

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT FUNDS**

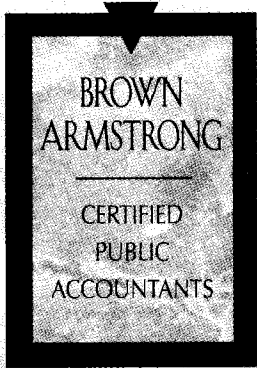
**INDEPENDENT AUDITOR'S REPORTS,
FUND FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION AND COMPLIANCE REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011**

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
 <u>Fund Financial Statements</u>	
Balance Sheet – Transportation Development Act and Measure K Funds – Non-Transit Purposes.....	3
Statements of Revenues, Expenditures, and Changes in Fund Balance – Transportation Development Act and Measure K Funds – Non-Transit Purposes.....	4
Statements of Net Assets – Transit Enterprise Fund	5
Statements of Revenues, Expenses, and Changes in Net Assets – Transit Enterprise Fund	6
Statements of Cash Flows – Transit Enterprise Fund.....	7
Notes to the Fund Financial Statements	8
 <u>Supplementary Information</u>	
Budgetary Comparison Schedule – Transportation Development Act Fund	13
Budgetary Comparison Schedule – Measure K Fund.....	14
Note to Supplementary Information.....	15
 <u>Other Report</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the Transportation Development Act	16



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Lathrop
Lathrop, California

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

We have audited the accompanying financial statements of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City of Lathrop (City), California, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The June 30, 2011, summarized comparative information has been derived from the 2011 financial statements and is included for additional analysis only.

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 of America. 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 City'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 opinions.

As discussed in the notes to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Also, as discussed in Note 1, the financial statements present only the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City and are not intended to present fairly the financial position of the City and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.



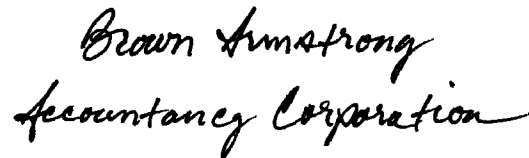
REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the City's internal control over financial reporting as it relates to the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund, and 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 the 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 read in conjunction with this report in considering the results of our audit.

Management has omitted the management discussion and analysis (MD&A) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transportation Development Act Fund, the Measure K Fund, and the Transit Enterprise Fund basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in black ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 31, 2012

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
BALANCE SHEETS
JUNE 30, 2012 AND 2011**

	Transportation	Measure K	Totals	
	Development Act Fund	Funds	2012	2011
ASSETS				
Cash and cash equivalents	\$ 794,385	\$ 394,769	\$ 1,189,154	\$ 892,427
Interest receivable	131	195	326	1,099
Intergovernmental receivable	-	75,000	75,000	231,384
Due from other governmental agencies	-	-	-	107,466
TOTAL ASSETS	\$ 794,516	\$ 469,964	\$ 1,264,480	\$ 1,232,376
LIABILITIES AND FUND BALANCES				
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Assigned	794,516	469,964	1,264,480	1,232,376
TOTAL LIABILITIES AND FUND BALANCES	\$ 794,516	\$ 469,964	\$ 1,264,480	\$ 1,232,376

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

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	Transportation	Measure K	Totals	
	Development Act Fund		Funds	2012
REVENUES				
Local Transportation Funds				
Streets and roads	\$ 775,767	\$ -	\$ 775,767	\$ 276,221
Pedestrian and bicycle	10,380	-	10,380	9,380
Measure K Funds				
Local street repair	-	300,000	300,000	215,895
Investment earnings	1,865	964	2,829	6,185
TOTAL REVENUES	788,012	300,964	1,088,976	507,681
EXPENDITURES				
Street and road maintenance	853,353	203,519	1,056,872	511,269
TOTAL EXPENDITURES	853,353	203,519	1,056,872	511,269
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(65,341)	97,445	32,104	(3,588)
FUND BALANCES AT BEGINNING OF YEAR	859,857	372,519	1,232,376	1,235,964
FUND BALANCES AT END OF YEAR	\$ 794,516	\$ 469,964	\$ 1,264,480	\$ 1,232,376

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

**CITY OF LATHROP
TRANSIT ENTERPRISE FUND
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011**

	2012	2011 Restated
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 26,004	\$ 25,910
Interest receivable	16	26
TOTAL CURRENT ASSETS	26,020	25,936
PROPERTY AND EQUIPMENT, NET	26,197	28,764
TOTAL ASSETS	\$ 52,217	\$ 54,700
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Deferred revenue	\$ 26,020	\$ 25,936
TOTAL CURRENT LIABILITIES	26,020	25,936
NET ASSETS		
Invested in capital assets	26,197	28,764
TOTAL NET ASSETS	26,197	28,764
TOTAL LIABILITIES AND NET ASSETS	\$ 52,217	\$ 54,700

