

Imperial County Transportation Commission

Financial Report of the
Transit Planning and Programs Management Fund
June 30, 2014 and 2013

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 10
SUPPLEMENTARY INFORMATION	
Schedule I - State Transit Revenue	12
Schedule II - ICTC Reimbursements Revenues	12
Schedule III - Purchased Transportation Services	12
Schedule IV - Professional Services	12
Schedule V - General Administration	13
Schedule VI - Capital Project Expenses	14
SINGLE AUDIT SECTION	
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>	15 - 16
INDEPENDENT AUDITORS' 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	17 - 18
Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Responses	20 - 22
Notes to Schedule of Expenditures of Federal Awards	23

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, 2014 and 2013, 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, 2014 and 2013, 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 schedules 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 29, 2015 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 29, 2015

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

Statements of Net Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and investments	\$ 4,500,593	\$ 4,789,855
Federal Grant 5311 receivable	215,060	524,775
Federal Grant 5307 receivable	350,851	--
Accounts receivable	--	12,403
Interest receivable	<u>3,826</u>	<u>5,389</u>
Total current assets	<u>5,070,330</u>	<u>5,332,422</u>
Noncurrent assets:		
Fixed assets	41,454	41,454
Less accumulated depreciation	<u>(19,408)</u>	<u>(11,874)</u>
Total noncurrent assets	<u>22,046</u>	<u>29,580</u>
Total assets	<u>5,092,376</u>	<u>5,362,002</u>
LIABILITIES		
Liabilities:		
Accounts payable	546,910	449,386
Encumbrances payable	748,131	994,446
Due to other funds	<u>435</u>	<u>1,943</u>
Total liabilities	<u>1,295,476</u>	<u>1,445,775</u>
NET POSITION		
Net position:		
Restricted	2,979,933	680,773
Unrestricted	<u>816,967</u>	<u>3,235,454</u>
Total net position	<u>\$ 3,796,900</u>	<u>\$ 3,916,227</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, 2014 and 2013

	2014	2013
Operating revenues:		
State transit revenues	\$ 3,557,027	\$ 3,452,009
Federal Grant 5307 revenue	4,053,478	3,008,078
Federal Grant 5311 revenue	215,060	488,098
Passenger fares	814,338	651,532
ICTC reimbursements	<u>1,012,980</u>	<u>639,378</u>
Total operating revenues	<u>9,652,883</u>	<u>8,239,095</u>
Operating expenses:		
Purchased transportation services	5,374,431	5,161,265
Professional services	614,074	313,714
General administration	439,913	354,157
Capital projects	<u>3,439,314</u>	<u>1,602,190</u>
Total operating expenses	<u>9,867,732</u>	<u>7,431,326</u>
Operating income (loss)	<u>(214,849)</u>	<u>807,769</u>
Nonoperating revenues:		
Interest revenue	23,726	22,952
Other refunds and reimbursements	<u>71,796</u>	<u>6,419</u>
Total nonoperating revenues	<u>95,522</u>	<u>29,371</u>
Change in net position	(119,327)	837,140
Net position - beginning	<u>3,916,227</u>	<u>3,079,087</u>
Net position - ending	<u>\$ 3,796,900</u>	<u>\$ 3,916,227</u>

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

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Passenger fares	\$ 814,338	\$ 651,532
Receipts from transit services	7,784,429	7,757,889
Other receipts	1,025,383	640,981
Payment for transportation services	(8,956,510)	(7,275,296)
Payment for general administration	(439,913)	(354,157)
Payment for professional services	(614,074)	(313,714)
Net cash provided by (used for) operating activities	<u>(386,347)</u>	<u>1,107,235</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>97,085</u>	<u>28,505</u>
Net cash provided by investing activities	<u>97,085</u>	<u>28,505</u>
Net increase (decrease) in cash and cash equivalents	(289,262)	1,135,740
Cash and cash equivalents July 1	<u>4,789,855</u>	<u>3,654,115</u>
Cash and cash equivalents June 30	<u>\$ 4,500,593</u>	<u>\$ 4,789,855</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (214,849)	\$ 807,769
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	7,534	5,824
(Increase) decrease in accounts receivable	(28,733)	(111,773)
(Increase) decrease in due from other funds	--	923,080
(Decrease) increase in accounts payable	97,524	(859,334)
(Decrease) increase in encumbrances payable	(246,315)	344,499
(Decrease) increase in due to other funds	(1,508)	(2,830)
Total Adjustments	<u>(171,498)</u>	<u>299,466</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (386,347)</u>	<u>\$ 1,107,235</u>

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

Notes to the Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013

Note 4. ACCOUNTS RECEIVABLE

During fiscal years ended June 30, 2014 and 2013 there was an amount of \$0 and \$12,403, respectively, to recognize the ICTC membership revenues accrued for the year that were received in the subsequent year.

