

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FOR YEAR ENDED JUNE 30, 2010**

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INDEPENDENT ACCOUNTANTS' REPORT

Imperial County Transportation Commission
1405 N. Imperial Avenue Suite 1
El Centro, California

We have performed the procedures enumerated below, which were agreed to by the Imperial County Transportation Commission's Management, solely to assist the specified party in evaluating the specific First Transit, Inc. transit services contract items for the year ended June 30, 2010. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We reviewed the transit service contract, including contract modifications, between the Imperial County Transportation Commission and First Transit, Inc. for the provisions of specific transit services to be provided.
2. We reviewed documents provided by the Imperial County Transportation Commission and First Transit, Inc. to verify that expenditure and fare amounts reported to the Imperial County Transportation Commission Administration for the specific transit services were presented fairly and accurately. We found that First Transit, Inc. is in compliance with the contract terms and reporting properly as agreed per contract(s). See Exhibits B through F as references for this review.
3. We reviewed on a test basis fuel expenditures reported for all specific transit services provided and noted if these expenditures were in accordance to the fuel related terms included in the service contract. We found that First Transit, Inc. is in compliance with the contract terms and these expenditures are within budget and reported accordingly.
4. We reviewed insurance coverage limits for general and comprehensive vehicle liability as well as for worker's compensation and compared them to the limits and guidelines provided in the service contract. We found that First Transit, Inc. is in compliance with the insurance requirements as stated in the service contract.
5. We reviewed First Transit's internal controls over cash handling procedures and tested their fare collection process and related activities. We found that the internal controls set by First Transit, Inc. are adequate based on established guidelines. See Exhibit A as reference for this review.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management, the Imperial County Transportation Commission, the County of Imperial Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

May 5, 2011

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FOR YEAR ENDED JUNE 30, 2010**

ACCOUNTANTS' NOTES

PURPOSE

The purpose of this engagement pertaining to the service contract between the Imperial County Transportation Commission (ICTC) and First Transit, Inc. was to provide an independent assessment of compliance with certain contract requirements during the period July 1, 2009 through June 30, 2010 and to assess the adequacy of First Transit Inc.'s internal controls over cash handling and reporting procedures.

FARE REVENUES

The contract states that the farebox ratio of fare revenue divided by operating costs shall be maintained at or above fourteen and a half percent (14.5%).

For the El Centro Shuttle (Blue and Green Line) the actual fare revenue received was under three percent (2.8%); (\$14,055 fare revenue divided by \$507,439 operating costs). See Exhibit D.

For the Imperial Valley Transit service line the actual fare revenue received was close to nineteen percent (18.9%); (\$533,549 fare revenue divided by \$2,828,717 operating costs). See Exhibit E.

The actual combined fare revenue received was slightly over sixteen percent (16.4%); (\$547,704 fare revenue divided by \$3,336,156 operating costs). See Exhibit F.

ICTC SUBSIDY

The amended contract, dated September 22, 2009, states that the compensation for the Imperial Valley Transit Line for the period of July 1, 2009 through June 30, 2010 is identified as \$2,850,245 less the farebox of 14.5% for a net subsidy not to exceed \$2,436,959, with a marketing budget of \$84,862. Actual costs for the year reported to ICTC were \$2,399,249 in addition to \$46,081 for marketing expenses for a combined total of \$2,445,330. See Exhibit E.

For the El Centro Shuttle service line, which includes the Blue and Green Lines, the compensation is identified as \$593,651 less the farebox of 14.5% for a net subsidy not to exceed \$507,572, with a marketing budget of \$15,223. Actual costs for the year reported to ICTC were \$503,622 in addition to \$6,499 for marketing expenses for a combined total of \$510,121. See Exhibit D.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FINDINGS AND RECOMMENDATIONS
FOR YEAR ENDED JUNE 30, 2010**

FINDING 1: Poor Performance of El Centro Shuttle (Blue and Green Line)

CONDITION:

Performance standards established in the service contract were not met. El Centro Shuttle (Blue and Green Line) has not met the farebox ratio of 14.5%. The farebox ratio for year ended June 30, 2010 was 2.8%. This has been a reoccurrence of previous years. This service was recently reorganized and it is in a demonstration phase during which it has up to three years to meet the established ratio.

EFFECT:

First Transit, Inc in not in compliance with fare ratio performance standards established in the service contract.

CAUSE:

Annual cost and low ridership contributed to the low farebox return.

CRITERIA:

First Transit various reports and service contract. ICTC unmet transit criteria needs: community acceptance, timing, economy, equity and cost effectiveness.

RECOMMENDATION:

It is recommended for First Transit and ICTC to explore various methods of promoting the service in order to increase ridership. Meet with the community it serves, gather information regarding the effectiveness of established routes and seek feedback. Prepare a marketing campaign in collaboration with members of the community it serves and among frequent riders. Determine if the need justifies the costs involved in providing the service.

