

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND**

Independent Auditors' Report,  
Financial Statements, Supplementary Information and  
Other Reports  
For the Year Ended June 30, 2017

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S 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 Measure BB Program Fund (the Fund) of the San Joaquin Regional Rail Commission, as of and for the year ended June 30, 2017, 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 respective financial position of the Program of the Commission, as of June 30, 2017, and the respective 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***

*Individual Fund Financial Statements*

As discussed in Note 1, the financial statements present only the Measure BB Program Fund and do not purport to, and do not, present fairly the financial position of the San Joaquin Regional Rail Commission, as of June 30, 2017, and the changes in its financial position, for the year then ended in conformity 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, discussion, and analysis that accounting principles generally accepted in the United States of America require 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 Expenditures is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplemental Schedule of Revenues and Expenditures 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 January 11, 2018, on our consideration of the Fund's internal control over financial reporting 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 Fund's internal control over financial reporting and compliance.

*Kemper CPA Group LLP*

Stockton, California  
January 11, 2018

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
BALANCE SHEET  
JUNE 30, 2017**

**ASSETS**

Cash and cash equivalents	\$ 10,418
Interest receivable	271
Intergovernmental receivable - ACTC	<u>208,559</u>
Total Assets	<u><u>\$ 219,248</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 202,516
Intergovernmental payable	<u>13,903</u>
Total Liabilities	216,419

**FUND BALANCE**

Restricted for:	
Altamont Corridor Express - operations	<u>2,829</u>
Total Liabilities and Fund Balance	<u><u>\$ 219,248</u></u>

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

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**REVENUES**

Intergovernmental - Measure BB sales tax	\$ 1,348,179
Interest	<u>377</u>
Total Revenues	<u>1,348,556</u>

**EXPENDITURES**

Mass transit program costs	1,333,276
Administrative charges ACTC	<u>13,903</u>
Total Expenditures	<u>1,347,179</u>
Revenues Over (Under) Expenditures	1,377
Fund Balance - Beginning	<u>1,452</u>
Fund Balance - Ending	<u><u>\$ 2,829</u></u>

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

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

***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 Special Revenue 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 Accounting and Financial Statement Presentation

The accompanying financial statements are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*.

The Measure BB Program is included as a component of the ACE Special Revenue Fund, in the financial statements of the Commission. The accompanying financial statements of the Measure B Program present the activities of the Commission's agreement with ACTC. These financial statements are not intended to present the financial position and results of operations of the Commission, ACE or ACTC.



**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**B. Basis of Accounting and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, Liabilities and Fund Balance**

**Intergovernmental**

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

**Fund Balance**

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

As of June 30, 2017, restrictions of fund balance 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**

The 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.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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.

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

The Commission follows the practice of pooling cash and investments of all funds except for those required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on the pooled cash and investments is allocated monthly to the various funds based on monthly cash balances.

Cash and cash equivalents are reported in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 10,418</u>
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Cash and investments as of June 30, 2017 consist of the following:

Cash and investments held in county pool	<u>\$ 10,418</u>
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Total Cash and Investments	<u>\$ 10,418</u>
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*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.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

*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	\$ 10,418	\$ 10,418	\$ -	\$ -
Total	<u>\$ 10,418</u>	<u>\$ 10,418</u>	<u>\$ -</u>	<u>\$ -</u>

*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, 2017, for each investment type:

Investment Type	Standard & Poor's Rating			Total
	AA+	AAAm	Not Rated	
Held by fiscal agent:				
San Joaquin County Investment Pool	\$ -	\$ -	\$ 10,418	\$ 10,418
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,418</u>	<u>\$ 10,418</u>

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

*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 \$10,418 invested in the San Joaquin County Investment Pool at June 30, 2017 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.

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 Commission's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017.