Note 5. ACCOUNTS PAYABLE

During fiscal years ended June 30, 2014 and 2013 there was an amount of \$546,910 and \$449,386, respectively, to recognize operational expenses for the year that were paid in the following fiscal year.

Note 6. DUE TO OTHER FUNDS

During fiscal years ended June 30, 2014 and 2013 there was an amount of \$435 and \$1,943, respectively, to recognize amounts due to other funds that were paid in the following fiscal year.

Note 7. ENCUMBRANCES PAYABLE

During fiscal years ended June 30, 2014 and 2013 the encumbrance payable amounts of \$748,131 and \$994,446 consists of purchased services for the contract period not yet paid.

Note 8. NET POSITION - RESTRICTED

During the fiscal years ended June 30, 2014 and 2013 the restricted net position amount of \$2,979,933 and \$680,773, respectively, which represents the estimated portion of six months of transit, bus replacements, administrative operational costs for fiscal year 2014-2015 and the remaining portion of the local match for federal grant CA-90-Y469-00 for the bus terminal project for the City of El Centro.

Note 9. 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 and 5309):

Program number CA-90-Z063		50% Federal Reimbursement Operations	100% Federal Reimbursement Capital	Total
Fiscal year 13/14	Operations	\$ 2,366,538	\$ --	\$ 2,366,538
Requested	6/30/14	<u>1,216,363</u>	<u>--</u>	<u>1,216,363</u>
	Per grant	<u>2,366,538</u>	<u>--</u>	<u>2,366,538</u>
FTA 5307	Available Grant	\$ <u>1,150,175</u>	\$ <u>--</u>	\$ <u>1,150,175</u>
ICTC	Balance at 6/30/14			

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

Notes to the Financial Statements
June 30, 2014 and 2013

Note 9. FEDERAL TRANSIT FORMULA GRANTS (Continued)

Program number CA-04-244		50% Federal Reimbursement Operations	100% Federal Reimbursement Capital	Total
Fiscal year 12/13	Construction Capital	\$ --	\$ 300,000	\$ 300,000
Requested	6/30/14	--	300,000	300,000
	Per grant	--	300,000	300,000
FTA 5309	Available Grant	\$ --	\$ --	\$ --
ICTC	Balance at 6/30/14	--	--	--
Program number CA-90-Y469		50% Federal Reimbursement Operations	80% Federal Reimbursement Capital	Total
Fiscal year 06/07	Construction Capital	\$ -	\$ 2,948,115	\$ 2,948,115
Requested	6/30/14	--	--	--
	Per grant	-	906,966	906,966
	Available Grant	\$ --	\$ 906,966	\$ 906,966
County of Imperial	Balance at 6/30/14	--	--	--
Program number CA-90-X064		50% Federal Reimbursement Operations	80% Federal Reimbursement Capital	Total
Fiscal year 09/10	Construction Capital	\$ --	\$ 1,221,911	\$ 1,221,911
Requested	6/30/14	--	338,989	338,989
	Per grant	--	338,989	338,989
FTA 5307	Available Grant	\$ --	\$ --	\$ --
County of Imperial	Balance at 6/30/14	--	--	--

The following consists of the Activity of the U.S. Department of Transportation Federal Transit Grant (Rural Area Formula Program - Federal Grant 5311) Passthrough the State Department of Transportation CALTRANS:

Program number 643128		50% Federal Reimbursement Operations	80% Federal Reimbursement Capital	Total
Fiscal year 12/13	Operations	\$ 79,894	\$ --	\$ 79,894
Requested	6/30/14	79,894	--	79,894
	Per grant	79,894	--	79,894
FTA 5311	Available Grant	\$ --	\$ --	\$ --
ICTC	Balance at 6/30/14	--	--	--

Note 10. SUBSEQUENT EVENTS

Management has evaluated its June 30, 2014 and 2013, financial statements for subsequent events through January 29, 2015, the date of issuance of the financial statements. The Commission is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

