

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FOR YEAR ENDED JUNE 30, 2011**

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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, 2011. 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 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

December 14, 2012

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FOR YEAR ENDED JUNE 30, 2011**

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, 2010 through June 30, 2011 and to assess the adequacy of First Transit Inc.'s internal controls over cash handling and reporting procedures.

FARE REVENUES

The service contract for each of the services provided by First Transit, Inc. 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 farebox recovery ratio was of four percent (4.0%); (\$21,037 fare revenue divided by \$521,904 operating costs). See Exhibit D.

For the Imperial Valley Transit service line the actual farebox recovery ratio was of over eighteen percent (18.3%); (\$527,776 fare revenue divided by \$2,880,227 operating costs). See Exhibit E.

The letter from the California Department of Transportation dated March 4, 2010 states that the suggested blended farebox recovery ratio calculation for the transit services above was approved and the blended farebox recovery ratio was set at fourteen and a half percent (14.5%).

For fiscal year ended June 30, 2011 the actual blended farebox ratio for all transit services combined was of over sixteen percent (16.1%); (\$548,813 fare revenue divided by \$3,402,131 operating costs). See Exhibit F.

ICTC SUBSIDY

The amended contract, dated December 8, 2010, states that the compensation for the Imperial Valley Transit Line for the period of July 1, 2010 through June 30, 2011 is identified as \$2,885,852 less the farebox of 14.5% for a net subsidy not to exceed \$2,467,403, with a marketing budget of \$86,575. Actual costs for the year reported to ICTC were \$2,352,451 in operational expense, \$201,161 in additional fuel expenses, and \$36,653 in marketing expenses for a combined total of \$2,590,265. See Exhibit E.

For the El Centro Shuttle service line, which includes the Blue and Green Lines, the compensation is identified as \$523,069 less the farebox of 14.5% for a net subsidy not to exceed \$447,224, with a marketing budget of \$11,787. Actual costs for the year reported to ICTC were \$447,224 in operational expense, \$15,425 in additional fuel expenses, and \$15,692 in marketing expenses for a combined total of \$478,341. See Exhibit D.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES
FOR YEAR ENDED JUNE 30, 2011**

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. 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 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.

It was noted that empty fareboxes are placed inside the transit vehicle under dual custody. Also, at the end of the day, each full farebox is removed, also under dual custody, and locked inside a vault. Counting of total fares is performed by two different individuals in a locked room. Cash fares are placed in a bag for deposit and are kept in a safe.

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, 2010 THROUGH JUNE 30, 2011**

El Centro Shuttle - Blue Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2010	\$ 21,620	\$ 1,801	\$ 19,819	\$ 506	\$ 228	\$ 20,553
August, 2010	22,388	1,351	21,037	488	398	21,923
September, 2010	21,618	1,064	20,554	431	-	20,985
October, 2010	21,618	1,449	20,169	421	285	20,875
November, 2010	20,850	1,290	19,560	418	662	20,640
December, 2010	23,159	613	22,546	506	1,282	24,334
January, 2011	20,849	927	19,922	505	1,271	21,698
February, 2011	20,078	774	19,304	574	-	19,878
March, 2011	23,159	1,941	21,218	990	2,948	25,156
April, 2011	21,610	620	20,990	963	-	21,953
May, 2011	21,628	670	18,493	1,043	772	20,308
June, 2011	22,388	2,868	-	1,033	-	1,033
Total	\$ 260,965	\$ 15,368	\$ 223,612	\$ 7,878	\$ 7,846	\$ 239,336

Contract Specifications
Paragraph 8.1.11
For Base Cost
and Base Subsidy

\$ 261,535	\$ 37,923	\$ 223,612
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Over (Under) Contract
Requirements

\$ (570)	\$ (22,555)	\$ 0
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Farebox Ratio Actual

5.9%

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, 2010 THROUGH JUNE 30, 2011**

El Centro Shuttle-Green Line Service						
Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2010	\$ 21,618	\$ 388	\$ 21,230	\$ 534	\$ 228	\$ 21,992
August, 2010	22,388	909	21,479	498	240	22,217
September, 2010	21,614	341	21,273	421	-	21,694
October, 2010	21,615	386	21,229	411	228	21,868
November, 2010	20,849	372	20,477	389	662	21,528
December, 2010	23,162	426	22,736	461	1,050	24,247
January, 2011	20,844	492	20,352	480	1,271	22,103
February, 2011	20,078	425	19,653	503	-	20,156
March, 2011	23,159	547	22,612	938	2,832	26,382
April, 2011	21,618	485	21,133	944	-	22,077
May, 2011	21,603	475	11,438	1,003	1,335	13,776
June, 2011	22,391	423	-	965	-	965
Total	\$ 260,939	\$ 5,669	\$ 223,612	\$ 7,547	\$ 7,846	\$ 239,005
Contract Specifications Paragraph 8.1.11 For Base Cost and Base Subsidy						
	<u>\$ 261,535</u>	<u>\$ 37,923</u>	<u>\$ 223,612</u>			
Over (Under) Contract Requirements						
	<u>\$ (596)</u>	<u>\$ (32,254)</u>	<u>\$ 0</u>			
Farebox Ratio Actual						
		2.2%				
Farebox Ratio Contract						
		14.5%				

