

**IMPERIAL COUNTY
TRANSPORTATION COMMISSION**

**Financial Report of the
Transit Planning and Programs Management Fund
June 30, 2018 and 2017**

**IMPERIAL COUNTY
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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 Transit Planning and Programs Management fund 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.

Opinions

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, 2018, and the respective 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 Transit Planning and Programs Management 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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.

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 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 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 Transit Planning and Programs Management Fund.



San Diego, California
July 2, 2019

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

**STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Current Assets:		
Cash and investments	\$ 8,466,302	\$ 6,478,803
Grants receivable	1,341,188	2,609,924
Due from other funds	-	26,705
Due from other governments	1,856,739	-
Interest receivable	23,017	12,804
Total Current Assets	11,687,246	9,128,236
Noncurrent Assets:		
Capital assets being depreciated	10,856,440	10,389,736
Accumulated depreciation	(3,325,019)	(2,291,120)
Total Noncurrent Assets	7,531,421	8,098,616
Total Assets	19,218,667	17,226,852
LIABILITIES		
Current Liabilities:		
Accounts payable	633,587	612,569
Due to other funds	-	33
Total Current Liabilities	633,587	612,602
NET POSITION		
Net Position:		
Net investment in capital assets	7,531,421	8,098,616
Restricted	11,053,659	7,153,660
Unrestricted	-	1,361,974
Total Net Position	\$ 18,585,080	\$ 16,614,250

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

**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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Passenger fares	\$ 797,922	\$ 823,282
Operating Expenses:		
Purchased transportation services	7,956,782	8,069,840
Professional services	430,784	332,137
General administration	549,931	1,611,945
Depreciation	1,024,762	-
Capital contributions	1,410,725	800,000
Total Operating Expenses	<u>11,372,984</u>	<u>10,813,922</u>
Operating Income	<u>(10,575,062)</u>	<u>(9,990,640)</u>
Nonoperating Revenues:		
State transit revenues	7,485,750	5,833,751
Federal grant revenues	4,241,574	2,670,157
ICTC reimbursements	456,641	1,863,912
Interest income	81,749	54,867
Total Nonoperating Revenues	<u>12,265,714</u>	<u>10,422,687</u>
Change in Net Position	1,690,652	432,047
Net Position Beginning, July 1 (restated)	<u>16,894,428</u>	<u>16,182,203</u>
Net Position Ending, June 30	<u>\$ 18,585,080</u>	<u>\$ 16,614,250</u>

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

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

**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Passenger fares	\$ 797,922	\$ 823,282
Receipts from transit services	-	6,656,776
Other receipts	-	1,863,912
Payments to vendors	(9,777,306)	(9,295,797)
Payments to employees	(549,931)	(626,533)
	<u>(9,529,315)</u>	<u>(578,360)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	11,902,845	-
	<u>11,902,845</u>	<u>-</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of capital assets	(457,567)	(815,303)
	<u>(457,567)</u>	<u>(815,303)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	71,536	52,694
	<u>71,536</u>	<u>52,694</u>
Net Increase (Decrease) In Cash And Cash Equivalents	1,987,499	(1,340,969)
Cash and Cash Equivalents, July 1	6,478,803	7,819,772
	<u>6,478,803</u>	<u>7,819,772</u>
Cash and Cash Equivalents, June 30	\$ 8,466,302	\$ 6,478,803
	<u>\$ 8,466,302</u>	<u>\$ 6,478,803</u>
Reconciliation Of Operating Income To Net Cash		
Operating Income	\$ (10,575,062)	\$ 377,180
	<u>\$ (10,575,062)</u>	<u>\$ 377,180</u>
Adjustments To Reconcile Operating Income To Net Cash		
Depreciation expense	1,024,762	985,412
(Increase) Decrease In:		
Grants receivable	-	(1,820,427)
Due from other funds	-	(26,705)
(Decrease) Increase In:		
Accounts payable	21,018	(93,695)
Due to other funds	(33)	(125)
	<u>1,045,747</u>	<u>(955,540)</u>
Total Adjustments	1,045,747	(955,540)
	<u>1,045,747</u>	<u>(955,540)</u>
Net Cash Provided (Used) By Operating Activities	\$ (9,529,315)	\$ (578,360)
	<u>\$ (9,529,315)</u>	<u>\$ (578,360)</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Transit Planning and Programs Management Fund (Transit Fund) of the Imperial County Transportation Commission (ICTC) was established in order to administer the various transit programs, grants and services provided either in house or under contract with various providers. The program receives various state and federal grants including the Federal Transportation Administration (FTA) Sections 5307, 5310 and 5311. The specific federal funds received are programmed to be utilized for operational costs of Imperial Valley Transit (IVT), the IVT Blue, Green and Gold Lines, MedTrans and IVT ACCESS, the ADA paratransit system and the Mobility Coordination program.

