

SAN JOAQUIN REGIONAL TRANSIT DISTRICT

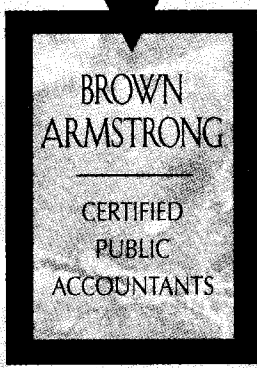
**TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT**

JUNE 30, 2012

**SAN JOAQUIN REGIONAL TRANSIT DISTRICT
TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT
JUNE 30, 2012**

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

We have examined management's assertion, included in its letter of representation dated December 31, 2012, that the San Joaquin Regional Transit District (the District) complied with the Transportation Development Act (TDA), including applicable Public Utilities Code and California Code of Regulations Sections, during the year ended June 30, 2012.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and the applicable compliance audit requirements of the Transportation Development Act, including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

Compliance with laws, regulations, and the provisions of the TDA applicable to the District is the responsibility of the District's management. In connection with our audit, as required by the California Code of Regulations Section 6664, we performed procedures directed toward obtaining knowledge of the District's compliance or noncompliance with the TDA by performing the applicable tasks specified in Section 6667 of the Code of Regulations on a sample of transactions and records.

In our opinion, management's assertion that the District complied with the aforementioned requirements for the year ended for June 30, 2012, is fairly stated, in all material respects.

This report is intended solely for the information and use of management, the Board of Directors, the San Joaquin Regional Transit District, the State Controller's Office, and the Department of Transportation and is not intended to be, and should not be, used by anyone other than these specified parties.

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Bakersfield, California
December 31, 2012

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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

**SAN JOAQUIN REGIONAL TRANSIT DISTRICT
TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT
COMPLIANCE ANALYSIS
JUNE 30, 2012**

a. Compliance Requirement

Determine whether the San Joaquin Regional Transit District (District) was eligible to receive Transportation Development Act (TDA), Local Transportation Fund (LTF) revenues under Public Utilities Code (PUC) Article 4, Section 99260 and Article 8, Section 99400(c), and meets the definitions of Article 1 of the TDA.

Findings

The District operates a public transportation system with a number of routes within San Joaquin County and surrounding areas and contracts with one independent contractor for the City of Escalon for public transportation services. The District meets the definitions of Article 1 of the TDA in that the District was established in 1963 under the Public Utilities Code of the State of California and is responsible for financing, construction, and operations of public transportation services within the service area of the District.

Conclusion

The District was eligible to receive the LTF funds allocated to it during the year.

b. Compliance Requirement

Determine whether the District is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller pursuant to PUC Section 99243. This requirement includes the submission of an Annual Report of Financial Transactions of Transit Operators to the San Joaquin Council of Governments (SJCOG) and State Controller's Office within ninety days of the fiscal year-end, or within one hundred and ten days of the fiscal year-end if filing electronically.

Findings

The District's annual audited financial statements and Annual Report of Financial Transactions of Transit Operators are properly presented on an enterprise fund basis, which is in compliance with the uniform system of accounts and records adopted by the State Controller. The Annual Report of Financial Transactions of Transit Operators was filed electronically within the required time period.

Conclusion

The District met the accounting and financial reporting requirements under PUC Section 99243.

c. Compliance Requirement

Determine whether the LTF revenues received by the District pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including PUC Sections 99260 and 99262 for funds received under Article 4 and PUC Section 99400(c) of Article 8 for service provided under contract. Furthermore, determine whether State Transit Assistance (STA) Fund revenues received by the District pursuant to the TDA were expended in conformance with the sections of the California Code of Regulations (CCR) specifying the qualifying purposes including Section 6730(a) for operating costs, capital requirements, and Section 6731(b) for contracted transit services.

Findings

The District received \$12,038,881 of LTF revenues and \$3,567,359 of STA revenues for the year ended June 30, 2012. The District had \$5,451 of deferred LTF revenues and \$271,147 of deferred STA revenues at June 30, 2012. The June 30, 2012, deferred STA revenue was not requested back from the Regional Transportation Planning Agency (RTPA). The LTF funds were claimed for operations and contracted transit services. The STA funds were claimed for capital and operating purposes in the amounts of \$710,572 and \$2,856,787, respectively. A review of the expenses of the District revealed that they were all ordinary and necessary to the operation of a public transit system.

Conclusion

Funds received by the District pursuant to the TDA were expended in conformance with those sections of the TDA and California Code of Regulations specifying the qualifying purposes.

d. Compliance Requirement

Determine whether the funds received by the District pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the SJCOG and were in compliance with the allocation instructions and resolutions.

