

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ENTERPRISE FUND**

Independent Auditors' Report,  
Financial Statements, Supplementary Information and  
Other Reports  
For the Year Ended June 30, 2016

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ENTERPRISE FUND  
For The Year Ended June 30, 2016**

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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, 2016, 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 opinion.

### ***Opinion***

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, 2016, 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, 2016, 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 for the Program that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

#### ***Supplementary information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's financial statements. The Supplemental Schedule of Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplemental Schedule of Revenues and Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, 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 23, 2016

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
 MEASURE BB ENTERPRISE FUND  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016**

**ASSETS**

Cash and Cash Equivalents	\$ 84,817
Receivables:	
Interest	703
Intergovernmental - ACTC	201,150
	201,150
Total Assets	286,670

**LIABILITIES**

Accounts Payable	285,218
	285,218
Total Liabilities	285,218

**NET POSITION**

Restricted for Altamont Corridor Express - Operations	1,452
	1,452
Total Net Position	\$ 1,452

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
 MEASURE BB ENTERPRISE FUND  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**OPERATING REVENUES**

Operating revenues	\$ -
Total Operating Revenues	-

**OPERATING EXPENSES**

Mass transit program costs	1,334,924
Administrative Charges - ACTC	4,935
Total Operating Expenses	1,339,859

Operating income (loss)	(1,339,859)
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**NON OPERATING REVENUES (EXPENSES)**

Intergovernmental - Measure BB Sales tax	1,304,864
Investment earnings	1,105
Fair value adjustment	452
Total Nonoperating Revenues (Expenses)	1,306,421

Change in Net Position	(33,438)
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Net Position - Beginning	34,890
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Net Position - Ending	\$ 1,452
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The accompanying notes are an integral part of these financial statements.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash paid for mass transit, station maintenance & administration	\$ (1,187,165)
Net Cash Used by Operating Activities	<u>(1,187,165)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating grants - Measure BB sales tax	1,271,128
Net Cash Provided by Noncapital Financing Activities	<u>1,271,128</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment earnings	854
Net Cash Provided by Investing Activities	<u>854</u>

Net Increase (Decrease) in Cash and Cash Equivalents	84,817
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 84,817</u>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	\$ (1,339,859)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
(Increase) decrease in receivables	48,475
Increase (decrease) in accounts payable and accrued expenses	<u>104,219</u>
Net cash used by operating activities	<u>\$ (1,187,165)</u>

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION**  
**MEASURE BB ENTERPRISE FUND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *The Reporting Entity***

The San Joaquin Regional Rail Commission (Commission) is a joint powers Commission 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 Commission. 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 Commission, which had been dissolved. The ACE Service is reported as an enterprise fund in the Commission's financial statements.

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.

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

Measure BB Funds are used to account for the Commission's share of revenues earned and expenses under the Commission's transit 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 Presentation – Financial Statements***

The financial statements provide information about the Commission's Enterprise Fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

**SAN JOAQUIN REGIONAL RAIL COMMISSION**  
**MEASURE BB ENTERPRISE FUND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. *Basis of Presentation – Financial Statements (Continued)***

The Enterprise Fund, a proprietary fund, distinguishes operating revenues and expenses from nonoperating items. The Commission's operating revenues are generated directly from its transit operations and consist principally of assessment revenues. Operating expenses for the transit operations include all costs related to providing transit services. These costs include charges for train operations and bus feeder services, charges for marketing and administrative services, and other operating expenses. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**C. *Assets, Liabilities and Net Position***

Intergovernmental

These amounts represent receivables and payables which are due to/from other local governments.

Net Position

In the financial statements, the enterprise fund reports restricted net position for amounts that are not available for appropriation or are legally restricted for a specific purpose.

As of June 30, 2016, restrictions of net position are described below:

- Restricted for Altamont Corridor Express - Operations - to reflect portion of net position related to the sales tax set aside to assist with the ACE operations and is not available for appropriation.

