

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND**

Independent Auditors' Report,
Financial Statements, Supplementary Information and
Other Reports
For the Year Ended June 30, 2010

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
JUNE 30, 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Measure B Program Special Revenue Fund (the Fund) of the San Joaquin Regional Rail Commission, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the San Joaquin Regional Rail Commission's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Measure B Program Special Revenue 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, 2010, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the Measure B Program Special Revenue Fund referred to above present fairly, in all material respects, the respective financial position of the Measure B Program Special Revenue Fund of the San Joaquin Regional Rail Commission, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Measure B Program Special Revenue Fund. The accompanying supplementary information, such as the schedule of revenues and transfers are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 17, 2010

**SAN JOAQUIN REGIONAL RAIL COMMISSION
 MEASURE B PROGRAM FUND
 BALANCE SHEET
 JUNE 30, 2010**

ASSETS

Cash and cash equivalents	\$ 1,997,130
Receivables:	
Interest	2,727
Intergovernmental	306,178
Total Assets	<u>\$ 2,306,035</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Due to other funds	\$ 20,812
Total Liabilities	<u>20,812</u>

Fund Balance:

Reserved for Altamont Commuter Express - Operations	<u>2,285,223</u>
Total Fund Balance	<u>2,285,223</u>
Total Liabilities and Fund Balance	<u>\$ 2,306,035</u>

The notes to the financial statements are an integral part of this statement.

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES

ACTIA - Measure B	\$ 1,911,217
Investment earnings	12,913
Total Revenues	<u>1,924,130</u>

EXPENDITURES

Total Expenditures	<u>-</u>
Excess of revenues over expenditures	<u>1,924,130</u>

OTHER FINANCING USES

Transfers out	<u>(1,936,980)</u>
Total Other Financing Uses	<u>(1,936,980)</u>

Net change in fund balance (12,850)

Total Fund Balance - Beginning 2,298,073

Total Fund Balance - Ending \$ 2,285,223

The notes to the financial statements are an integral part of this statement.

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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 the passenger rail service, which will provide regional economic and environmental benefits, as well as manage the Altamont Commuter Express (ACE) Service. The Commission was established on April 1, 1995.

The Commission does not exercise control over any other governmental agency or authority. The Commission is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

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

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 Improvement Authority (ACTIA) administers the additional sales tax. During the year ended June 30, 2010, Alameda County Congestion Management Agency (ACCMA) received a portion of the sales tax proceeds from ACTIA. ACCMA used these proceeds to satisfy Alameda County's share of the operating expenses of the Altamont Commuter Express (ACE).

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

B. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on a modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they are both measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities which are generally 90 days. Expenditures are recorded when the related liability is incurred. A budget for the Measure B Program was not adopted for the year ended June 30, 2010.

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Measure B Program is included as a special revenue fund in the basic financial statements of the Commission. The accompanying financial statements of the Measure B Program present the revenues earned and related expenditures incurred under the Commission's agreement with ACTIA. These financial statements are not intended to present the financial position and results of operations of the Commission, ACE or ACTIA.

C. Assets, Liabilities and Net Assets or Equity

Intergovernmental

These amounts represent receivables which are due from other local governments.

Fund Balance

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

As of June 30, 2010, reservations of fund balance are described below:

- *Reserved for Altamont Commuter 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. Revenues

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

E. 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 B PROGRAM FUND
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010**

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Cash and investments	<u>\$ 1,997,130</u>
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Cash and investments as of June 30, 2010 consist of the following:

Cash and investments held in County Pool	<u>\$ 1,997,130</u>
Total Cash and Investments	<u>\$ 1,997,130</u>

Investment in San Joaquin County Pool

The Fund’s cash and investment are pooled with the Commission’s cash and investment that are maintained with the San Joaquin County Treasury Investment Pool. The pool is non-SEC registered, but 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 Board of Supervisors and causes an audit of investments to occur annually.

Statutes and County investment policy allow the pool deposits to be covered by federal depository insurance or by a multiple financial institution collateral pool, which is maintained at a minimum of 110% of the uninsured deposits with the pledging institution's agent in the institution's name. The County has made no exception to this requirement during the current year.

The fair value of the San Joaquin Regional Rail Commission shares in the San Joaquin County Pool is the same as the value of the pool shares.