Findings

The District's fiscal year 2011-12 TDA claim was properly prepared by the District in accordance with SJCOG claim guidelines. Based upon our scanning of District prepared supporting schedules and financial statements that were audited by Mann, Urrutia, Nelson CPA's & Associates, LLP, it appears that the District's expenses were ordinary and necessary to the operation of a public transit system and that the District has complied with the requirements of the SJCOG guidelines.

Conclusion

Funds received by the District pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the SJCOG and were in compliance with allocation instructions and resolutions.

e. Compliance Requirement

Determine whether interest earned on funds received by the District pursuant to the TDA were expended only for those purposes for which the funds were allocated, in accordance with the PUC Section 99301.

Findings

The District maintains cash and investment accounts that bear interest, including amounts held in the San Joaquin County cash and investment pool, which is credited to the cash accounts to ensure it is expended for transit services.

Conclusion

Interest earned by the District was properly expended only for those purposes for which the funds were allocated.

f-h. Compliance Requirements

Verify the amount of the District's operating costs as defined by CCR Section 6611.1, the amount of fare revenues required to meet the ratios specified in CCR Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in Section 6633.2 for the fiscal year. Verify the amount of the District's actual fare revenues as defined by CCR Section 6611.2 and PUC Section 99205.7 for the fiscal year. Verify the amount of the District's actual local support as defined by CCR Section 6611.3 for the fiscal year.

Findings

The District is required to maintain certain ratios by the SJCOG equal to the ratios in effect during fiscal year 1978-79 according to PUC Section 99268.2 and CCR Sections 6633.2 and 6633.5. Refer to the calculation of fare revenue and local support ratios on page 8. The required and audited ratios are as follows:

	<u>Required Ratio</u>	<u>Audited Ratio</u>
Regular Services		
Fare Revenue Ratio	20.30%	21.19%
Fare Revenue and Local Support Ratio	32.00%	35.03%
Elderly and Disabled Service Revenue Ratio	10.00%	14.23%

Conclusion

The District is in compliance with the fare revenue to operating expense ratio requirements of the TDA.

i. Compliance Requirement

Verify the maximum amount the District was eligible to receive under the TDA during the fiscal year in accordance with CCR Sections 6634 and 6649.

Findings

The maximum amount the District was eligible to receive in the fiscal year ended June 30, 2012, is calculated as follows:

Total operating costs	\$ 30,738,488
Less:	
Fare revenues	(4,651,453)
Special fares	(11,596)
Local support	(4,837,375)
Federal operating assistance	<u>(5,763,292)</u>
Maximum amount eligible to be received	<u>\$ 15,474,772</u>
Total LTF and STA revenues received in 2011-12	<u>\$ 14,895,668</u>

Conclusion

The amount of TDA monies claimed by the District did not exceed the amount it was eligible to receive in accordance with CCR Section 6634.

j. Compliance Requirement

Verify the amount of the operator's expenditure limitation in accordance with CCR Section 6633.1.

Findings

The maximum amount of funds the District was eligible to receive under Article 4 of the TDA is calculated as follows:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
FY 2011 Operating costs per fare revenue ratio calculation	<u>\$ 30,739,878</u>	<u>\$ 11,672,011</u>	<u>\$ 42,411,889</u>
	30,739,878	11,672,011	42,411,889
Less:			
Federal grants	5,763,292	7,553,642	13,316,934
State Transit Assistance	<u>2,856,787</u>	<u>710,572</u>	<u>3,567,359</u>
	<u>\$ 8,620,079</u>	<u>\$ 8,264,214</u>	<u>16,884,293</u>
Excess of operating and capital requirements over federal grants and State Transit Assistance			<u>25,527,596</u>
50% limitation			<u>12,763,798</u>
Article 4 LTF operating funds received in 2011-12			12,038,881
Article 4 LTF capital funds received in 2011-12			<u>-</u>
Article 4 LTF funds subject to 50% limitation			<u>12,038,881</u>
Excess/(Below Limitation) Article 4 LTF funds claimed in 2011-12			<u>\$ (724,917)</u>

Conclusion

The amount of LTF revenues claimed by the District under Article 4 did not exceed the amount it was eligible to receive under CCR Section 6633.1.

k. Compliance Requirement

Determine whether the District's employee retirement system is in conformance with the provisions of PUC Sections 99271, 99272, and 99273.

Findings

The District's private retirement plan is expected to be fully funded over the next 30 years, including ancillary benefits, which is within the 40 year limit required by PUC Section 99271. In accordance with PUC Section 99272, the District hired an actuary to determine the annual cost of future retirement benefits of its employee retirement plan and sets aside and invests funds sufficient to provide for the payment of future retirement benefits annually. The audited financial statements of the District's retirement plan includes the actuarial accrued liability, actuarial value of assets, unfunded actuarial accrued liability, and the financial plan adopted to eliminate the deficit in the retirement plan in accordance with PUC Section 99273.

Conclusion

The District's retirement plan is in conformance with PUC Sections 99271, 99272, and 99273.