**D. *Cash and Cash Equivalents***

For purposes of the accompanying Statement of Cash flows, the enterprise fund considers all highly liquid investments with a maturity of three months or less when purchased, and their equity in the San Joaquin County Treasurer's investment pool, to be cash equivalents. The Commission participates in the common investment pool of San Joaquin County.

**E. *Revenues***

Amounts received from ACTC to fund the operations of the ACE Service.

**F. *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SAN JOAQUIN REGIONAL RAIL COMMISSION**  
**MEASURE BB ENTERPRISE FUND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. *Accounting Pronouncements Implemented***

*Governmental Accounting Standards Board No. 72*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The Commission implemented the standard effective July 1, 2015.

*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 No. 67 and No. 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 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions, which are effective for reporting periods beginning after June 15, 2016. For the applicable provisions effective this year, the Commission has determined that this statement did not have a material effect on the financial statements.

*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, and should be applied retroactively. The Commission has determined that this statement did not have a material effect on the Commission’s financial statements.

**SAN JOAQUIN REGIONAL RAIL COMMISSION**  
**MEASURE BB ENTERPRISE FUND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Governmental Accounting Standards Board No. 79*

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. The Commission implemented the standard as of July 1, 2015.

The Commission has determined that this statement did not have a material effect on the Commission's financial statements.

**H. *Future Accounting Pronouncements***

Future new accounting standards which may impact the Commission include the following:

*Governmental Accounting Standards Board No. 73*

In March 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 67 and 68*. Certain provisions of this statement are effective for periods beginning after June 15, 2016. The Commission has not determined the effect, if any, on the financial statements.

*Governmental Accounting Standards Board No. 74*

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. The Commission has not determined the effect, if any, on the financial statements.

*Governmental Accounting Standards Board No. 75*

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The 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 is effective for periods beginning after June 15, 2017. The Commission has not determined the effect, if any, on the financial statements.

**SAN JOAQUIN REGIONAL RAIL COMMISSION**  
**MEASURE BB ENTERPRISE FUND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Governmental Accounting Standards Board No. 77*

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The Commission has not determined the effect, if any, on the financial statements.

*Governmental Accounting Standards Board No. 78*

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The object of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multi-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The Commission has not determined the effect, if any, on the financial statements.

*Governmental Accounting Standards Board No. 80*

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. The Commission has not determined the effect, if any, on the financial statements.

*Governmental Accounting Standards Board No. 81*

In March 2016, GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of an agreement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively. The Commission has not determined the effect, if any, on the financial statements.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ENTERPRISE FUND  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Governmental Accounting Standards Board No. 82*

In March 2016, GASB issued Statement No, 82, *Pension Issues – An Amendment of GASB Statements No. 67 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Commission has not determined the effect, if any, on the financial statements.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash and investments as of June 30, 2016 consist of the following:

*Cash and Investments*

Cash and investments held in San Joaquin County Pool	\$	84,817
Total Cash and Investments	<u>\$</u>	<u>84,817</u>

**SAN JOAQUIN REGIONAL RAIL COMMISSION**  
**MEASURE BB ENTERPRISE FUND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

*Investments Authorized by the California Government Code*

The table below identifies the investment types that are authorized for the Commission by the California Government Code.

Investment Types Authorized by State Law	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	N/A	None	None
Reverse Repurchase Agreements	N/A	None	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. One of the ways the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Commission's investment policy, which conforms to the San Joaquin County investment policy, states that investment decisions are made with the intention of retaining the investment until maturity, thereby negating the ill effects of market interest rate fluctuations. Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Commission's investments by maturity:

Investment type	Fair Value	Remaining maturity (in months)		
		12 months or less	13-24 months	25-60 months
Held by fiscal agent:				
San Joaquin County Investment Pool	\$ 84,817	\$ 84,817	\$ -	\$ -
Total	<u>\$ 84,817</u>	<u>\$ 84,817</u>	<u>\$ -</u>	<u>\$ -</u>

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ENTERPRISE FUND  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