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

Schedules of Supplementary Information
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Schedule I - State Transit Revenue		
State Transit Revenue - TDA/LTF/STA	\$ 3,039,687	\$ 3,244,168
State Transit Revenue - PTMISEA	478,871	87,841
State Transit Revenue - CTSGP	<u>38,469</u>	<u>120,000</u>
State Transit Revenue - Total	<u>\$ 3,557,027</u>	<u>\$ 3,452,009</u>
 Schedule II - ICTC Reimbursements Revenues		
Transfer from Admin, Plans and Programs funds	\$ 887,300	\$ 484,378
Membership revenues	45,680	75,000
LTA transit 2% allocation	<u>80,000</u>	<u>80,000</u>
ICTC Reimbursement Revenues - Total	<u>\$ 1,012,980</u>	<u>\$ 639,378</u>
 Schedule III - Purchased Transportation Services		
Countywide Transit System	\$ 2,536,985	\$ 2,178,410
IVT - Blue/Green Line	619,357	599,917
ADA Paratransit	1,419,965	1,227,398
Brawley Shuttle	143,804	--
Med Express	166,174	167,554
West Shores - Dial-a-Ride	62,323	60,510
Transportation Reserves & Fare Adjustments	<u>425,823</u>	<u>927,476</u>
Purchased Transportation Services - Total	<u>\$ 5,374,431</u>	<u>\$ 5,161,265</u>
 Schedule IV - Professional Services		
Professional & Special Services	\$ 374,907	\$ 78,013
Prof & Spec Svs Data Pro	838	1,332
Prof & Spec Svs - Audit Services	94,751	163,883
Adm-Legal & Accounting Fees	1,378	1,931
Professional Services Reserves Adjustments	<u>142,200</u>	<u>68,555</u>
Professional Services - Total	<u>\$ 614,074</u>	<u>\$ 313,714</u>

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

Schedules of Supplementary Information
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Schedule V - General Administration		
<i>General Administration - Salaries & Benefits</i>		
Permanent Salaries	\$ 215,454	\$ 165,385
Extra Help	--	789
Social Security - Medicare	5,656	2,379
County Contr Retirement	35,722	29,694
Ins-Workers Comp	6,101	4,572
Ins-Unemployment	3,298	1,800
Group Insurance	44,360	45,574
Retirement-Pension Bond	14,326	13,122
Retirement - Health Plan	12,216	9,860
Redemption of Benefits	11,250	2,862
Ins- Dental/Vision	10,341	5,961
Payroll Taxes	628	2,417
Insurance - Voluntary Life	<u>567</u>	<u>187</u>
<i>General Administration - Salaries & Benefits Total</i>	<u>359,919</u>	<u>284,602</u>
<i>General Administration - Other</i>		
Communications - Phone Charge	1,276	1,568
Communications - Services	153	98
Communications - Cell Phones	4,509	2,378
Insurance Liability	12,325	14,262
Memberships	2,910	1,615
Office Expenses	4,366	5,462
Fuel Expense	679	433
Publications and Legal Notices	6,410	5,088
Rents & Leases	20,157	16,847
Maintenance	332	--
Travel Out of Cnty Misc	11,133	9,437
Special Dept Expense	1,312	496
Utilities	2,761	2,357
Equipment	4,137	3,690
Depreciation Equipment	<u>7,534</u>	<u>5,824</u>
<i>General Administration - Other Total</i>	<u>79,994</u>	<u>69,555</u>
General Administration - Grand Total	<u>\$ 439,913</u>	<u>\$ 354,157</u>

IMPERIAL COUNTY TRANSPORTATION COMMISSION
TRANSIT PLANNING AND PROGRAMS MANAGEMENT FUND
Schedules of Supplementary Information
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Schedule VI - Capital Project Expenses		
IVC Transfer Terminal	\$ --	\$ 55,712
El Centro Transfer Terminal	2,647,105	918,136
Brawley Transfer Terminal	<u>792,209</u>	<u>628,342</u>
Capital Project Expenses - Total	<u>\$ 3,439,314</u>	<u>\$ 1,602,190</u>



**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, 2014, 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 29, 2015.

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 29, 2015



**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, 2014. 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, 2014.

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, 2014, and have issued our report thereon dated January 29, 2015, 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.

Hutchinson and Bloodgood LLP

January 29, 2015

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

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

<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-Z063	\$ 1,718,500
Passed Through County of Imperial:			
FTA Section 5307 - Urban Funding	20.507	CA-90-Y469	1,207,188
FTA Section 5307 - Urban Funding	20.507	CA-90-X064	1,207,188
		Subtotal 20.507	<u>4,132,876</u>
FTA Section 5309 - Bus and Facilities	20.526	CA-04-244	<u>529,894</u>
		Subtotal 20.526	<u>529,894</u>
Passed Through County of Imperial:			
FTA Section 5311 - Rural Funding	20.509	SA 649835	792,208
Passed Through State Department of Transportation:			
FTA Section 5311 - Rural Funding	20.509	SA 643128	<u>79,894</u>
		Subtotal 20.509	<u>872,102</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>5,534,872</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 5,534,872</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, 2014

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
20.509	Department of Transportation
20.526	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, 2014

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, 2014

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, 2014

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*.