The financial statements are intended to reflect the financial position and changes in financial position of the Transit 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.

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.

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 Transit Fund activities in a proprietary fund using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

C. 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 Transit fund average cash balance. The investment policies and the risks related to cash and investments, applicable to the Transit 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
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Investments (Continued)

The Transit 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 Transit fund’s deposits and withdrawals in the County Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the RPP fund’s investment in the County Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

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

D. 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.

E. Net Position

Net position is composed reported according to the following classifications: Net investment in capital assets, restricted, and unrestricted.

Restricted net position 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 expense is incurred for purposes for which both restricted and unrestricted net position is available, ICTC considers unrestricted funds to have been spent first.

	2018	2017
Net Position at June 30,		
Net investment in capital assets	\$ 7,531,421	\$ 8,098,616
Restricted	11,053,659	7,153,660
Unrestricted	-	1,361,974
Total net position	\$ 18,585,080	\$ 16,614,250

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Transit Fund's prior year financial statements, from which this selected financial data was derived.

NOTE 2 – FEDERAL GRANTS RECEIVABLE

During fiscal years ended June 30, 2018 and 2017 there was an amount of \$1,126,811 and \$2,609,924, respectively, to recognize the Federal Grant revenues accrued for the year that were received in the subsequent year.

NOTE 3 – CAPITAL ASSETS

During fiscal years ended June 30, 2018 and 2017 capital assets of \$7,540,557 and \$8,098,616, respectively, were reported which is the total fixed assets less accumulated depreciation and represents the total net investment in fixed assets.

NOTE 4 – ACCOUNTS PAYABLE

During fiscal years ended June 30, 2018 and 2017 there was an amount of \$633,619 and \$612,569, respectively, to recognize operational expenses for the year that were paid in the following fiscal year.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 5 – 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, Rural Area Formula Program - Federal Grant 5311, Enhanced Mobility of Seniors and Individuals with Disabilities - Federal Grant 5310 and Congestion Mitigation and Air Quality Improvement Program - CMAQ):

Program Number CA-2017-1

		50% Federal Reimbursement Operations	100% Federal Reimbursement Capital	Total
for IVT, IVT				
Fiscal Year 17/18	Operations	\$ 2,893,234	\$ -	\$ 2,893,234
Requested	6/30/2018	2,893,234	-	2,893,234
	Per grant	2,893,234	-	2,893,234
FTA 5307	Available Grant			
	Balance at 6/30/18	\$ -	\$ -	\$ -

Program Number SA64B019-00880

		55.33% Federal Reimbursement Operations	100% Federal Reimbursement Capital	Total
for IVT, ACCESS & Gold				
Fiscal Year 17/18	Operations	\$ 301,910	\$ -	\$ 301,910
Requested	6/30/2018	-	-	-
	Per grant	-	-	-
FTA 5311	Available Grant			
expended 1-2019	Balance at 6/30/18	\$ 301,910	\$ -	\$ 301,910

Program Number SA64AM16-0045

		100% Federal Reimbursement Operations	80% Federal Reimbursement Capital	Total
Mobility Management				
Fiscal Year 14/15	Operations	\$ 104,977	\$ -	\$ 104,977
Requested	6/30/2018	104,977	-	104,977
	Per grant	104,977	-	104,977
FTA 5310	Available Grant			
fully expended	Balance at 6/30/18	\$ -	\$ -	\$ -

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 5 – FEDERAL TRANSIT FORMULA GRANTS (CONTINUED)