Investments for the Commission are reported at fair value as determined by quoted market prices. Changes in the fair value of investments are included with all other investment income. Cash on deposit with the County Treasurer is invested as authorized by statutes.

NOTE 3 – TRANSFERS

Transfers represent expenditures to the ACE Service Enterprise Fund for operations and shuttle services. The Measure B Program transferred \$1,936,980 for operation and shuttle services.

SUPPLEMENTAL INFORMATION

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
SUPPLEMENTAL SCHEDULE OF REVENUES AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2010**

MEASURE B REVENUES FROM ACTIA:

<u>DATE PAID</u>	<u>FOR MONTH</u>	<u>AMOUNT</u>
October 2, 2009	July 2009	\$ 166,985
October 27, 2009	August 2009	141,837
November 30, 2009	September 2009	151,726
December 31, 2009	October 2009	185,310
January 25, 2010	November 2009	148,628
March 3, 2010	December 2009	191,044
April 2, 2010	January 2010	144,916
April 21, 2010	February 2010	123,181
June 2, 2010	March 2010	169,229
June 30, 2010	April 2010	182,183
July 16, 2010	May 2010	135,923
September 1, 2010	June 2010	170,255
	Total Revenues	<u>\$ 1,911,217</u>

TRANSFERS TO ALTAMONT COMMUTER EXPRESS

<u>DATE PAID</u>	<u>FOR MONTH</u>	<u>AMOUNT</u>
July 2, 2009	July 2009	\$ 161,415
August 1, 2009	August 2009	161,415
September 1, 2009	September 2009	161,415
October 9, 2009	October 2009	161,415
November 13, 2009	November 2009	161,415
December 18, 2009	December 2009	161,415
January 31, 2010	January 2010	161,415
January 31, 2010	February 2010	161,415
March 4, 2010	March 2010	161,415
April 6, 2010	April 2010	161,415
May 5, 2010	May 2010	161,415
June 4, 2010	June 2010	161,415
	Total Transfers	<u>\$ 1,936,980</u>

OTHER REPORTS



**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
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Measure B Program Special Revenue Fund (the Fund) of the San Joaquin Regional Rail Commission, Stockton, California, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Commission's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-01 to be a significant deficiency in internal control over financial reporting. *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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*.

This report is intended for the information and use of the Board of Directors, management, others within the Commission and operating agencies and the ACTIA and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 17, 2010

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

Finding 2010-01 - Year-End Cutoff

Criteria:

The Commission should maintain procedures to ensure that year end closing procedures address all accounts.

Condition Found:

Significant Deficiency - During our testing of year-end cutoff procedures, we proposed audit adjustments to properly state the year-end account balances of certain accounts in order to properly present the financial statements for the Fund. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the general ledger. The adjustments proposed this current fiscal year related to the accrual of Measure B revenues and related receivables not received as of June 30, 2010.

Context:

The above condition was identified during our audit procedures over the Commission's year end account balances and cut-off procedures.

Effect:

Adjustments were proposed and posted to the Commission's general ledger for the year ended June 30, 2010 to properly state intergovernmental receivable and related revenues.

Cause:

The Commission did not consistently apply year-end closing procedures for cut-off.

Recommendation:

We recommend that the Commission strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements.

View of Responsible Officials and Planned Corrective Action:

The Commission will review and update current year-end closing procedures to ensure all transactions related to the fiscal year are properly accounted for in the general ledger.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH MEASURE B REQUIREMENTS**

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

We have audited the Measure B Program Special Revenue Fund of San Joaquin Regional Rail Commission's (the Commission) compliance with the requirements described in the Measure B Sales Tax for Mass Transit Funds agreement (Agreement) between the Commission and the Alameda County Transportation Improvement Authority (ACTIA) that could have a direct and material effect to its Measure B Funds for the year ended June 30, 2010. Measure B sales taxes under the Agreement are included in the accompanying supplemental schedule of revenue and transfers of Measure B Funds. Compliance with the requirements of laws, regulations, contracts and grants applicable to its Measure B Funds is the responsibility of the Commission's management. 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 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 noncompliance with the compliance requirements referred to above that could have a direct and material effect on Measure B 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to its Measure B Funds for the year ended June 30, 2010.

This report is intended for the information and use of the Board of Directors, management, others within the Commission and operating agencies and the ACTIA and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 17, 2010