in accounts payable	(859,334)	276,541
(Decrease) increase in encumbrances payable	344,499	(592,431)
(Decrease) increase in due to other funds	<u>(2,830)</u>	<u>(13,795)</u>
Total Adjustments	<u>299,466</u>	<u>(244,740)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,107,235</u>	<u>\$ 937,008</u>

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT**

Notes to the Financial Statements
June 30, 2013 and 2012

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*.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT**

Notes to the Financial Statements
June 30, 2013 and 2012

Note 4. ACCOUNTS RECEIVABLE

During fiscal years ended June 30, 2013 and 2012 there was an amount of \$12,403 and \$14,006, respectively, to recognize the ICTC membership revenues accrued for the year that were received in the subsequent year.

Note 5. DUE FROM OTHER FUNDS

During fiscal years ended June 30, 2013 and 2012 there was an amount of \$0 and \$923,080, respectively, to recognize revenues for the year that were received in the subsequent year.

Note 6. ACCOUNTS PAYABLE

During fiscal years ended June 30, 2013 and 2012 there was an amount of \$449,386 and \$1,308,720, 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, 2013 and 2012 there was an amount of \$1,943 and \$4,773, 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, 2013 and 2012 the encumbrance payable amounts of \$994,446 and \$649,947 consists of purchased services for the contract period not yet paid.

Note 9. NET POSITION - RESTRICTED

During the fiscal years ended June 30, 2013 and 2012 the restricted net position amount of \$680,773 and \$686,199, respectively, which represents 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):

Program number CA-90-Y469-00		50% Federal	80% Federal	
		Reimbursement	Reimbursement	
		Operations	Capital	Total
Fiscal year 06/07	Construction Capital	\$ --	\$ 2,798,409	\$ 2,798,409
Requested	6/30/13	--	44,168	44,168
	Per grant	--	2,948,114	2,948,114
	Available Grant	\$ --	\$ 2,754,241	\$ 2,754,241
	Balance at 6/30/13			

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT**

Notes to the Financial Statements
June 30, 2013 and 2012

Note 10. FEDERAL TRANSIT FORMULA GRANTS (Continued)

Program number CA-96-X064-00 ARRA		50% Federal Reimbursement Operations	100% Federal Reimbursement Capital	Total
Fiscal year 09/10	Construction Capital	\$ --	\$ 1,221,911	\$ 1,221,911
Requested	6/30/13	--	882,922	882,922
	Per grant	--	1,221,911	1,221,911
	Available Grant	\$ --	\$ 338,989	\$ 338,989
	Balance at 6/30/13			

Program number CA-90-Z025-00		50% Federal Reimbursement Operations	80% Federal Reimbursement Capital	Total
Fiscal year 12/13	Operations	\$ 2,095,989	\$ --	\$ 2,095,989
Requested	6/30/13	2,095,989	--	2,095,989
	Per grant	2,095,989	--	2,095,989
	Available Grant	\$ --	\$ --	\$ --
	Balance at 6/30/13			

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 Reimbursement Operations	100% Federal Reimbursement Capital	Total
Fiscal year 09/10	Construction Capital	\$ --	\$ 290,212	\$ 290,212
Requested	6/30/13	--	290,212	290,212
	Per grant	--	806,899	806,899
	Available Grant	\$ --	\$ --	\$ --
	Balance at 6/30/13			

Program number 643128		50% Federal Reimbursement Operations	80% Federal Reimbursement Capital	Total
Fiscal year 12/13	Operations	\$ 79,894	\$ --	\$ 79,894
Requested	6/30/13	--	--	--
	Per grant	79,894	--	79,894
	Available Grant	\$ 79,894	\$ --	\$ 79,894
	Balance at 6/30/13			

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT**

Notes to the Financial Statements
June 30, 2013 and 2012

Note 11. 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, 2012.

	As Previously Reported	As Restated	Effect of Correction
Statement of Net Position at June 30, 2012:			
Fixed assets	\$ 68,863	\$ 4,523	\$ (64,340)
Accumulated depreciation	\$ (6,759)	\$ 41,454	\$ 48,213
Net position- unrestricted	\$ 2,419,588	\$ 2,392,888	\$ 26,700
Statement of Revenues, Expenses, and Changes in Net Position for year ended June 30, 2012:			
General administration expense	\$ 184,998	\$ 184,289	\$ (709)
Net income	\$ 1,204,328	\$ 1,205,037	\$ 709

Note 12. RECLASSIFICATIONS

Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 financial statement presentation. Such reclassifications had no effect on net position reported .

Note 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2014, the report date, and has determined that there are no reportable events.



HUTCHINSON and

BLOODGOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

3205 South Dogwood Avenue
El Centro, CA 92243
t 760.352.1021 f 760.352.3325
www.hbllp.com

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 Transit Planning and Programs Management fund of the Imperial County Transportation Commission as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Transit Planning and Programs Management fund of the Imperial County Transportation Commission's financial statements, and have issued our report thereon dated January 15, 2014.