Program Number SA64AM18-00671		100% Federal Reimbursement <u>Operations</u>	80% Federal Reimbursement <u>Capital</u>	<u>Total</u>
Mobility Management				
Fiscal Year 16/17	Operations	\$ 353,052	\$ -	\$ 353,052
Requested	6/30/2018	<u>20,122</u>	<u>-</u>	<u>20,122</u>
	Per grant	<u>-</u>	<u>-</u>	<u>-</u>
	Available Grant			
FTA 5310	Balance at 6/30/18	<u>\$ 332,930</u>	<u>\$ -</u>	<u>\$ 332,930</u>
Program Number SA6414007		88.53% Federal Reimbursement <u>Operations</u>	88.53% Federal Reimbursement <u>Capital</u>	<u>Total</u>
for Brawley Bus Stops				
Fiscal Year 13/14	Capital		\$ 531,000	\$ 531,000
Requested	6/30/2018		<u>531,000</u>	<u>531,000</u>
	Per grant		<u>531,000</u>	<u>531,000</u>
	Available Grant			
FTA 5311	Balance at 6/30/18	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
fully expended				
Program Number SA64BC15-00236		88.53% Federal Reimbursement <u>Operations</u>	88.53% Federal Reimbursement <u>Capital</u>	<u>Total</u>
for Brawley Bus Stops				
Fiscal Year 14/15	Capital		\$ 387,301	\$ 387,301
Requested	6/30/2018		<u>387,301</u>	<u>387,301</u>
	Per grant		<u>387,301</u>	<u>387,301</u>
	Available Grant			
FTA 5311	Balance at 6/30/18	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
fully expended				
Program Number CML-6471(014)		88.53% Federal Reimbursement <u>Operations</u>	88.53% Federal Reimbursement <u>PS&E</u>	<u>Total</u>
for Calexico ITC				
Fiscal Year 14/15	PS&E		\$ 495,000	\$ 495,000
Requested	6/30/2018		<u>3,030</u>	<u>3,030</u>
	Per grant		<u>-</u>	<u>-</u>
	Available Grant			
CMAQ	Balance at 6/30/18	<u>\$ -</u>	<u>\$ 491,970</u>	<u>\$ 491,970</u>
		Funds Received	\$ 3,939,664	
		Allocated	<u>301,910</u>	
		Total	<u>\$ 4,241,574</u>	

SUPPLEMENTARY INFORMATION

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

**SCHEDULES OF SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Schedule I - State Transit Revenues		
State Transit Revenue - TDA/LTF/STA	\$ 7,479,934	\$ 4,991,404
State Transit Revenue - PTMISEA	-	815,642
State Transit Revenue - CTSGP	5,816	26,705
State Transit Revenues - Total	\$ 7,485,750	\$ 5,833,751
Schedule II - Federal Grant Revenues		
Federal Grant Revenue - Section 5307	\$ 2,893,234	\$ 2,609,924
Federal Grant Revenue - Section 5310	125,099	60,233
Federal Grant Revenue - Section 5311	1,220,211	-
Federal Grant Revenue - CMAQ	3,030	-
Federal Grant Revenues - Total	\$ 4,241,574	\$ 2,670,157
Schedule III - ICTC Reimbursements Revenues		
Transfer from Admin, Plans and Programs Funds	\$ -	\$ 792,870
LTA Transit 2% Allocation	393,449	350,000
LTA SHR 5% Allocation	35,234	708,240
Miscellaneous Revenue	27,958	12,802
ICTC Reimbursement Revenues - Total	\$ 456,641	\$ 1,863,912
Interest Pooled Money	\$ 81,749	\$ 54,867
Schedule IV - Purchased Transportation Services		
Countywide Transit System	\$ 2,849,778	\$ 2,686,508
YCAT	138,709	138,710
IVT - Blue/Green Line	628,910	634,044
IVT- Gold Line	239,862	263,125
IVT-ACCESS	1,423,237	1,532,356
MedTrans	427,241	527,408
IVT-Ride	1,451,124	1,464,406
Transportation Reserves & Fare Adjustments	797,921	823,283
Purchased Transportation Services - Total	\$ 7,956,782	\$ 8,069,840
Schedule V - Professional Services		
Professional & Special Services	\$ 337,547	\$ 230,916
Prof & Spec Svs Data Pro	3,466	1,976
Prof & Spec Svs -Audit	89,771	89,983
Overhead Reimbursement	-	9,262
Professional Services - Total	\$ 430,784	\$ 332,137