MANAGEMENT RESPONSE:

The poor performance in farebox is due to the low rider side. We have targeted marketing funds towards the Blue and Green Lines including Television and Radio Advertising. I have marketed the Blue and Green Lines routes sheets to businesses to promote the Lines.

It is our effort to continually promote both Lines to increase ridership.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES
FOR YEAR ENDED JUNE 30, 2010**

OBJECTIVE

Review established internal control procedures over cash handling and perform a walkthrough observation of the fare collection cycle and related processes.

PROCEDURES

Reviewed First Transit, Inc. established guidelines over cash handling. Interviewed management and staff associated with the fare collection cycle. Rode along with transit operator for a day route and kept count of boarding passengers and fares paid during the day. Observed cash count of total fares contained in farebox and confirmed amount collected with amount counted and amount reported.

OBSERVATIONS

During the performance of this review it was noted that the fareboxes placed on the Imperial Valley Transit and El Centro Shuttle transit vehicles could be placed close enough so that transit operators could observe the fare being placed inside the farebox by passengers with the lever of each farebox being just within reach of the transit operators and not the passengers. This may reduce the occurrence of passengers inserting the incorrect fare amount into the farebox and then pulling on the farebox lever and not allowing enough time for transit operator to verify fare amounts appropriately.

It was also noted that transit operator's report logs do not contain a column on which they could keep track of any overages or shortages in fares received. It was noted that it is common for passengers not to have the correct change and overpay but transit operators have no way of keeping track of this on their report logs. It is recommended to modify these reports with a section for any fare overages or shortages noted by transit operator. This would have an impact on reducing variances noted in the Farebox Accounting Report prepared by First Transit, Inc. It is noted that actual fares and not projected fares are those fares reported to the ICTC as fares received.

CONCLUSION

We found that the internal controls set by First Transit, Inc. are adequate based on established guidelines and that actual fares received are properly reported to the ICTC.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2009 THROUGH JUNE 30, 2010**

El Centro Shuttle - Blue Line Service

<u>Date</u>	<u>Base Cost</u>	<u>Farebox</u>	<u>Net Subsidy</u>	<u>Fuel Escalator</u>	<u>Marketing</u>	<u>Net Cost and Total Paid to First Transit</u>
July, 2009	\$ 22,640	\$ 709	\$ 21,931	\$ 491	\$ -	\$ 22,422
August, 2009	21,146	626	20,520	438	241	21,199
September, 2009	21,146	653	20,493	546	204	21,243
October, 2009	21,894	1,007	20,887	471	-	21,358
November, 2009	19,651	761	18,890	364	973	20,227
December, 2009	21,896	859	21,037	364	1,500	22,901
January, 2010	19,651	773	18,878	328	-	19,206
February, 2010	19,651	749	18,902	321	-	19,223
March, 2010	22,641	1,633	21,008	450	225	21,683
April, 2010	21,146	581	20,565	445	285	21,295
May, 2010	20,399	724	19,675	451	-	20,126
June, 2010	21,894	872	21,022	515	-	21,537
Total	\$ 253,755	\$ 9,947	\$ 243,808	\$ 5,184	\$ 3,428	\$ 252,420

Contract Specifications
Paragraph 8.1.11
For Base Cost
and Base Subsidy

\$ 296,825	\$ 43,040	\$ 253,785
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Over (Under) Contract
Requirements

<u>\$ (43,070)</u>	<u>\$ (33,093)</u>	<u>\$ (9,977)</u>
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Farebox Ratio Actual

3.9%

Farebox Ratio Contract

14.5%

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IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2009 THROUGH JUNE 30, 2010**

El Centro Shuttle-Green Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2009	\$ 22,627	\$ 278	\$ 22,349	\$ 495	\$ -	\$ 22,844
August, 2009	21,144	266	20,878	443	420	21,741
September, 2009	21,150	260	20,890	555	-	21,445
October, 2009	21,894	380	21,514	491	241	22,246
November, 2009	19,649	349	19,300	366	449	20,115
December, 2009	21,899	366	21,533	358	1,729	23,620
January, 2010	19,651	287	19,364	304	-	19,668
February, 2010	19,615	313	19,302	267	-	19,569
March, 2010	22,607	390	22,217	430	-	22,647
April, 2010	21,146	340	20,806	433	-	21,239
May, 2010	20,399	423	19,976	425	228	20,629
June, 2010	21,904	456	21,448	485	-	21,933
Total	\$ 253,685	\$ 4,108	\$ 249,577	\$ 5,052	\$ 3,067	\$ 257,696

Contract Specifications
Paragraph 8.1.11
For Base Cost
and Base Subsidy

<u>\$ 296,825</u>	<u>\$ 43,040</u>	<u>\$ 253,785</u>
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Over (Under) Contract
Requirements

