

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2015**

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION -  
MEASURE BB FUNDS  
Financial Statements  
For The Year Ended June 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
San Joaquin Regional Rail Commission  
Stockton, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Transportation Commission Measure BB Funds (Program) of the San Joaquin Regional Rail Commission (Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program of the Commission as of June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the San Joaquin Regional Rail Commission, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

**Required Supplementary Information**

Management has omitted the Management's Discussion and Analysis and the budgetary comparison schedules for the Program that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2015, on our consideration of the Commission's internal control over financial reporting of the Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 22, 2015

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	Transit	Totals
<b>ASSETS</b>		
Measure BB Direct Local Distribution Program Receivable	\$ 250,781	\$ 250,781
<b>Total Assets</b>	250,781	250,781
<b>LIABILITIES</b>		
Accounts Payable	\$ 215,891	\$ 215,891
<b>Total Liabilities</b>	215,891	215,891
<b>FUND BALANCES</b>		
Restricted for Measure BB Programs and Projects	34,890	34,890
<b>Total Fund Balances</b>	34,890	34,890
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 250,781</b>	<b>\$ 250,781</b>

The accompanying notes are an integral part of these financial statements.

**SAN JOA QUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Transit	Totals
<b>REVENUES</b>		
<b>Measure BB Direct Local Distribution Program Revenue</b>		
Direct Local Distribution Funds Allocation	\$ 250,781	\$ 250,781
<b>Total Program Revenues</b>	250,781	250,781
<b>EXPENDITURES</b>		
<b>Measure BB Pass-through Expenditures</b>		
Transportation and Operations	215,891	215,891
<b>Total Expenditures</b>	215,891	215,891
<b>REVENUES OVER (UNDER) EXPENDITURES / EXCESS</b>		
<b>NET CHANGE IN FUND BALANCE</b>	34,890	34,890
<b>FUND BALANCES</b>		
Beginning Fund Balances	-	-
Ending Fund Balances	\$ 34,890	\$ 34,890

The accompanying notes are an integral part of these financial statements.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS**

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Reporting Entity***

The San Joaquin Regional Rail Commission (Commission) is a joint powers authority established by the County of San Joaquin (County), and the cities of Lodi, Stockton, Escalon, Ripon, Manteca, Lathrop, and Tracy. The primary mission of the Commission is to implement and expand passenger rail service, which will provide regional economic and environmental benefits, as well as manage the Altamont Corridor Express (ACE) Service. The Commission was established on April 1, 1995. On November 2, 2012, the Board of Commissioners of the San Joaquin Regional Rail Commission approved a resolution adopting a new ACE acronym – Altamont Corridor Express and new ACE logo. The ACE Service had previously been called the Altamont Commuter Express.

Effective July 1, 2003, the Commission became the designated owner, operator and policymaking body for the ACE Service in accordance with the Cooperative Services Agreement. This agreement supersedes and rescinds the prior Joint Exercise of Powers Agreement of May 15, 1997, which created the Altamont Commuter Express Authority. The designated owner of the ACE Service, the Commission took title to all of the assets and assumption of the liabilities that were previously under ownership of the Altamont Commuter Express Joint Powers Authority, which had been dissolved. The ACE Service is reported as an enterprise fund in the Commission's basic financial statements.

All transactions of the Alameda County Transportation Commission – Measure BB Funds (Program) of the Commission, are included as separate special revenue fund in the basic financial statements of the Commission.

Measure BB Funds are used to account for the Commission's share of revenues earned and expenditures under the Commission's paratransit program. The accompanying financial statements are for Measure BB Funds only and are not intended to fairly present the financial position of the Commission and the results of its operations.

**B. *Basis of Accounting***

Governmental Fund Financial Statements

The accompanying financial statements of special revenue funds are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a "current financial resources" measurement focus, wherein only current assets and current liabilities generally are included on the balance sheets. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS**

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. *Description of Funds***

The Program funds are Special Revenue Funds. The Program accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**D. *Fund Balances***

Measure BB fund balance is restricted. A restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first.

**E. *Accounting Pronouncements Implemented***

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Commission's financial reporting process. The following pronouncements were implemented for the year ended June 30, 2015:

*Governmental Accounting Standards Board No. 68*

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement did not have a material effect on the Commission.

*Governmental Accounting Standards Board No. 69*

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement did not have a material effect on the Commission.



**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS**

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Accounting Pronouncements Implemented (Continued)**

*Governmental Accounting Standards Board No. 71*

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement did not have a material effect on the Commission.

**F. Future Accounting Pronouncements**

*Governmental Accounting Standards Board No. 72*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The Commission has not determined the effect of this Statement.

*Governmental Accounting Standards Board No. 73*

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015. The Commission has not determined the effect of this Statement.

*Governmental Accounting Standards Board No. 74*

OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. The Commission has not determined the effect of this Statement.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS**

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Future Accounting Pronouncements (Continued)**

*Governmental Accounting Standards Board No. 75*

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. The Commission has not determined the effect of this Statement.

*Governmental Accounting Standards Board No. 76*

In June 2015 GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The ‘GAAP hierarchy’ consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Commission has not determined the effect of this Statement.

*Governmental Accounting Standards Board No. 77*

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The Commission has not determined the effect of this Statement.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
ALAMEDA COUNTY TRANSPORTATION COMMISSION  
MEASURE BB FUNDS**

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**2. MEASURE BB DIRECT LOCAL DISTRIBUTION PROGRAM RECEIVABLES**

The Measure BB Direct Local Distribution Program Receivables represent the Measure BB sales tax revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2015.

**3. MEASURE BB FUNDS**

In 2014, Alameda County voters approved Measure BB, authorizing an extension and augmentation of the existing transportation sale tax (Measure B). Measure BB is projected to generate approximately \$8 billion in revenues from April 2015 to March 2045 for transportation improvements throughout Alameda County.

**4. COMMITMENTS AND CONTINGENCIES**

The Commission receives significant financial assistance from the Federal, State and Local Governments in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal, state and local agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
San Joaquin Regional Rail Commission  
Stockton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alameda County Transportation Commission Measure BB Funds (Program) of the San Joaquin Regional Rail Commission (Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of a matter paragraph regarding that the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the Commission.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Program of the Commission are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure BB as specified in the engagement between the Commission, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure BB requirements.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California

December 22, 2015



## INDEPENDENT AUDITORS' REPORT ON MEASURE BB REQUIREMENTS

To the Board of Commissioners  
San Joaquin Regional Rail Commission  
Stockton, California

We have audited the Measure BB Funds (Program) of the San Joaquin Regional Rail Commission's (Commission) compliance with the requirements described in the Measure BB Master Program Funding agreement (Agreement) between the Commission and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to its Measure BB Funds for the year ended June 30, 2015.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Measure BB Funds.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the Commission's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Agreement. Those standards and the Agreement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Measure BB Funds occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the Commission's compliance with those requirements.

### *Opinion*

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to its Measure BB Funds for the year ended June 30, 2015.

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on Measure BB Master Program Funding agreement between the Commission and the Alameda County Transportation Commission (ACTC). Accordingly, this report is not suitable for any other purpose.

*Vavrinek, Trine, Day & Co. LLP*

Sacramento, California  
December 22, 2015