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. 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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit 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 Transit Planning and Programs Management 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 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

January 15, 2014

SUPPLEMENTARY INFORMATION

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND**

Schedules of Supplementary Information
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Schedule I - State Transit Revenue		
State Transit Revenue - TDA/LTF/STA	\$ 3,244,168	\$ 2,515,562
State Transit Revenue - PTMISEA	87,841	923,080
State Transit Revenue - CTSGP	<u>120,000</u>	<u>136,584</u>
State Transit Revenue - Total	<u>\$ 3,452,009</u>	<u>\$ 3,575,226</u>
Schedule II - ICTC Reimbursements Revenues		
Transfer from Admin, Plans and Programs funds	\$ 484,378	\$ 502,336
Membership revenues	75,000	75,000
LTA transit 2% allocation	80,000	30,000
Miscellaneous revenue	<u>--</u>	<u>40,713</u>
ICTC Reimbursement Revenues - Total	<u>\$ 639,378</u>	<u>\$ 648,049</u>
Schedule III - Purchased Transportation Services		
Countywide Transit System	\$ 2,178,410	\$ 1,859,146
IVT - Blue/Green Line	599,917	576,696
ADA Paratransit	1,227,398	1,328,489
Med Express	167,554	156,291
West Shores - Dial-a-Ride	60,510	57,958
Transportation Reserves & Fare Adjustments	<u>927,476</u>	<u>184,528</u>
Purchased Transportation Services - Total	<u>\$ 5,161,265</u>	<u>\$ 4,163,108</u>
Schedule IV - Professional Services		
Professional & Special Services	\$ 78,013	\$ 335,339
Prof & Spec Svs Data Pro	1,332	4,629
Prof & Spec Svs - Audit Services	163,883	21,355
Adm-Legal & Accounting Fees	1,931	--
Professional Services Reserves Adjustments	<u>68,555</u>	<u>(92,435)</u>
Professional Services - Total	<u>\$ 313,714</u>	<u>\$ 268,888</u>

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND**

Schedules of Supplementary Information
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Schedule V - General Administration		
<i>General Administration - Salaries & Benefits</i>		
Permanent Salaries	\$ 165,385	\$ 93,464
Extra Help	789	--
Social Security - Medicare	2,379	1,337
County Contr Retirement	29,694	9,639
Ins-Workers Comp	4,572	2,470
Ins-Unemployment	1,800	880
Group Insurance	45,574	11,467
Retirement-Pension Bond	13,122	4,467
Retirement - Health Plan	9,860	4,735
Redemption of Benefits	2,862	--
Ins- Dental/Vision	5,961	--
Payroll Taxes	2,417	--
Insurance - Voluntary Life	<u>187</u>	<u>--</u>
<i>General Administration - Salaries & Benefits Total</i>	<u>284,602</u>	<u>128,459</u>
<i>General Administration - Other</i>		
Communications - Phone Charge	1,568	1,316
Communications - Services	98	393
Communications - Cell Phones	2,378	1,767
Insurance Liability	14,262	17,959
Memberships	1,615	1,865
Office Expenses	5,462	3,598
Fuel Expense	433	--
Publications and Legal Notices	5,088	5,548
Rents & Leases	16,847	--
Travel In County Car	--	300
Travel Out of Cnty Misc	9,437	11,608
Special Dept Expense	496	145
Utilities	2,357	--
Equipment	3,690	10,271
Depreciation Equipment	5,824	3,241
General Administration Reserves Adjustments	<u>--</u>	<u>(2,181)</u>
<i>General Administration - Other Total</i>	<u>69,555</u>	<u>55,830</u>
General Administration - Grand Total	<u>\$ 354,157</u>	<u>\$ 184,289</u>

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
Schedules of Supplementary Information
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Schedule VI - Capital Project Expenses		
IVC Transfer Terminal	\$ 55,712	\$ 1,059,664
El Centro Transfer Terminal	918,136	--
Brawley Transfer Terminal	<u>628,342</u>	<u>270,995</u>
Capital Project Expenses - Total	<u>\$ 1,602,190</u>	<u>\$ 1,330,659</u>



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Commission Board Members
County of Imperial, California

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Imperial County Transportation Commission's major federal programs based on our audit of these types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Imperial County Transportation Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Imperial County Transportation Commission complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Imperial County Transportation Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Imperial County Transportation Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *OMB Circular A-133*

We have audited the financial statements of the Imperial County Transportation Commission's as of and for the year ended June 30, 2013, and have issued our report thereon dated January 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by *OMB Circular A-133* 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 schedule of expenditure of federal awards 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 15, 2014

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2013

<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-Z025	\$ <u>2,095,989</u>
		Subtotal 20.507	<u>2,095,989</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,095,989</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,095,989</u>

** Major Fund

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND**

Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance Unmodified

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

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENTS FINDINGS

There are no current year findings.

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2013

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RESPONSES

There are no prior year findings.

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

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*.