CITY OF LEMOORE
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT OPERATIONS

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR’S REPORTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
## CITY OF LEMOORE
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT OPERATIONS

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INDEPENDENT AUDITOR’S REPORT

Kings County Association of Governments
Lemoore, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds of the City of Lemoore, California, (the City) pertaining to Article 8 Section 99400(a) of the Public Utilities Code as recorded in the City’s Local Transportation Fund as of June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Funds of the City as recorded in the Local Transportation Fund of the City, at June 30, 2014 and 2013, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management has omitted the management's discussion and analysis and budgetary comparison schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such 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 statement is not affected by this missing information.

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the fund referred to above and are not intended to present the financial position of the City and the respective changes in financial position, or where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2015, on our consideration of the City'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 relating to the City's Local Transportation Fund. 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 City's internal control over financial reporting and compliance relating to the City's Local Transportation Fund.

BROWN ARMSTRONG ACCOUNTANCY CORPORATION
Bakersfield, California
March 18, 2015
BASIC FINANCIAL STATEMENTS
# CITY OF LEMOORE
## TRANSPORTATION DEVELOPMENT ACT FUNDS
### NON-TRANSIT OPERATIONS
## BALANCE SHEETS
### ARTICLE 8 SECTION 99400(a) OF THE PUBLIC UTILITIES CODE
### JUNE 30, 2014 AND 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Investments</td>
<td>$ 497,284</td>
<td>$ 533,596</td>
</tr>
<tr>
<td>Due from County of Kings Local Transportation Fund</td>
<td>372,648</td>
<td>295,837</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>-</td>
<td>219</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$ 869,932</td>
<td>$ 829,652</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$ 1,242</td>
<td>$ 8,130</td>
</tr>
<tr>
<td>Advances - TDA Funding</td>
<td>45,972</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>47,214</td>
<td>8,130</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>FUND BALANCE</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>822,718</td>
<td>821,522</td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND FUND BALANCE</td>
<td>$ 869,932</td>
<td>$ 829,652</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
# CITY OF LEMOORE
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT OPERATIONS
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
ARTICLE 8 SECTION 99400(a) OF THE PUBLIC UTILITIES CODE
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation from County of Kings Local Transportation Fund $</td>
<td>326,676</td>
<td>689,161</td>
</tr>
<tr>
<td>Interest</td>
<td>1,196</td>
<td>1,573</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>327,872</td>
<td>690,734</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Street and Road Maintenance</td>
<td>326,676</td>
<td>770,752</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>326,676</td>
<td>770,752</td>
</tr>
<tr>
<td><strong>Excess of Revenues over Expenditures</strong></td>
<td>1,196</td>
<td>(80,018)</td>
</tr>
<tr>
<td>Fund Balance, Beginning of Year</td>
<td>821,522</td>
<td>901,540</td>
</tr>
<tr>
<td><strong>Fund Balance, End of Year</strong></td>
<td>$ 822,718</td>
<td>$ 821,522</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Scope of Financial Reporting Entity

Article 8 allocations under Public Utilities Code Section 99400(a) of the Transportation Development Act (TDA) are recorded in the Local Transportation Fund (the Fund) of the City of Lemoore, California (the City). The financial statements present only the accounts and financial transactions of the Fund of the City. Accordingly, they do not present the financial position or results of operations of the City, or its special revenue fund types.

B. Basis of Accounting and Presentation

Basis of Presentation: The financial statements of the Fund of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to present the financial position and results of operations of only those transactions recorded in the Fund. The Fund is included in the financial statements of the City. Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The City utilizes the special revenue fund type of the governmental fund group to account for the activities of the Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Special revenue funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is generally 60 days. State Gas Tax revenues are recognized when all eligibility requirements have been met and the amounts are received within 60 days. Expenditures, other than interest on long-term obligations which is recorded when paid, are recorded when they are expected to be liquidated with expendable available resources.

Intergovernmental revenues (primarily grants and subventions), which are received as reimbursement for specific purposes or projects, are recognized based upon the expenditures recorded. Intergovernmental revenues, which are usually unrestricted as to use and are revocable only for failure to meet prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier, if they meet the availability criterion.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Interest Income

TDA funds are deposited into the City Treasury where they are invested in savings accounts or in investments by the City Treasurer under the City’s cash management program. Interest income is allocated by the City to the Fund based on its average monthly cash balances.

