

# Imperial County Transportation Commission

Financial Report of the  
SB 325 Funds for Article 8(c)  
June 30, 2013 and 2012

## TABLE OF CONTENTS

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	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position - Article 8(c)	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 9
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	10 - 11

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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 SB 325 Funds for Article 8(c) 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 SB 325 Funds for Article 8(c) 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 SB 325 Funds for Article 8(c) and are not intended to present fairly the financial position of the Imperial County Transportation Commission and the 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**  
**SB 325 FUND ARTICLE 8(c)**  
**PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE**  
 Statements of Net Position  
 June 30, 2013 and 2012

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	2013	2012
<b>ASSETS</b>		
Assets:		
Cash and investments	\$ _____ --	\$ _____ --
Total assets	_____ --	_____ --
<b>NET POSITION</b>		
Net position:		
Restricted	_____ --	_____ --
Total net position	\$ _____ --	\$ _____ --

**IMPERIAL COUNTY TRANSPORTATION COMMISSION**  
**SB 325 FUND ARTICLE 8(c)**  
**PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE**  
 Statements of Revenues, Expenses, and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2013 and 2012

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	<b>2013</b>	<b>2012</b>
Operating revenues:		
SB 325 Article 8(c)	\$ 2,256,554	\$ 1,813,562
Total operating revenues	<u>2,256,554</u>	<u>1,813,562</u>
Operating expenses:		
Purchased transportation services	<u>2,256,554</u>	<u>1,813,562</u>
Total operating expenses	<u>2,256,554</u>	<u>1,813,562</u>
Operating income	<u>--</u>	<u>--</u>
Change in net position	--	--
Net position - beginning	<u>--</u>	<u>--</u>
Net position - ending	<u>\$ --</u>	<u>\$ --</u>

**IMPERIAL COUNTY TRANSPORTATION COMMISSION**  
**SB 325 FUND ARTICLE 8(c)**  
**PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE**  
 Statements of Cash Flows  
 For the Fiscal Years Ended June 30, 2013 and 2012

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	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from transit services	\$ 2,256,554	\$ 1,813,562
Payment for transportation services	<u>(2,256,554)</u>	<u>(1,813,562)</u>
Net cash provided by (used for) operating activities	<u>          --</u>	<u>          --</u>
Cash and cash equivalents July 1	<u>          --</u>	<u>          --</u>
Cash and cash equivalents June 30	<u>\$          --</u>	<u>\$          --</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	<u>\$          --</u>	<u>\$          --</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
(Increase) decrease in accounts receivable	--	--
(Decrease) increase in accounts payable	<u>          --</u>	<u>          --</u>
Total Adjustments	<u>          --</u>	<u>          --</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$          --</u>	<u>\$          --</u>

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

**IMPERIAL COUNTY TRANSPORTATION COMMISSION**  
**SB 325 FUND ARTICLE 8(c)**  
**PERTAINING TO SECTION 994000(c) OF THE PUBLIC UTILITIES CODE**  
Notes to the Financial Statements  
June 30, 2013 and 2012

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entities***

The operations of the SB 325 Fund of the Imperial County Transportation Commission, "the ICTC," are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

Article 8(c) of the SB 325 Fund is provided by the Imperial County Transportation Commission through five contracts with outside vendors. Three contracts are held with First Transit, Inc. to provide the Imperial Valley Transit Service, including the IVT-ACCESS which provides paratransit service exclusively for disabled persons. Two contracts are held with the ARC-Imperial Valley to provide: Med-Express which provides non-emergency transportation to medical facilities in San Diego, and Westshores Dial-a-Ride, a community based paratransit service.

***Basis of Accounting***

The Public Service Transit Fund, Article 8(c), is accounted for in a proprietary fund using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Comparative Data***

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the funds' financial positions and operations.

**Note 2. ANNUAL FINANCIAL STATEMENTS**

The financial statements are intended to present the financial position, results of operations and compliance with the Transportation Development Act for only the Public Service Transit Fund of the Imperial County Transportation Commission.

**Note 3. CASH AND INVESTMENTS**

Cash is pooled with other cash of the County of Imperial to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the SB 325 Fund, based upon monthly average cash balances. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

Investments are stated at fair value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.



**IMPERIAL COUNTY TRANSPORTATION COMMISSION**  
**SB 325 FUND ARTICLE 8(c)**  
**PERTAINING TO SECTION 99400(c) OF THE PUBLIC UTILITIES CODE**  
Notes to the Financial Statements  
June 30, 2013 and 2012

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**Note 4. TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with Section 99400(c) of the Public Utilities Code, funds received pursuant to this section may only be used for public transportation services. The Imperial County Transportation Commission has complied with the guidelines in respect to the use of funds.

The Imperial County Transportation Commission is subject to provisions pursuant to Section 6634 and 6637 of the California Administrative Code (CAC) and Sections 99268.3, 99268.4, and 99268.5 of the Public Utilities Code.

**Section 6634**

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the required fare, local support and the amount received during the year from a city or county to which the operator has provided service beyond its boundaries.

**Section 6637**

Pursuant to Section 6637, the claimant must maintain its accounts and records in accordance with the Uniform System of Accounts and Records adopted by the State Controller. The Imperial County Transportation Commission did maintain its accounts and records in accordance with the Uniform System of Accounts and Records.

**Section 99268.3, 99268.4 and 99268.5**

The Imperial County Transportation Commission's fare box recovery ratio was approximately 15.86% and 14.88% for the fiscal years ending June 30, 2013 and 2012, respectively. The blended fare box recovery minimum ratio requirement is 14.5%, as stated in the letter of approval from the State of California Department of Transportation. For this year this fare box recovery ratio requirement was met.

**Note 5. NET POSITION**

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

**Note 6. SUBSEQUENT EVENTS**

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



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

**INDEPENDENT AUDITORS' REPORT**

To the Commission Board Members  
County of Imperial, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the SB 325 Funds for Article 8(c) of the Imperial County Transportation Commission as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the SB 325 Funds for Article 8(c) of the Imperial County Transportation Commission's financial statements, and have issued our report thereon dated 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 SB 325 Funds for Article 8(c) 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