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AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION
DEVELOPMENT ACT AND THE PUBLIC TRANSPORTATION
MODERNIZATION IMPROVEMENT AND SERVICES ENHANCEMENT
ACCOUNT (PTMISEA) GUIDELINES

The Board of Directors
Kings County Area Public Transit Agency
Hanford, California

We have audited the financial statements of the Kings County Area Public Transit Agency for the year ended June 30, 2014, and have issued our report thereon dated December 31, 2014.

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; and was further made to determine compliance with the rules and regulations of the California Transportation Development Act, the PTMISEA statutes and guidelines, the rules and regulations of the Kings County Association of Governments and the California Administrative Code.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kings County Area Public Transit Agency’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 Kings County Area Public Transit Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Kings County Area Public Transit Agency’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.
Internal Control Over Financial Reporting (Continued)

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 Kings County Area Public Transit Agency’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. Our procedures included the applicable audit procedures contained in Section 6667 of the California Code of Regulations, and tests of compliance with the applicable statutes, rules, and regulations of the Transportation Development Act. 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.

Among the items considered were determination of the Kings County Area Public Transit Agency’s ability to receive funds allocated to it, the propriety of expenditures in accordance with the Transportation Development Act and compliance with provisions of the following program:

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2014, we verified that the Kings County Area Public Transit Agency did not receive any PTMISEA funds. As of June 30, 2014, we verified that the Kings County Area Public Transit Agency had spent $4,379,838 for the purchase of new CNG buses, new paratransit buses, mobile data terminals, fare collection boxes, bus facility improvement project, bus stop amenities, and bus intelligent system; and had unexpended PTMISEA proceeds, including interest earned, of $1,581,764.

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 Kings County Area Public Transit Agency’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 Kings County Area Public Transit Agency’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dedekian, George, Small & Markarian
Accountancy Corporation
December 31, 2014
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”

The Board of Directors
Kings County Area Public Transit Agency
Hanford, 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 basic financial statements of the Kings County Area Public Transit Agency,
as of and for the year ended June 30, 2014, and the related notes to the financial
statements, and have issued our report thereon dated December 31, 2014. Our report
included an emphasis of a matter paragraph disclosing the implementation of new
accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the
Kings County Area Public Transit Agency’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 Kings County
Area Public Transit Agency’s internal control. Accordingly, we do not express an
opinion on the effectiveness of the Kings County Area Public Transit Agency’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 Kings County Area Public Transit Agency’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.

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.

Dedekian, George, Small & Markarian
Accountancy Corporation
December 31, 2014
SINGLE AUDIT REPORTS
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Kings County Area Public Transit Agency
Hanford, California

Report on Compliance for Each Major Federal Program

We have audited Kings County Area Public Transit Agency’s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Kings County Area Public Transit Agency’s major federal programs for the year ended June 30, 2014. The Kings County Area Public Transit Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Kings County Area Public Transit Agency’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kings County Area Public Transit Agency’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 for each major federal program. However, our audit does not provide a legal determination of the Kings County Area Public Transit Agency’s compliance.
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133 (CONTINUED)

Opinion on Each Major Program

In our opinion, the Kings County Area Public Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Kings County Area Public Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Kings County Area Public Transit Agency’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kings County Area Public Transit Agency’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133 (CONTINUED)

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Kings County Area Public Transit Agency as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Kings County Area Public Transit Agency’s basic financial statements. We issued our report thereon dated December 31, 2014, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dedekian, George, Small & Markarian
Accountancy Corporation
December 31, 2014
KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<table>
<thead>
<tr>
<th>Federal Grantor/ Pass-Through Grantor/ Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. DEPARTMENT OF TRANSPORTATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Federal Transit Administration:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit Formula Grant (5307)</td>
<td>20.507</td>
<td>CA-90-Y787</td>
<td>$58,508</td>
</tr>
<tr>
<td>Federal Transit Formula Grant (5307)</td>
<td>20.507</td>
<td>CA-90-Z029</td>
<td>78,493</td>
</tr>
<tr>
<td>Federal Transit Formula Grant (5307)</td>
<td>20.507</td>
<td>CA-90-Z106</td>
<td>2,469,737</td>
</tr>
<tr>
<td>State of Good Repair Grant (5309)</td>
<td>20.500</td>
<td>CA-04-0257</td>
<td>615,500</td>
</tr>
<tr>
<td>Congestion Management and Air Quality Improvement Program</td>
<td>20.205</td>
<td>CA-95-X178</td>
<td>42,537</td>
</tr>
<tr>
<td>Subtotal Direct Programs</td>
<td></td>
<td></td>
<td>3,264,775</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-through California Department of Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Operating Assistance (5311)</td>
<td>20.509</td>
<td>643137</td>
<td>100,346</td>
</tr>
<tr>
<td>Subtotal Pass-Through Programs</td>
<td></td>
<td></td>
<td>100,346</td>
</tr>
<tr>
<td>Total Federal Transit Administration</td>
<td></td>
<td></td>
<td>3,364,121</td>
</tr>
<tr>
<td>Total Federal Financial Assistance</td>
<td></td>
<td></td>
<td>$3,365,121</td>
</tr>
</tbody>
</table>
1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kings County Area Public Transit Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Kings County Area Public Transit Agency’s basic financial statements.

2. **Subrecipients**

Of the federal expenditures presented in the schedule of expenditures of federal awards, Kings County Area Public Transit Agency provided federal awards to subrecipients as follows:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Program Name</th>
<th>Amount Provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.205</td>
<td>CMAQ Projects</td>
<td>$34,232</td>
</tr>
<tr>
<td>20.500</td>
<td>State of Good Repair Grant</td>
<td>615,500</td>
</tr>
<tr>
<td>20.507</td>
<td>Federal Transit Formula Grant</td>
<td>58,508</td>
</tr>
</tbody>
</table>

$708,240
FINDINGS AND RECOMMENDATIONS SECTION
Part I – Summary of Auditor’s Results

The Independent Auditors’ Report expresses an unqualified opinion on the financial statements of the Kings County Area Public Transit Agency.

No significant deficiencies relating to the audit of the financial statements are reported in the “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.” No material weaknesses are reported.

No instances of noncompliance material to the financial statements of Kings County Area Public Transit Agency, which would be required to be reported in accordance with “Government Auditing Standards”, were disclosed during the audit.

No significant deficiencies relating to the audit of the major federal award programs are reported in the “Independent Auditors’ Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. No material weaknesses are reported.

The Independent Auditors’ Report on compliance for the major federal award program for Kings County Area Public Transit Agency expresses an unqualified opinion on all major federal programs.

Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

The programs tested as major programs included:

<table>
<thead>
<tr>
<th>Name</th>
<th>CFDA Number(s)</th>
</tr>
</thead>
</table>

The threshold used to distinguish between Type A and Type B programs was $300,000.

Kings County Area Public Transit Agency was determined to be a low-risk auditee.

Part II – Financial Statement Findings and Other Non-Federal Compliance

Compliance with Laws and Regulations

None.

Part III – Findings and Questioned Costs for Major Federal Award Programs

None.
There were no reportable audit findings for the fiscal year ended June 30, 2013.