D. Use of Estimates

The preparation of the 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.

E. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** - Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- **Restricted** - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the City itself, using the City’s highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City at either the highest level of decision-making authority or by an official or body to which the City delegates the authority. This is also the classification for residual funds in the City's special revenue fund.
- **Unassigned** - The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the City through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New GASB Pronouncements Implemented in the Financial Statements

GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities. The provisions of GASB Statement No. 65 establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limited the use of the term “deferred” in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The City implemented GASB Statement No. 65 in the 2013-14 fiscal year, which did not significantly impact these financial statements.

GASB Statement No. 66 - Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62. This statement was issued in March 2012 to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements. The provisions of GASB No. 66 are effective for financial statements beginning after December 15, 2012. The City implemented GASB Statement No. 66 in the 2013-14 fiscal year, which did not significantly impact these financial statements.

GASB Statement No. 67 - Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The City implemented GASB Statement No. 67 in the 2013-14 fiscal year, which did not significantly impact these financial statements.

GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees (effective for fiscal years beginning after June 15, 2013). The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The City implemented GASB Statement No. 70 in the 2013-14 fiscal year, which did not significantly impact these financial statements.

I. Future GASB Pronouncements

GASB Statement No. 68 - Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The City has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of these basic financial statements.

GASB Statement No. 69 - Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has elected not to early implement GASB Statement No. 69 and has not determined its effects of these financial statements.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual basis financial statements of employers and nonemployer contributing entities.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Future GASB Pronouncements (Continued)

The provisions of this statement should be applied simultaneously with the provisions of GASB Statement No. 68 and therefore are effective for financial periods beginning after June 15, 2014. The City is assessing, but has not yet determined the effects of the implementation of this statement on these financial statements.

NOTE 2 – CASH AND INVESTMENTS

The Local Transportation Fund’s pooled cash and investments are invested pursuant to investment policy guidelines established by the City. The pooled cash fund is accounted for separately and interest earned is apportioned quarterly to the Fund based on the relationship of its daily balance to the total of pooled cash. Disclosures in accordance with GASB Statements are included in the basic financial statements of the City.

NOTE 3 – TRANSPORTATION DEVELOPMENT ACT ALLOCATIONS

The City receives TDA funds from the County of Kings Local Transportation Fund in accordance with resolutions adopted by the Kings County Association of Governments. The amounts identified are to be expended in accordance with Public Utilities Code Section 99400(a).

NOTE 4 – ADVANCES – TDA FUNDING

Advances – TDA funding for the years ended June 30, 2014 and 2013, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Transportation Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances - TDA Funding, beginning of year</td>
<td>$</td>
<td>$393,324</td>
</tr>
<tr>
<td>TDA funds allocated</td>
<td>372,648</td>
<td>295,837</td>
</tr>
<tr>
<td>TDA funds earned</td>
<td>(326,676)</td>
<td>(689,161)</td>
</tr>
<tr>
<td>Advances - TDA Funding, end of year</td>
<td>$45,972</td>
<td>$</td>
</tr>
</tbody>
</table>

NOTE 5 – SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through March 18, 2015, which is the date the basic financial statements were issued.
OTHER REPORT
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE WITH
THE TRANSPORTATION DEVELOPMENT ACT AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kings County Association of Governments
Lemoore, California

We have audited, 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; the applicable provisions of the Transportation Development Act, including
Public Utilities Code Section 99245 as enacted and amended by statute through
June 30, 2014; and the allocation instructions and resolutions of the Transportation
Planning Agency as required by Section 6666 of the California Administrative Code,
the financial statements of the Transportation Development Act Funds of the City of
Lemoore, California, (the City) pertaining to Article 8 Section 99400(a) of the Public
Utilities Code as recorded in the City’s Local Transportation Fund (the Fund), as of
and for the years ended June 30, 2014 and 2013, and have issued our report thereon
dated March 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over
financial reporting (internal control) relating to the Fund 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 City’s internal control relating to the Fund. Accordingly, we do not express an opinion on the effectiveness of the City’s internal
control over financial reporting relating to the Fund.

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
Fund’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, the applicable provisions of the Transportation Development Act, including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2014; and the allocation instructions and resolutions of the Transportation Planning Agency as required by Section 6666 of the California Administrative Code, 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 City’s internal control or on compliance relating to the Fund. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City’s internal control and compliance relating to the Fund. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

Bakersfield, California
March 18, 2015