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

**CITY OF LATHROP
TRANSIT ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011 Restated
OPERATING EXPENSES		
Depreciation	\$ 2,567	\$ 2,567
TOTAL OPERATING EXPENSES	2,567	2,567
NET LOSS FROM OPERATIONS	(2,567)	(2,567)
 CHANGES IN NET ASSETS	 (2,567)	 (2,567)
NET ASSETS BEGINNING OF YEAR	28,764	38,792
Prior Period Adjustment (Restatement)	-	(7,461)
Net Assets, Beginning of Year, as Restated	28,764	31,331
NET ASSETS END OF YEAR	\$ 26,197	\$ 28,764

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

**CITY OF LATHROP
TRANSIT ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011 Restated
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interest	\$ 94	\$ 145
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	94	145
NET INCREASE IN CASH AND CASH EQUIVALENTS	94	145
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,910	25,765
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 26,004	\$ 25,910
RECONCILIATION OF OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,567)	\$ (2,567)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,567	2,567
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	\$ -	\$ -

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

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
NOTES TO THE FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 1 – ORGANIZATION

The City of Lathrop (City) receives funds under the provisions of the Transportation Development Act (TDA) from the San Joaquin County Local Transportation Fund (LTF) under Article 8, Section 99400(a) for local streets and roads projects, and Article 3, Section 99234 for pedestrian and bicycle facilities. The funds provided under Article 8 represent amounts available after the determination by the San Joaquin Council of Governments, the transportation planning agency administering TDA funds, of amounts needed for local streets and roads of the City. The funds provided under Article 3, Section 99234 represent amounts set aside to be allocated for pedestrian and bicycle facilities within the jurisdictions of San Joaquin County and represent up to 2% of the available funds countywide. The City TDA Fund is used to account for these funds received by the City for non-transit purposes, which is reflected in these financial statements of the TDA Fund allocated for non-transit purposes.

The City also receives funds from an ordinance (Measure K) passed by San Joaquin County voters resulting in a sales tax increase of one-half of one percent for transportation improvements. The San Joaquin Council of Governments, acting as the Local Transportation Authority, oversees the collection and distribution of the sales tax in accordance with the twenty-year transportation expenditure plan. The plan calls for street repairs, safety and operational improvements on streets and roads, projects to reduce street and highway congestion, and the promotion of passenger rail and bus services as an alternative to travel by automobile. The City Measure K Fund is used to account for these funds, which is reflected in these financial statements of the Measure K Fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the TDA and Transit Funds of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The financial statements present only the Transportation Development Act Fund, Measure K Fund and the Transit Enterprise Fund of the City and are not intended to present fairly the financial position of the City and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The TDA and Measure K Funds are governmental funds specifically categorized as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

The Transit Enterprise Fund is a proprietary fund specifically categorized as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector. The City uses a special revenue fund to account for its transit operations.

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City applies all applicable GASB pronouncements for the Transit Enterprise Fund as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Measurement Focus and Basis of Accounting

The TDA Fund and the Measure K Fund 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 they become measurable and available and expenditures are recognized when the fund liabilities are incurred. “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. The City uses an availability period of 60 days. Revenues that are susceptible to accrual include local transportation fund allocations and interest income.

The Transit Enterprise Fund is classified as an enterprise fund using the flow of economic resource management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Transit Enterprise Fund reports deferred revenue on its statement of net assets. Deferred revenue for this fund arises when potential revenue, designated for a specific purpose, has been received prior to the eligibility requirements being met. In subsequent periods, when the eligibility requirements have been met, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Transit Enterprise Fund are passenger fares. Operating expenses include the cost of vehicle maintenance, administrative expenses, and depreciation on capital assets and equipment. 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 government’s policy to use restricted resources first, and then unrestricted resources as they are needed.

E. Cash and Cash Equivalents

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty. Therefore, for purposes of the statements of cash flows, all enterprise fund cash on hand and in the pool are considered cash and cash equivalents.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for funding purposes. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

All purchased capital assets are valued at cost where historical cost records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all capital assets in the Transit Enterprise Fund is computed using the straight-line method over their estimated useful lives. The estimated useful life of the bus shelter is 25 years.

