

**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, 2015

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM FUND
JUNE 30, 2015**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure B Program Enterprise Fund (the Fund) of the San Joaquin Regional Rail Commission, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure B Program Enterprise Fund, as of June 30, 2015, and the respective changes in financial position and cash flows thereof 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 B Program Enterprise 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, 2015, 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 section 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The Supplemental Schedule of Revenues and Transfers is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedule of Revenues and Transfers is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues and Transfers is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the 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.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 22, 2015

**SAN JOAQUIN REGIONAL RAIL COMMISSION
 MEASURE B PROGRAM ENTERPRISE FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

ASSETS

Cash and cash equivalents	\$ 2,217,020
Receivables:	
Interest	1,773
Intergovernmental - ACTC	650,339
Total Assets	2,869,132

LIABILITIES

Intergovernmental payable	468,346
Due to other funds	224,483
Total Liabilities	692,829

NET POSITION

Restricted for Altamont Corridor Express - Operations	2,176,303
Total Net Position	\$ 2,176,303

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES

Operating revenues	\$ -
Total Operating Revenues	-

OPERATING EXPENSES

Mass transit program costs	2,578,046
Maintenance - Alameda Co. ACE Stations	10,000
Administrative charges ACTC	26,073
Total Operating Expenses	2,614,119
 Operating income (loss)	 (2,614,119)

NON OPERATING REVENUES (EXPENSES)

Intergovernmental - Measure B Sales tax	\$ 2,616,261
Investment earnings	5,990
Fair value adjustment	(270)
Total Nonoperating Revenues (Expenses)	2,621,981
 Change in Net Position	 7,862
 Net position - Beginning	 2,168,441
 Net position - Ending	 \$ 2,176,303

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash paid for mass transit, station maintenance & administration	\$ (2,656,417)
Net Cash Used by Operating Activities	<u>(2,656,417)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants - Measure B sales tax	3,085,744
Net Cash Provided by Noncapital Financing Activities	<u>3,085,744</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	3,328
Net Cash Provided by Investing Activities	<u>3,328</u>

Net Increase (Decrease) in Cash and Cash Equivalents 432,655

Cash and cash equivalents - beginning of year 1,784,365

Cash and cash equivalents - end of year \$ 2,217,020

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

Operating income (loss)	\$ (2,614,119)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
Increase (decrease) in due to other funds	(256,781)
Intergovernmental payable	214,483
Net cash used by operating activities	<u><u>\$ (2,656,417)</u></u>

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 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 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, 2015, ACTC used a portion of these sales tax proceeds to satisfy Alameda County's share of the operating expenses 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 expenses to the Commission beginning effective July 1, 2008.

B. Basis of Accounting and Financial Statement Presentation

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Measure B Program is included as a component of the ACE Enterprise Fund, a proprietary fund, in the basic 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.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenue of the ACE Service is passenger fares. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 Net Position

Intergovernmental

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

Net Position

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

As of June 30, 2015, restrictions of net position are described below:

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

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

E. Revenues

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

F. Use of Estimates

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

G. Accounting Pronouncements Implemented

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

Governmental Accounting Standards Board No. 68

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

Governmental Accounting Standards Board No. 69

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounting Pronouncements Implemented (Continued)

Governmental Accounting Standards Board No. 71

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

H. Future Accounting Pronouncements

Governmental Accounting Standards Board No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The Commission has not determined the effect of this Statement.

Governmental Accounting Standards Board No. 73

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

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Future Accounting Pronouncements (Continued)

Governmental Accounting Standards Board No. 74

OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Commission has not determined the effect of this Statement.

Governmental Accounting Standards Board No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Commission has not determined the effect of this Statement.

Governmental Accounting Standards Board No. 76

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

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Commission has not determined the effect of this Statement.

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Future Accounting Pronouncements (Continued)

Governmental Accounting Standards Board No. 77

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The Commission has not determined the effect of this Statement.