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2010 THROUGH JUNE 30, 2011**

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, 2010	\$ 43,238	\$ 2,189	\$ 41,049	\$ 1,040	\$ 456	\$ 42,545
August, 2010	44,776	2,260	42,516	986	638	44,140
September, 2010	43,232	1,405	41,827	852	-	42,679
October, 2010	43,233	1,835	41,398	832	513	42,743
November, 2010	41,699	1,662	40,037	807	1,324	42,168
December, 2010	46,321	1,039	45,282	967	2,332	48,581
January, 2011	41,693	1,419	40,274	985	2,542	43,801
February, 2011	40,156	1,199	38,957	1,077	-	40,034
March, 2011	46,318	2,488	43,830	1,928	5,780	51,538
April, 2011	43,228	1,105	42,123	1,907	-	44,030
May, 2011	43,231	1,145	29,931	2,046	2,107	34,084
June, 2011	44,779	3,291	-	1,998	-	1,998
Total	\$ 521,904	\$ 21,037	\$ 447,224	\$ 15,425	\$ 15,692	\$ 478,341
Contract Specifications Paragraph 8.1.11 For Base Cost and Base Subsidy						
	<u>\$ 523,069</u>	<u>\$ 75,845</u>	<u>\$ 447,224</u>			
Over (Under) Contract Requirements						
	<u>\$ (1,165)</u>	<u>\$(54,808)</u>	<u>\$ 0</u>			
Farebox Ratio Actual						
		4.0%				
Farebox Ratio Contract						
		14.5%				

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2010 THROUGH JUNE 30, 2011**

Imperial Valley Transit - Countywide Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2010	\$ 241,285	\$ 36,507	\$ 204,778	\$ 12,516	\$ -	\$ 217,294
August, 2010	237,426	39,667	197,759	12,557	1,322	211,638
September, 2010	243,344	43,773	199,571	13,368	-	212,939
October, 2010	245,910	45,742	200,168	15,584	1,443	217,195
November, 2010	235,641	44,845	190,796	13,588	650	205,034
December, 2010	241,075	39,099	201,976	8,690	6,894	217,560
January, 2011	222,268	35,483	186,785	14,117	7,520	208,422
February, 2011	225,891	39,724	186,167	14,594	4,552	205,313
March, 2011	257,328	76,110	181,218	25,229	9,234	215,681
April, 2011	243,782	44,289	199,493	26,248	5,038	230,779
May, 2011	245,981	45,053	200,928	22,246	-	223,174
June, 2011	240,296	37,484	202,812	22,424	-	225,236
Total	\$ 2,880,227	\$ 527,776	\$ 2,352,451	\$ 201,161	\$ 36,653	\$ 2,590,265

Contract Specifications
Paragraph 8.1.6
For Base Cost
and Base Subsidy

<u>\$ 2,885,852</u>	<u>\$ 418,449</u>	<u>\$ 2,467,403</u>
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Over (Under) Contract
Requirements

<u>\$ (5,625)</u>	<u>\$ 109,327</u>	<u>\$ (114,952)</u>
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Farebox Ratio Actual

18.3%

Farebox Ratio Contract

14.5%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2010 THROUGH JUNE 30, 2011**

All First Transit Services Combined

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2010	\$ 284,523	\$ 38,696	\$ 245,827	\$ 13,556	\$ 456	\$ 259,839
August, 2010	282,202	41,927	240,275	13,543	1,960	255,778
September, 2010	286,576	45,178	241,398	14,220	-	255,618
October, 2010	289,143	47,577	241,566	16,416	1,956	259,938
November, 2010	277,340	46,507	230,833	14,395	1,974	247,202
December, 2010	287,396	40,138	247,258	9,657	9,226	266,141
January, 2011	263,961	36,902	227,059	15,102	10,062	252,223
February, 2011	266,047	40,923	225,124	15,671	4,552	245,347
March, 2011	303,646	78,598	225,048	27,157	15,014	267,219
April, 2011	287,010	45,394	241,616	28,155	5,038	274,809
May, 2011	289,212	46,198	230,859	24,292	2,107	257,258
June, 2011	285,075	40,775	202,812	24,422	-	227,234
Total	\$ 3,402,131	\$ 548,813	\$ 2,799,675	\$ 216,586	\$ 52,345	\$ 3,068,606
Contract Specifications Paragraphs 8.1.6 and 8.1.11 For Base Cost and Base Subsidy	<u>\$ 3,408,921</u>	<u>\$ 494,294</u>	<u>\$ 2,914,627</u>			
Over (Under) Contract Requirements	<u>\$ (6,790)</u>	<u>\$ 54,519</u>	<u>\$ (114,952)</u>			
Farebox Ratio Actual		16.1%				
Farebox Ratio Contract		14.5%				