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

**SCHEDULES OF SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Schedule VI - General Administration		
<i>General Administration - Salaries & Benefits</i>		
Salaries	\$ 149,251	\$ 330,629
Tuition Reimbursement	1,000	1,000
Social Security - Medicare	10,496	9,588
County Contr Retirement	57,606	54,166
Ins-Workers Comp	7,765	12,521
Ins-Unemployment	2,068	2,068
Group Insurance	72,612	56,657
Retirement-Pension Bond	6,025	6,034
Retirement - Health Plan	9,654	9,024
Redemption of Benefits	23,752	20,969
Ins- Dental/Vision	7,511	4,981
Payroll Taxes	2,362	2,362
Insurance - Voluntary Life	398	357
	<u>\$ 350,500</u>	<u>\$ 510,356</u>
<i>General Administration - Salaries & Benefits Total</i>		
<i>General Administration - Other</i>		
Communications - Phone Charge	\$ 2,870	\$ 2,360
Communications - Services	175	--
Communications - Cell Phones	4,336	4,006
Insurance Liability	79,865	56,871
Memberships	4,494	1,748
Office Expenses	13,059	8,711
Fuel Expense	819	993
Publications and Legal Notices	4,082	3,749
Rents & Leases	51,649	22,899
Maintenance	3,036	145
Travel Out of Cnty Misc	14,012	8,670
Special Dept Expense	5,207	603
Utilities	7,526	5,422
Equipment	8,301	--
Depreciation Equipment	1,024,762	985,412
	<u>\$ 1,224,193</u>	<u>\$ 1,101,589</u>
<i>General Administration - Other Total</i>		
General Administration - Grand Total	<u>\$ 1,574,693</u>	<u>\$ 1,611,945</u>

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

**SCHEDULES OF SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Schedule VII - Capital Contribution Expenses		
Reserve TRF 5 IVT Cutaways	\$ 330,000	\$ -
El Centro Security Guard/Brawley Transfer Terminal	1,080,725	-
Heber/SR-86 Bus Stop & Ped Improvements	<u>-</u>	<u>800,000</u>
 Capital Contribution Expenses - Total	 <u>\$ 1,410,725</u>	 <u>\$ 800,000</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 Transit Planning and Programs Management fund 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 Transit Planning and Programs Management fund 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. 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 Transit Planning and Programs Management fund 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*.

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. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
July 2, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2018. 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards 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 the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Imperial County Transportation Commission's Transit Planning and Programs Management fund as of and for the year ended June 30, 2018, and have issued our report thereon dated July 2, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted 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 purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



San Diego, California
July 2, 2019

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Federal Grant/Pass-Through Grantor</u>	<u>Federal CFDA NUMBER</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Department of Transportation: Federal Transit Cluster Federal Transit Formula Grants, Section 5307	20.507	CA-7016-2017-130	\$ 2,893,234
Passed Through State Department of Transportation: Highway Planning and Construction	20.205	CML-6471(014)	3,030
Passed Through State Department of Transportation: Enhanced Mobility of Seniors and Individuals with Disabilities, Section 5310	20.513	SA-64AM16-0045	104,977
Enhanced Mobility of Seniors and Individuals with Disabilities, Section 5310	20.513	SA64AM18-00671	20,122
Subtotal 20.513			<u>125,099</u>
Passed Through State Department of Transportation: Formula Grants for Rural Areas	20.509	SA6414007	531,000
Formula Grants for Rural Areas	20.509	SA64BC15-00236	387,301
Formula Grants for Rural Areas	20.509	SA64B017-00577	301,910
Subtotal 20.509			<u>1,220,211</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>4,241,574</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,241,574</u>

See note to Schedule of Expenditures of Federal Awards.

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

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures included in the accompanying schedule of expenditures of federal awards were reported on the modified accrual basis of accounting, which is further described in Note 1 to the Imperial County Transportation Commission's fund financial statements. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Imperial County Transportation Commission. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State Department of Transportation, are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not represent the financial position or results of operations of the Imperial County Transportation Commission.

Indirect Costs

The Imperial County Transportation Commission did not elect to use the 10% de minimis cost rate.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	No
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENTS FINDINGS

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, we noted the following:

- Certain accounts payable balances had not been accrued and required adjustment.
- Certain accounts receivable balances had not been accrued and required adjustment.
- Certain accounts cash balances were not recorded and required adjustment.

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:

See separate Corrective Action Plan.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

None reported.