

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM**

Independent Auditor's Report,  
Financial Statements, Supplementary Information and  
Other Reports  
For the Year Ended June 30, 2019

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<b>Page(s)</b>
<b>Independent Auditor's Report</b> .....	1-2
<b>Program Financial Statements:</b>	
Balance Sheet .....	3
Statement of Revenues, Expenditures, and Changes in Program Balance.....	4
Notes to the Financial Statements .....	5-11
<b>Supplemental Information:</b>	
Supplemental Schedule of Revenues and Expenditures .....	12
<b>Other Reports:</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13-14
Independent Auditors' Report On Compliance with <i>Measure B</i> Requirements .....	15



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Measure B Direct Local Distribution Program (the Program) of the San Joaquin Regional Rail Commission (Commission), which comprise the balance sheet as of June 30, 2019, and the related statement of revenues, expenditures, and changes in program balance for the year then ended, and the related notes to the financial statements.

### **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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position of the Measure B Direct Local Distribution Program of the San Joaquin Regional Rail Commission, as of June 30, 2019, 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 Program Financial Statements*

As discussed in Note 1, the financial statements present only the Measure B Direct Local Distribution 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, 2019, 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's 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 December 13, 2019 on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

*Kemper CPA Group LLP*

**Kemper CPA Group LLP**  
*Certified Public Accountants and Consultants*

Stockton, California  
December 13, 2019

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
BALANCE SHEET  
JUNE 30, 2019**

**ASSETS**

Cash and cash equivalents	\$ 89,649
Interest receivable	5,556
Intergovernmental receivable	<u>1,251,940</u>
 Total Assets	 <u>\$ 1,347,145</u>

**LIABILITIES AND PROGRAM BALANCE**

**LIABILITIES**

Accounts payable	\$ 2,557
Intergovernmental payable	<u>30,000</u>
 Total Liabilities	 <u>32,557</u>

**PROGRAM BALANCE**

Restricted for:	
Altamont Corridor Express - operations	<u>1,314,588</u>
 Total Liabilities and Program Balance	 <u>\$ 1,347,145</u>

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

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN PROGRAMM BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

**REVENUES**

Intergovernmental - Measure B sales tax	\$ 3,300,936
Investment income	<u>19,171</u>
 Total Revenues	 <u>3,320,107</u>

**EXPENDITURES**

Mass transit program costs	2,167,547
Mass transit program costs - capital track maintenance	170,624
ACTC Measure B reserve - Sunol quiet zone	8,540
Maintenance - Alameda Co. ACE Stations	15,000
Administrative expenditures	15,000
Professional services	<u>6,665</u>
 Total Expenditures	 <u>2,383,376</u>
 Revenues Under Expenditures	 936,731
 Program Balance - Beginning	 <u>377,857</u>
 Program Balance - Ending	 <u><u>\$ 1,314,588</u></u>

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

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**A. The 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 financial statements.

Measure B, approved by voters of Alameda County in the year 2000, authorized the imposition of an additional one-half cent sales tax to be used for transportation-related expenditures. Measure B specifies that revenues generated by the additional sales tax will not displace expenditures previously paid by property taxes, but rather will be used for additional transportation projects and programs. The Alameda County Transportation Commission (ACTC) is a joint powers authority that plans, funds and delivers transportation programs and projects that expand access and improve mobility to foster a vibrant and livable Alameda County. It was formed in 2010 from the merger of two organizations – the Alameda County Transportation Improvement Authority (ACTIA) and Alameda County Congestion Management Agency (ACCMA). ACTC administers the additional sales tax. During the year ended June 30, 2019, ACTC used a portion of these sales tax proceeds to satisfy Alameda County's share of the operating expenditures of the Altamont Corridor Express (ACE).

Effective July 1, 2008, ACTC (formerly ACCMA and ACTIA) and the San Joaquin Regional Rail Commission (the Commission) entered into an agreement whereby ACTC will pay Alameda County's share of ACE operating expenditures to the Commission beginning effective July 1, 2008.

**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 B Direct Local Distribution Program is included as a component of the ACE enterprise fund in the financial statements of the Commission. The accompanying financial statements of the Measure B Direct Local Distribution 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 B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 Program Balance**

**Intergovernmental**

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

**Program Balance**

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

As of June 30, 2019, restrictions of fund balance are described below:

- *Restricted for Altamont Corridor Express - Operations* - to reflect portion of fund balance 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 program 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 and capital project activity that is approved in the Baseline Service Plan.

**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.



**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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>89,649</u>
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Cash and investments as of June 30, 2019 consist of the following:

Cash and investments held in county pool	<u>89,649</u>
Total cash and investments	<u>\$ 89,649</u>

*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 Certificate 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 B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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		
		12 months or less	13 - 24 months	25 - 60 months
Held by fiscal agent:				
San Joaquin County Investment Pool	\$ 89,649	\$ 89,649	\$ -	\$ -
Total	<u>\$ 89,649</u>	<u>\$ 89,649</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, 2019, for each investment type:

Investment Type	Standard & Poor's Rating			Total
	AA+	AAAm	Not rated	
Held by fiscal agent:				
San Joaquin County Investment Pool	\$ -	\$ -	\$ 89,649	\$ 89,649
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,649</u>	<u>\$ 89,649</u>

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 \$89,649 invested in the San Joaquin County Investment Pool at June 30, 2019 for Measure B 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 unclassified input not defined as a Level 1, Level 2, or Level 3 input.