I. Compliance Requirement

Determine whether the District has had a certification by the Department of the California Highway Patrol verifying that the District is in compliance with Section 1808.1 of the Vehicle Code, as required in PUC Section 99251.

Findings

The certification from the Department of the California Highway Patrol indicating that the District is in compliance with Section 1808.1 was completed within 13 months of the claim.

Conclusion

The District appropriately received its certification from the Department of the California Highway Patrol in accordance with PUC Section 99251.

m. Compliance Requirement

In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to PUC Section 99314.6 or 99314.7. This compliance requirement was suspended by Assembly Bill No. ABx8 12 approved by the Governor on March 22, 2010, for allocations of STA made to transit operators after January 1, 2010, through the 2011-12 fiscal year.

n. Compliance Requirement

Determine whether the District is in compliance with PUC Sections 99155 and 99155.5 related to the use of reduced fares for elderly and disabled passengers.

Findings

The District has a reduced fare for elderly and disabled persons. Elderly and disabled persons are offered a reduced fare on the District's fixed route system. A medical card, Department of Motor Vehicles disabled placard, special disabled license plate and driver's license, current disabled identification issued by another transit service provider, or the authorization of a licensed doctor serve as proof of disability for the reduced fare. The District provides the same service to all complying persons without regard to where they live or whether there is a car in the household.

Conclusion

The District is in compliance with PUC Sections 99155 and 99155.5.

o. Compliance Requirement

Determine whether the District complied with the requirements to provide transit services set forth in contracts with SJCOG and other agencies.

Findings

The District has complied with the requirements to provide transit services set forth in contracts with SJCOG and other agencies.

Conclusion

The District is in compliance with the transit service requirement.

p. Compliance Requirement

Verify the amount received and expended by the District from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) during the fiscal year.

Findings

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as PTMISEA funds. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2012, the District applied for and received proceeds of \$13,189,964 from the State's PTMISEA account for Metro Express/Airport Way Bus Rapid Transit extensions, regional operations facility, and the purchase of a transit bus. As of June 30, 2012, \$1,200,425 of qualifying expenditures were incurred and the unexpended proceeds of \$12,281,224, including accrued interest of \$14,558, was deferred. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. Breakdown of deferred revenue is as follows:

	<u>2012</u>	<u>2011</u>
Public Transportation Enterprise Fund:		
Deferred revenue, beginning of year	\$ 277,127	\$ 477,627
Proposition 1B (PTMISEA) funds allocated	13,204,522	229,223
Proposition 1B (PTMISEA) earned	<u>(1,200,425)</u>	<u>(429,723)</u>
Deferred revenue, end of year	<u>\$ 12,281,224</u>	<u>\$ 277,127</u>

Conclusion

PTMISEA funds received by the District were properly accounted for and expended only for those purposes for which the funds were allocated.

**SAN JOAQUIN REGIONAL TRANSIT DISTRICT
TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT
CALCULATION OF FARE REVENUE AND LOCAL SUPPORT RATIOS
JUNE 30, 2012**

	Regular Services		Elderly and Disabled Services
	Fare Revenue Ratio	Fare Revenue and Local Funds Ratio	Fare Revenue and Local Funds Ratio
FARES			
Passenger fares	\$ 4,577,533	\$ 4,577,533	\$ 73,920
Special fares	177,952	177,952	4,958
TOTAL FARES	4,755,485	4,755,485	78,878
LOCAL FUNDS			
Measure K	-	4,837,375	-
Local property tax	-	750,988	11,194
TOTAL LOCAL FUNDS	-	5,588,363	11,194
OTHER LOCAL SUPPORT			
Miscellaneous (TDA-LTF Revenues)	1,500,000	10,456,197	82,684
TOTAL LOCAL FUNDS AND OTHER SUPPORT	1,500,000	16,044,560	93,878
TOTAL FARES AND LOCAL SUPPORT	\$ 6,255,485	\$ 20,800,045	\$ 172,756
OPERATING COSTS			
Labor	\$ 7,960,172	\$ 7,960,172	\$ 70,719
Fringe benefits	6,755,198	6,755,198	91,378
Maintenance/services	2,298,175	2,298,175	64,771
Materials and supplies	3,636,895	3,636,895	13,258
Utilities	512,015	512,015	15,260
Insurance	2,544,676	2,544,676	75,713
Taxes	250,532	250,532	9,810
Purchased transportation	5,043,649	5,043,649	857,644
Miscellaneous	461,064	461,064	15,199
Lease payments	62,359	62,359	-
TOTAL OPERATING COSTS	\$ 29,524,735	\$ 29,524,735	\$ 1,213,752
Computed fare revenue ratio	21.19%		
Computed fare revenue and local support ratio		35.03%	14.23%
Required fare revenue ratio	20.30%	32.00%	10.00%