<u>\$ (43,140)</u>	<u>\$(38,932)</u>	<u>\$ (4,208)</u>
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Farebox Ratio Actual 1.6%

Farebox Ratio Contract 14.5%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2009 THROUGH JUNE 30, 2010**

El Centro Shuttle (Blue and Green Line) Services

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2009	\$ 45,267	\$ 987	\$ 44,280	\$ 987	\$ -	\$ 45,267
August, 2009	42,291	892	41,399	881	662	42,942
September, 2009	42,296	913	41,383	1,101	205	42,689
October, 2009	43,787	1,387	42,400	962	241	43,603
November, 2009	39,300	1,110	38,190	729	1,421	40,340
December, 2009	43,795	1,225	42,570	722	3,229	46,521
January, 2010	39,302	1,060	38,242	632	-	38,874
February, 2010	39,266	1,062	38,204	588	-	38,792
March, 2010	45,248	2,023	43,225	880	228	44,333
April, 2010	42,292	921	41,371	879	285	42,535
May, 2010	40,798	1,148	39,650	877	228	40,755
June, 2010	43,797	1,327	42,470	1,000	-	43,470
Total	\$ 507,439	\$ 14,055	\$ 493,384	\$ 10,238	\$ 6,499	\$ 510,121

Contract Specifications
Paragraph 8.1.11
For Base Cost
and Base Subsidy

<u>\$ 593,651</u>	<u>\$ 86,079</u>	<u>\$ 507,572</u>
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Over (Under) Contract
Requirements

<u>\$ (86,212)</u>	<u>\$(72,024)</u>	<u>\$ (14,188)</u>
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Farebox Ratio Actual

2.8%

Farebox Ratio Contract

14.5%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2009 THROUGH JUNE 30, 2010**

Imperial Valley Transit - Countywide Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2009	\$ 236,788	\$ 39,124	\$ 197,664	\$ 5,720	\$ 6,502	\$ 209,886
August, 2009	234,516	38,868	195,648	7,511	8,800	211,959
September, 2009	240,466	46,935	193,531	6,251	598	200,380
October, 2009	248,997	69,340	179,657	9,096	941	189,694
November, 2009	226,917	38,114	188,803	8,157	14,774	211,734
December, 2009	236,162	39,276	196,886	8,459	5,130	210,475
January, 2010	227,924	37,340	190,584	7,996	-	198,580
February, 2010	225,152	38,913	186,239	7,284	-	193,523
March, 2010	251,718	51,571	200,147	10,326	1,345	211,818
April, 2010	224,564	48,849	175,715	11,866	3,137	190,718
May, 2010	235,454	43,463	191,991	10,413	2,529	204,933
June, 2010	240,059	41,856	198,203	11,102	2,325	211,630
Total	\$ 2,828,717	\$ 533,649	\$ 2,295,068	\$ 104,181	\$ 46,081	\$ 2,445,330

Contract Specifications
Paragraph 8.1.6
For Base Cost
and Base Subsidy

\$ 2,850,245	\$ 413,286	\$ 2,436,959
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Over (Under) Contract
Requirements

\$ (21,528)	\$ 120,363	\$ (141,891)
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Farebox Ratio Actual

18.9%

Farebox Ratio Contract

14.5%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2009 THROUGH JUNE 30, 2010**

All First Transit Services Combined

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2009	\$ 282,055	\$ 40,111	\$ 241,944	\$ 6,707	\$ 6,502	\$ 255,153
August, 2009	276,807	39,760	237,047	8,392	9,462	254,901
September, 2009	282,762	47,848	234,914	7,352	803	243,069
October, 2009	292,784	70,727	222,057	10,058	1,182	233,297
November, 2009	266,217	39,224	226,993	8,886	16,195	252,074
December, 2009	279,957	40,501	239,456	9,181	8,359	256,996
January, 2010	267,226	38,400	228,826	8,628	-	237,454
February, 2010	264,418	39,975	224,443	7,872	-	232,315
March, 2010	296,966	53,594	243,372	11,206	1,573	256,151
April, 2010	266,856	49,770	217,086	12,745	3,422	233,253
May, 2010	276,252	44,611	231,641	11,290	2,757	245,688
June, 2010	283,856	43,183	240,673	12,102	2,325	255,100
Total	\$ 3,336,156	\$ 547,704	\$ 2,788,452	\$ 114,419	\$ 52,580	\$ 2,955,451
Contract Specifications Paragraphs 8.1.6 and 8.1.11 For Base Cost and Base Subsidy	<u>\$ 3,443,895</u>	<u>\$ 499,365</u>	<u>\$ 2,944,530</u>			
Over (Under) Contract Requirements	<u>\$ (107,739)</u>	<u>\$ 48,339</u>	<u>\$ (156,078)</u>			
Farebox Ratio Actual		16.4%				
Farebox Ratio Contract		14.5%				