**NOTE 3 – MEASURE B DIRECT LOCAL DISTRIBUTION PROGRAM RECEIVABLES**

The Measure B Direct Local Distribution Program Receivables represent the Measure B sales tax revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2019.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 OPERATIONS LIMITS**

For the 2018-19 fiscal year the adopted Baseline Service Plan limit for annual expenditures of Alameda County Measure B and BB Direct and Local Distribution Programs totaled \$4,385,512. An analysis of the Commissions expenditures of Measure B and BB Direct and Local Distribution Programs is provided below. Only expenditures for Measure B are presented in this financial statement. Unexpensed balances are programmed and budgeted into the next fiscal year for operations and approved capital projects.

Baseline Service Plan Operations:

2018-19 Baseline Service Plan operations spending limit	\$ 4,354,492
Add: Administrative allowance	<u>31,020</u>
Net available for operations & maintenance expenses	4,385,512
Measure B operations expenditures	(2,383,376)
Measure BB operations expenditures	<u>(1,592,530)</u>
Net measure expenditures	<u>(3,975,906)</u>
Net amount under operations limit	<u>\$ 409,606</u>

**NOTE 6 – DATE OF MANAGERMENTS REVIEW**

The Commission has evaluated subsequent events through December 13, 2019 the date which financial statements were available to be issued.

**NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS**

*GASB Statement No. 84 – Fiduciary Activities:* The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

*GASB Statement No. 87 – Leases:* This Statement requires 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 financing of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period:* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB Statement No. 90 – Majority Equity Interests:* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB Statement No. 91 – Conduit Debt Obligations:* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for reporting periods beginning after December 15, 2020.

**SUPPLEMENTARY INFORMATION**

**ALTAMONT CORRIDOR EXPRESS  
MEASURE B  
DIRECT LOCAL DISTRIBUTION PROGRAM  
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES  
JUNE 30, 2019**

Measure B Revenues from ACTC:

<u>Date Paid</u>	<u>For Month</u>	<u>Amount</u>
September 2018	July 2018	\$ 249,949
October 2018	August 2018	322,891
December 2018	September 2018	319,272
January 2019	October 2018	271,797
January 2019	November 2018	271,298
March 2019	December 2018	312,286
March 2019	January 2019	257,251
April 2019	February 2019	258,731
June 2019	March 2019	239,013
June 2019	April 2019	255,508
August 2019	May 2019	282,334
August 2019	June 2019	260,606
	Measure B Revenues	<u>\$ 3,300,936</u>

Expenditures - Altamont Corridor Express:

<u>Date Paid</u>	<u>For Month</u>	<u>Amount</u>
Administrative expenditures:		
July 1, 2018 - June 30, 2019	July 1, 2018 - June 30, 2019	<u>\$ 21,665</u>
October 4, 2018	August 2018	347,457
November 21, 2018	September 2018	288,061
January 3, 2019	October 2018	304,037
January 11, 2019	November 2018	440,073
February 6, 2019	December 2018	336,530
March 14, 2019	January 2019	368,458
April 18, 2019	February 2019	304,365
May 29, 2019	March 2019	286,513
June 21, 2019	April 2019	201,054
June 30, 2019	June 2019	<u>(709,001)</u>
	Program Costs	<u>2,167,547</u>
	Total Operations Expenditures	<u>2,189,212</u>

<u>Date Paid</u>	<u>For Period</u>	<u>Amount</u>
Sunol Quiet Zone (paid from carryover fund balance reserves):		
July 1, 2018 - June 30, 2019	July 1, 2018 - June 30, 2019	8,540
Capital maintenance expenditures:		
July 1, 2018 - June 30, 2019	July 1, 2018 - June 30, 2019	170,624
Alameda County Station Maintenance expenditures - ACE:		
July 1, 2018 - June 30, 2019	July 1, 2018 - June 30, 2019	<u>15,000</u>
	Total Measure B Expenditures	<u>\$ 2,383,376</u>

## **OTHER REPORTS**





**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 Measure B Direct Local Distribution Program (the Program) of the San Joaquin Regional Rail Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 13, 2019. 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 Program'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*

**Kemper CPA Group LLP**  
*Certified Public Accountants and Consultants*

Stockton, California  
December 13, 2019



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MEASURE B REQUIREMENTS

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

We have audited the Measure B Direct Local Distribution Program (the Program) of the San Joaquin Regional Rail Commission's (Commission) compliance with the requirements described in the Measure B 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 Program for the year ended June 30, 2019.

### Management's Responsibility

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

### 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 B program 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 B Program for the year ended June 30, 2019.

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 the Measure B 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*

**Kemper CPA Group LLP**  
*Certified Public Accountants and Consultants*

Stockton, California  
December 13, 2019