*Disclosure Related to Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Commission's investment policy, or debt agreements, and the actual rating as of June 30, 2016, for each investment type:

Investment Type	Standard & Poor's Rating			Total
	AA+	AAAm	Not Rated	
Held by fiscal agent:				
San Joaquin County Investment Pool	\$ -	\$ -	\$ 84,817	\$ 84,817
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,817</u>	<u>\$ 84,817</u>

*Investment in San Joaquin County Pool*

The Commission maintains cash balances in the San Joaquin County Treasury Investment Pool. The pool is non-SEC registered and is invested in accordance with California State Government Code and the San Joaquin County Treasurer's Investment Policy. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee reviews the monthly investment report prior to presentation to the County Board of Supervisors and causes an audit of investments to occur annually. The fair value of the Commission's shares in the San Joaquin County Pool is the same as the value of the pool shares.

The Commission had a total of \$84,817 invested in the San Joaquin County Investment Pool at June 30, 2016 for Measure BB funds.

*Fair Value Measurements*

The Commission categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Commission has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ENTERPRISE FUND  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

*Fair Value Measurements (Continued)*

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Commission’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

Deposits and withdrawals in governmental investment pools are made on the basis of \$1 and not fair value. Accordingly, the Commissions proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**NOTE 3 – 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, 2016.

**NOTE 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 expenses which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

**NOTE 5 – RECONCILIATION TO BASELINE SERVICE PLAN**

For the 2015-16 fiscal year the adopted Baseline Service Plan limit for annual expenditures of Alameda County Measure B and BB funds totaled \$2,911,000. An analysis of the Commissions expenditures of Measure B and BB funds is provided below. Only expenditures for Measure BB are presented in this financial statement.

**BASELINE SERVICE PLAN OPERATIONS**

2015-16 Baseline Service Plan Operations Spending Limit	\$ 2,911,000
Less: Maintenance Allowance Expense	(20,000)
Net Available for Operations & Maintenance Expenses	<u>2,891,000</u>
Measure B Operations Expenses	(405,141)
Measure B/ACTC Exchange Agreement Expense	(1,150,935)
Measure BB Operations Expenses	(1,334,924)
	<u>\$ (2,891,000)</u>
Net Amount Over/(Under) Operations Limit	<u><u>-</u></u>

**SUPPLEMENTAL INFORMATION**

**SAN JOAQUIN REGIONAL RAIL COMMISSION  
MEASURE BB ALLOCATION SUPPLEMENTAL SCHEDULE  
OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**REVENUES FROM ACTC**

<u>DATE PAID</u>	<u>FOR MONTH</u>	<u>AMOUNT</u>
September 30, 2015	July, 2015	\$ 131,475
October 27, 2015	August, 2015	84,970
November 24, 2015	September, 2015	113,292
December 31, 2015	October, 2015	127,368
January 26, 2016	November, 2015	83,721
February 23, 2016	December, 2015	111,627
April 1, 2016	January, 2016	145,574
April 26, 2016	February, 2016	83,367
May 18, 2016	March, 2016	111,156
June 29, 2016	April, 2016	111,164
June 30, 2016	May, 2016	86,207
August 23, 2016	June, 2016	114,943
	Measure BB Revenues	<u>\$ 1,304,864</u>

**EXPENSES - ALTAMONT CORRIDOR EXPRESS**

<u>DATE PAID</u>	<u>FOR MONTH</u>	<u>AMOUNT</u>
February 29, 2016	February, 2016	\$ 513,614
March 31, 2016	March, 2016	571,027
May 31, 2016	May, 2016	250,283
	Measure BB Expenses	<u>\$ 1,334,924</u>

**EXPENSES - ADMINISTRATIVE CHARGES - ACTC**

<u>DATE PAID</u>	<u>FOR PERIOD</u>	<u>AMOUNT</u>
October 14, 2016	July 1, 2016 - June 30, 2016	<u>\$ 4,935</u>



**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, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2016. 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, 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*.

## **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.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 23, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH 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, 2016.

***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, 2016.

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 23, 2016