

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FOR YEAR ENDED JUNE 30, 2012**

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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, 2012. 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

April 3, 2013

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
FIRST TRANSIT, INC.
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM
FOR YEAR ENDED JUNE 30, 2012**

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, 2011 through June 30, 2012 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 seventeen percent (17.0%) for the Imperial Valley Transit service line and four percent (4.0%) for the El Centro Shuttle (Blue and Green Line).

For the El Centro Shuttle (Blue and Green Line) the actual farebox recovery ratio was over three percent (3.4%); (\$20,517 fare revenue divided by \$597,212 operating costs). See Exhibit D.

For the Imperial Valley Transit service line the actual farebox recovery ratio was of over twenty-two percent (22.5%); (\$510,306 fare revenue divided by \$2,270,352 adjusted 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, 2012 the actual blended farebox ratio for all transit services combined was of over eighteen percent (18.5%); (\$530,823 fare revenue divided by \$2,867,564 adjusted operating costs). See Exhibit F.

ICTC SUBSIDY

The contract, dated May 25, 2011, states that the compensation for the Imperial Valley Transit Line for the period of July 1, 2011 through June 30, 2012 is identified as \$2,491,560 less the farebox of 17% for a net subsidy not to exceed \$2,067,995, with a marketing budget of \$124,578. Actual costs for the year reported to ICTC were \$1,928,168 in operational expense, \$48,202 in additional fuel expenses, and \$33,551 in marketing expenses for a combined total of \$2,009,921. See Exhibit E.

For the El Centro Shuttle service line, which includes the Blue and Green Lines, the compensation is identified as \$590,592 less the farebox of 4.0% for a net subsidy not to exceed \$566,968, with a marketing budget of \$29,530. Actual costs for the year reported to ICTC were \$572,178 in operational expense, \$1,955 in additional fuel expenses, and \$2,562 in marketing expenses for a combined total of \$576,695. 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, 2012**

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, 2011 THROUGH JUNE 30, 2012**

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, 2011	\$ 16,816	\$ 1,445	\$ 15,371	\$ 20	\$ 406	\$ 15,797
August, 2011	19,346	1,220	18,126	-	263	18,389
September, 2011	17,664	1,428	16,236	47	-	16,283
October, 2011	45,773	665	45,108	30	250	45,388
November, 2011	23,850	927	22,923	9	-	22,932
December, 2011	24,704	800	23,904	-	31	23,935
January, 2012	23,871	747	23,124	-	-	23,124
February, 2012	23,884	2,918	20,966	41	666	21,673
March, 2012	25,550	767	24,783	269	-	25,052
April, 2012	24,693	596	24,097	242	-	24,339
May, 2012	25,537	1,161	24,376	268	402	25,046
June, 2012	24,686	1,129	23,557	100	-	23,657
Total	\$ 296,374	\$ 13,803	\$ 282,571	\$ 1,026	\$ 2,018	\$ 285,615

Contract Specifications
Paragraph 8.1.2
For Base Cost
and Base Subsidy

\$ 295,296	\$ 11,812	\$ 283,484
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Over (Under) Contract
Requirements

\$ 1,078	\$ 1,991	\$ (913)
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Farebox Ratio Actual 4.6%

Farebox Ratio Contract 4.0%

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2011 THROUGH JUNE 30, 2012**

El Centro Shuttle-Green Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2011	\$ 16,823	\$ 399	\$ 16,424	\$ 17	\$ -	\$ 16,441
August, 2011	19,363	442	18,921	-	264	19,185
September, 2011	17,678	470	17,208	40	-	17,248
October, 2011	45,772	462	45,310	27	250	45,587
November, 2011	23,850	572	23,278	8	-	23,286
December, 2011	24,680	442	24,238	-	30	24,268
January, 2012	23,831	510	23,321	-	-	23,321
February, 2012	23,856	1,164	22,692	37	-	22,729
March, 2012	25,542	666	24,876	256	-	25,132
April, 2012	24,698	494	24,204	217	-	24,421
May, 2012	25,532	591	24,941	232	-	25,173
June, 2012	24,696	502	24,194	95	-	24,289
Total	\$ 296,321	\$ 6,714	\$ 289,607	\$ 929	\$ 544	\$ 291,080

Contract Specifications
Paragraph 8.1.2
For Base Cost
and Base Subsidy

\$ 295,296 \$ 11,812 \$ 283,484

Over (Under) Contract
Requirements

\$ 1,025 \$ (5,098) \$ 6,123

Farebox Ratio Actual 2.3%

Farebox Ratio Contract 4.0%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2011 THROUGH JUNE 30, 2012**

