

SAN JOAQUIN REGIONAL TRANSIT DISTRICT

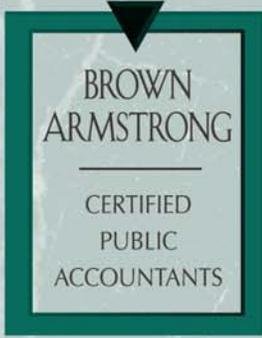
**TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT**

JUNE 30, 2018

**SAN JOAQUIN REGIONAL TRANSIT DISTRICT
TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT
JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountant's Report.....	1
Compliance Analysis.....	2
Calculation of Fare Revenue and Local Support Ratios.....	7



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT ACCOUNTANT’S REPORT

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

We have examined management of San Joaquin Regional Transit District’s (the District) assertion that the District complied with the applicable compliance requirements of the Transportation Development Act (TDA), including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664, for the year ended June 30, 2018. The District’s management is responsible for its assertion. Our responsibility to express an opinion on management’s assertion about the District’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management’s assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management’s assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District’s compliance with specified requirements.

In our opinion, management’s assertion that the District complied with the aforementioned requirements for the year ended June 30, 2018, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
March 29, 2019

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

**SAN JOAQUIN REGIONAL TRANSIT DISTRICT
TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT
COMPLIANCE ANALYSIS
JUNE 30, 2018**

a. Compliance Requirement

Determine whether the San Joaquin Regional Transit District (District) was eligible to receive Transportation Development Act (TDA) and 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 (the 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 PUC 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 2018.

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 (USOA) 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 (SJCOC) and State Controller's Office within seven months of the fiscal year-end.

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 USOA 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 99262 and 99263 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 and capital requirements, and Section 6731(b) for contracted transit services.

Findings

The District received \$17,490,444 in LTF revenues and \$2,279,863 in STA revenues for the year ended June 30, 2018. The District had \$132,126 of LTF deferred revenue and \$1,972,897 of STA deferred revenue at June 30, 2018. The June 30, 2018, STA deferred revenue was not requested back from the Regional Transportation Planning Agency (RTPA). STA funds were claimed for capital and operating purposes in the amounts of \$2,279,863 and \$0, 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 CCR 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 2017-18 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 Vasquez & Company, 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 PUC Section 99301.

Findings

The District maintains cash and investment accounts that bear interest, including amounts held in the 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 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 7. The required and audited ratios are as follows:

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

Conclusion

The District is in compliance with the fare revenue to operating expense ratio requirements of the TDA as of June 30, 2018.

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, 2018, is calculated as follows:

Total operating costs	\$ 33,866,315
Less:	
Fare revenues	(3,370,356)
Special fares	(12,946)
Local support	(6,718,414)
Federal operating assistance	<u>(5,139,112)</u>
Maximum amount eligible to be received	<u>\$ 18,625,487</u>
Total LTF and STA revenues received in 2017-18	<u>\$ 17,490,444</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 Sections 6634 and 6649.

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>
2017-18 operating costs per fare revenue ratio calculation	<u>\$ 33,866,315</u>	<u>\$ 12,656,081</u>	<u>\$ 46,522,396</u>
	33,866,315	12,656,081	46,522,396
Less:			
Federal grants	5,139,112	6,541,408	11,680,520
State Transit Assistance	<u>-</u>	<u>2,279,863</u>	<u>2,279,863</u>
	<u>\$ 5,139,112</u>	<u>\$ 8,821,271</u>	<u>13,960,383</u>
Excess of operating and capital requirements over federal grants and State Transit Assistance			<u>32,562,013</u>
50% limitation			<u>16,281,007</u>
Article 4 LTF operating funds received in 2017-18			<u>17,490,444</u>
Article 4 LTF funds subject to 50% limitation			<u>17,490,444</u>
Excess/(Below Limitation) Article 4 LTF funds claimed in 2017-18			<u>\$ 1,209,438</u>

Conclusion

The amount of LTF revenues claimed by the District under Article 4 exceeded the amount it was eligible to receive under CCR Section 6633.1. However, Section 99268.2 of the PUC states, "the operator may be allocated additional funds, if it maintains, for the fiscal year, the ratio of fare revenues to operating cost, as defined by subdivision (a) of Section 99247." The District is in compliance with Section 99268.2 as stated in procedures f-h above.

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 include the total pension liability, plan fiduciary net pension, net pension liability, and funding policy adopted to eliminate the net pension liability 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 thirteen 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 STA eligibility pursuant to PUC Section 99314.6 or 99314.7.

Findings

The Excess Operating Cost Per "Revenue Vehicle" Hour is calculated as follows:

	<u>2018</u>	<u>2017</u>
Revenue Vehicle Hours	205,530	201,286
Total Operating Expenses	\$ 32,974,461	\$ 31,330,565
Operating cost per revenue vehicle hour	\$ 160.44	\$ 155.65
CPI Change	<u>3.91%</u>	<u>3.48%</u>
Prior Year Operating cost per "revenue vehicle" hour * current year CPI % Change (A)	\$ 6.08	
Prior Year Operating cost per "revenue vehicle" hour + (A)	\$ 161.73	
Excess Operating cost per "revenue vehicle" hour	\$ (1.30)	

Conclusion

The District is in compliance with PUC Section 99314.6 or 99314.7.

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.

**SAN JOAQUIN REGIONAL TRANSIT DISTRICT
TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT
CALCULATION OF FARE REVENUE AND LOCAL SUPPORT RATIOS
JUNE 30, 2018**

	Regular Services		Elderly and Disabled Services
	Fare Revenue Ratio	Fare Revenue and Local Funds Ratio	Fare Revenue and Local Funds Ratio
FARES			
Passenger fares	\$ 3,191,115	\$ 3,191,115	\$ 179,241
Special fares	12,946	12,946	-
TOTAL FARES	3,204,061	3,204,061	179,241
LOCAL FUNDS			
Measure K	2,992,131	5,568,437	155,079
Local property tax	-	994,898	-
TOTAL LOCAL FUNDS	2,992,131	6,563,335	155,079
OTHER LOCAL SUPPORT			
Advertising	-	120,274	-
Non Transportation Revenue	-	139,669	-
Miscellaneous (TDA-LTF Revenues)	-	17,490,444	-
TOTAL LOCAL FUNDS AND OTHER LOCAL SUPPORT	2,992,131	24,313,722	155,079
TOTAL FARES, LOCAL FUNDS, AND OTHER LOCAL SUPPORT	\$ 6,196,192	\$ 27,517,783	\$ 334,320
OPERATING COSTS			
Labor	\$ 10,087,535	\$ 10,087,535	\$ 509,463
Fringe benefits	8,383,555	8,383,555	337,630
Maintenance/services	2,207,374	2,207,374	206,246
Materials and supplies	2,293,139	2,293,139	119,731
Utilities	753,781	753,781	111,987
Insurance	845,478	845,478	-
Taxes	205,180	205,180	7,213
Purchased transportation	4,823,036	4,823,036	1,953,256
Miscellaneous	607,168	607,168	88,569
Interest	266,761	266,761	-
Lease payments	50,104	50,104	9,109
TOTAL OPERATING COSTS	\$ 30,523,111	\$ 30,523,111	\$ 3,343,204
Computed fare revenue ratio	<u>20.30%</u>		
Computed fare revenue and local support ratio		<u>32.00%</u>	<u>10.00%</u>
Required fare revenue ratio	<u>20.30%</u>	<u>32.00%</u>	<u>10.00%</u>