**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 2016-17 fiscal year the adopted Baseline Service Plan limit for annual expenditures of Alameda County Measure B and BB funds totaled \$2,982,000. 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**

2016-17 Baseline Service Plan Operations Spending Limit	\$	2,982,000
Add: administrative allowance		30,000
Less: Maintenance Allowance Expense		(30,000)
Net Available for Operations & Maintenance Expenses		2,982,000
Measure B Operations Expenses		(1,648,724)
Measure BB Operations Expenses		(1,333,276)
		\$ (2,982,000)
Net Amount Over/(Under) Operations Limit		-

**NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE**

During the fiscal year, the San Joaquin Rail Commission, the Managing Agency of the Altamont Corridor Express changed its method of accounting for the purpose of the separately issued Measure BB financial statements. Previously, the Commission presented the financial statements as an enterprise fund. Now the Commission will present Measure BB as a special revenue fund. The effect of initially applying the new method is reported as the effect of a change in accounting principle. There is no cumulative effect on the financial statements.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS**

*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 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 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. The Commission has determined that this statement did not have a material effect on the Commission’s 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 determined that this statement did not have a material effect on the Commission’s 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 determined that this statement did not have a material effect on the Commission’s 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

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

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.

*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 determined that this statement did not have a material effect on the Commission’s 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 determined that this statement did not have a material effect on the Commission’s financial statements.

*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 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 determined that this statement did not have a material effect on the Commission’s financial statements.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)***

*Governmental Accounting Standards Board No. 83*

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations (AROs)*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Commission has determined that this statement will not have a material effect on the Commission's financial statements.

*Governmental Accounting Standards Board No. 84*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Commission has determined that this statement will not have a material effect on the Commission's financial statements.

*Governmental Accounting Standards Board No. 85*

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Commission has determined that this statement will not have a material effect on the Commission's financial statements.

*Governmental Accounting Standards Board No. 86*

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Commission has determined that this statement will not have a material effect on the Commission's financial statements.



**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)***

*Governmental Accounting Standards Board No. 87*

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Commission has determined that this statement will not have a material effect on the Commission's financial statements.

**SUPPLEMENTAL INFORMATION**

**ALTAMONT CORRIDOR EXPRESS  
MEASURE BB FUND  
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues from ACTC:

<u>Date Paid</u>	<u>For Month</u>	<u>Amount</u>
September 29, 2016	July 2016	\$ 133,072
October 25, 2016	August 2016	91,070
November 23, 2016	September 2016	121,427
December 30, 2016	October 2016	129,088
January 24, 2017	November 2016	95,044
February 22, 2017	December 2016	126,725
March 30, 2017	January 2017	122,238
April 28, 2017	February 2017	82,658
May 24, 2017	March 2017	110,211
June 29, 2017	April 2017	128,086
July 25, 2017	May 2017	89,385
August 22, 2017	June 2017	119,175
	Measure BB Revenues	<u>\$ 1,348,179</u>

Expenditures - Altamont Corridor Express:

<u>Date Paid</u>	<u>For Month</u>	<u>Amount</u>
July 31, 2016	July 2016	\$ 93,749
August 31, 2016	August 2016	105,861
October 31, 2016	September 2016	140,000
November 30, 2016	October 2016	110,000
December 31, 2016	November 2016	95,500
January 31, 2017	December 2016	130,000
February 28, 2017	January 2017	120,000
March 31, 2017	February 2017	95,500
April 30, 2017	March 2017	100,000
May 31, 2017	April 2017	100,000
June 30, 2017	May 2017	242,666
	Measure BB Expenditures	<u>\$ 1,333,276</u>

Expenditures - Administrative Charges - ACTC:

<u>Date Paid</u>	<u>For Period</u>	<u>Amount</u>
September 6, 2017	July 1, 2016 - June 30, 2017	<u>\$ 13,903</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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 11, 2018. Our report included an emphasis of 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 opinions 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 Commission's financial statements 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.

*Kemper CPA Group LLP*

Stockton, California  
January 11, 2018



**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 B Funds for the year ended June 30, 2017.

***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, 2017.

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.

*Kemper CPA Group LLP*

Stockton, California  
January 11, 2018