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, 2011	\$ 33,639	\$ 1,844	\$ 31,795	\$ 37	\$ 406	\$ 32,238
August, 2011	38,709	1,662	37,047	-	527	37,574
September, 2011	35,342	1,898	33,444	87	-	33,531
October, 2011	91,545	1,127	90,418	57	500	90,975
November, 2011	47,700	1,499	46,201	17	-	46,218
December, 2011	49,384	1,242	48,142	-	61	48,203
January, 2012	47,702	1,257	46,445	-	-	46,445
February, 2012	47,740	4,082	43,658	78	666	44,402
March, 2012	51,092	1,433	49,659	525	-	50,184
April, 2012	49,391	1,090	48,301	459	-	48,760
May, 2012	51,069	1,752	49,317	500	402	50,219
June, 2012	49,382	1,631	47,751	195	-	47,946
Total	\$ 592,695	\$ 20,517	\$ 572,178	\$ 1,955	\$ 2,562	\$ 576,695

Contract Specifications
Paragraph 8.1.2
For Base Cost
and Base Subsidy

\$ 590,592	\$ 23,624	\$ 566,968
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Over (Under) Contract
Requirements

\$ 2,103	\$ (3,107)	\$ 5,210
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Farebox Ratio Actual 3.4%

Farebox Ratio Contract 4.0%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2011 THROUGH JUNE 30, 2012**

Imperial Valley Transit - Countywide Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2011	\$ 200,259	\$ 28,367	\$ 171,892	\$ 3,366	\$ 845	\$ 176,103
August, 2011	223,244	44,221	179,023	1,985	6,974	187,982
September, 2011	222,698	45,882	176,816	3,145	-	179,961
October, 2011	167,873	44,481	123,392	3,547	7,128	134,067
November, 2011	199,604	41,393	158,211	4,358	837	163,406
December, 2011	197,903	35,583	162,320	2,483	1,464	166,267
January, 2012	193,606	40,288	153,318	3,081	5,793	162,192
February, 2012	199,666	45,909	153,757	5,912	3,035	162,704
March, 2012	217,132	48,974	168,158	9,876	4,957	182,991
April, 2012	202,243	41,589	160,654	6,077	-	166,731
May, 2012	209,951	39,518	170,433	4,134	1,677	176,244
June, 2012	204,295	54,101	150,194	238	841	151,273
Total	\$ 2,438,474	\$ 510,306	\$ 1,928,168	\$ 48,202	\$ 33,551	\$ 2,009,921

Contract Specifications
Paragraph 8.1.1
For Base Cost
and Base Subsidy

\$ 2,491,560 \$ 423,565 \$ 2,067,995

Over (Under) Contract
Requirements

\$ (53,086) \$ 86,741 \$ (139,827)

Operating Costs \$ 2,520,227
Depreciation (249,875)
Adjusted Operating Costs \$ 2,270,352

Farebox Ratio Actual 22.5%
Farebox Ratio Contract 17.0%

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STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY
JULY 1, 2011 THROUGH JUNE 30, 2012**

All First Transit Services Combined

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2011	\$ 233,898	\$ 30,211	\$ 203,687	\$ 3,403	\$ 1,251	\$ 208,341
August, 2011	261,953	45,883	216,070	1,985	7,501	225,556
September, 2011	258,040	47,780	210,260	3,232	-	213,492
October, 2011	259,418	45,608	213,810	3,604	7,628	225,042
November, 2011	247,304	42,892	204,412	4,375	837	209,624
December, 2011	247,287	36,825	210,462	2,483	1,525	214,470
January, 2012	241,308	41,545	199,763	3,081	5,793	208,637
February, 2012	247,406	49,991	197,415	5,990	3,701	207,106
March, 2012	268,224	50,407	217,817	10,401	4,957	233,175
April, 2012	251,634	42,679	208,955	6,536	-	215,491
May, 2012	261,020	41,270	219,750	4,634	2,079	226,463
June, 2012	253,677	55,732	197,945	433	841	199,219
Total	\$ 3,031,169	\$ 530,823	\$ 2,500,346	\$ 50,157	\$ 36,113	\$ 2,586,616
Contract Specifications Paragraphs 8.1.1 and 8.1.2 For Base Cost and Base Subsidy						
	<u>\$ 3,082,152</u>	<u>\$ 446,912</u>	<u>\$ 2,635,240</u>			
Over (Under) Contract Requirements						
	<u>\$ (50,983)</u>	<u>\$ 83,911</u>	<u>\$ (134,894)</u>			
Operating Costs \$ 3,117,439						
Depreciation (249,875)						
Adjusted Operating Costs <u>\$ 2,867,564</u>						
Farebox Ratio Actual 18.5%						
Farebox Ratio Contract 14.5%						