**SAN JOAQUIN REGIONAL RAIL COMMISSION
 MEASURE B PROGRAM ENTERPRISE FUND
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS

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>\$ 2,217,020</u>
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Cash and investments as of June 30, 2015 consist of the following:

Cash and investments held in county pool	<u>\$ 2,217,020</u>
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Total Cash and Investments	<u>\$ 2,217,020</u>
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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, 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 San Joaquin County Board of Supervisors and causes an audit of investments to occur annually.

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 – INTERFUND RECEIVABLES AND PAYABLES

The outstanding balance between funds results from the payments made from the ACE enterprise fund on behalf of the Measure B fund for the fiscal year. The composition of interfund balances as of June 30, 2015, is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
ACE enterprise	Measure B	<u>\$224,483</u>
Total		<u>\$ 224,483</u>

SUPPLEMENTAL INFORMATION

**SAN JOAQUIN REGIONAL RAIL COMMISSION
MEASURE B PROGRAM ENTERPRISE FUND
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES FROM ACTC

<u>DATE RECEIVED</u>	<u>FOR MONTH</u>	<u>AMOUNT</u>
October 2, 2014	July, 2014	\$ 253,157
October 21, 2014	August, 2014	177,414
November 25, 2014	September, 2014	236,552
December 31, 2014	October, 2014	252,857
January 27, 2015	November, 2014	186,711
February 24, 2015	December, 2014	248,947
March 31, 2015	January, 2015	227,190
April 22, 2015	February, 2015	164,182
May 27, 2015	March, 2015	218,911
July 1, 2015	April, 2015	228,522
July 21, 2015	May, 2015	181,988
August 25, 2015	June, 2015	239,830
	Measure B Revenues	<u>\$ 2,616,261</u>
	Total Measure Revenue	<u>\$ 2,616,261</u>

OPERATING EXPENSES - ALTAMONT CORRIDOR EXPRESS

<u>DATE PAID</u>	<u>FOR MONTH</u>	<u>AMOUNT</u>
September 5, 2014	July, 2014	\$ 214,486
October 20, 2014	August, 2014	214,486
October 27, 2014	September, 2014	214,486
October 27, 2014	October, 2014	214,486
December 8, 2014	November, 2014	214,486
January 2, 2015	December, 2014	214,486
February 4, 2015	January, 2015	214,486
March 6, 2015	February, 2015	214,486
April 8, 2015	March, 2015	214,486
June 22, 2015	April, 2015	154,067
July 27, 2015	May, 2015	244,401
July 27, 2015	June, 2015	249,204
Total Operating Expenses		<u>\$ 2,578,046</u>

ALAMEDA COUNTY STATION MAINTENANCE EXPENSES - ACE

<u>DATE PAID</u>	<u>FOR PERIOD</u>	<u>AMOUNT</u>
June 30, 2015	July 1, 2014 - June 30, 2015	<u>\$ 10,000</u>

ADMINISTRATIVE CHARGES - ACTC

<u>DATE PAID</u>	<u>FOR PERIOD</u>	<u>AMOUNT</u>
October 14, 2015	July 1, 2014 - June 30, 2015	<u>\$ 26,073</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, 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 Measure B Program Enterprise Fund (the Fund) of the San Joaquin Regional Rail Commission (the Commission) for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 22, 2015. Our report included an emphasis of a matter paragraph regarding that the financial statements present only the Fund 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 fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 22, 2015



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

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

Report on Compliance

We have audited the Measure B Enterprise Fund of the San Joaquin Regional Rail Commission's (the Commission) compliance with the requirements described in the Measure B Sales Tax for Mass Transit Funds 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, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Measure B 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 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 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 Funds for the year ended June 30, 2015.

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on the Measure B Sales Tax for Mass Transit Funds agreement between the Commission and the Alameda County Transportation Commission (ACTC). Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 22, 2015