H. Net Assets/Fund Balance

The financial statements of the enterprise fund utilize a net assets presentation. Net assets are categorized as follows:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2012. As such, 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 fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – 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 provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (City Council) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be a City Council adopted resolution.
- *Assigned fund balance* – amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The City Council has delegated authority to assign fund balance for a specific purpose to the Manager of Finance.
- *Unassigned fund balance* – the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Assets/Fund Balance (Continued)

Minimum Fund Balance:

The City does not have a minimum fund balance policy.

I. Grants

Grants revenues and receivables are recorded when eligibility requirements which have been imposed by the provider have been met. Grant sources include Federal Transit Administration (FTA), State Transit Assistance (STA), and Local Transportation Authority. The Local Transportation Authority and STA were created by the State Legislature under the TDA.

J. 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. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

K. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City TDA and Measure K Funds allocated for non-transit purposes.

NOTE 3 – CASH AND CASH EQUIVALENTS

The cash and investment balances for the City TDA and Measure K Funds are held in the City's cash and investment pool. The City maintains a cash and investment pool in order to facilitate the management of cash. Interest is allocated to its various funds based upon average cash balances. Investments held in the City's cash management pool are available on demand to the City TDA and Measure K Funds and are stated at fair value. Information regarding categorization of investments can be found in the City's financial statements.

NOTE 4 – CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Bus shelter	\$ 64,185	\$ 64,185
Less: Accumulated depreciation	<u>(37,988)</u>	<u>(35,421)</u>
	<u>\$ 26,197</u>	<u>\$ 28,764</u>

For the years ending June 30, 2012 and 2011, depreciation expense was \$2,567 and \$2,567, respectively.

NOTE 5 – DEFERRED REVENUE

The City receives an allocation of funds from the Local Transportation Authority. Revenues received from this source are deferred until expended for transit services, and are considered earned when they are properly spent for operations or capital assets by the City for its transit system. The changes in deferred revenue are as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Public Transportation Enterprise Fund:		
Deferred revenue, beginning of year as restated	\$ 25,936	\$ 25,797
TDA funds allocated	-	-
TDA funds earned	84	139
Deferred revenue, end of year	\$ 26,020	\$ 25,936

NOTE 6 – PRIOR PERIOD ADJUSTMENT/RESTATEMENT

	Transit Enterprise Fund
Transit Enterprise Fund balance as stated July 1, 2011	\$ 36,225
Prior Period Adjustment	
To adjust prior year Transit Enterprise Fund balance due to an overstatement of the TDA funds allocation in the prior year.	(7,461)
Transit Enterprise Fund balance, beginning of year, as restated, July 1, 2011	\$ 28,764

SUPPLEMENTARY INFORMATION

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local transportation fund	\$ 819,951	\$ 819,951	\$ 788,012	\$ (31,939)
Total Revenue	819,951	819,951	788,012	(31,939)
EXPENDITURES				
Streets and roads	1,578,966	1,578,966	853,353	725,613
Excess (Deficiency) of revenues over (under) expenditures and other financing uses	<u>\$ (759,015)</u>	<u>\$ (759,015)</u>	(65,341)	<u>\$ 693,674</u>
Fund balance, beginning			<u>859,857</u>	
Fund balance, ending			<u>\$ 794,516</u>	

See note to supplementary information.

**CITY OF LATHROP
MEASURE K FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Measure K Fund	<u>\$ 254,217</u>	<u>\$ 254,217</u>	<u>\$ 300,964</u>	<u>\$ 46,747</u>
Total Revenue	254,217	254,217	300,964	46,747
EXPENDITURES				
Measure K Fund	<u>257,736</u>	<u>257,736</u>	<u>203,519</u>	<u>54,217</u>
Excess of revenues over expenditures and other financing uses	<u>\$ (3,519)</u>	<u>\$ (3,519)</u>	97,445	<u>\$ 100,964</u>
Fund balance, beginning			<u>372,519</u>	
Fund balance, ending			<u>\$ 469,964</u>	

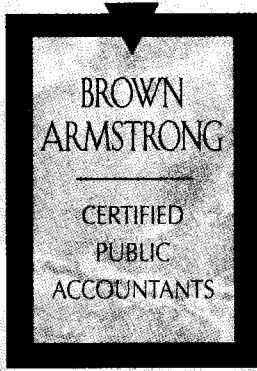
See note to supplementary information.

**CITY OF LATHROP
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 1 – BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with principles generally accepted in the United States of America for the Transportation Development Act and Measure K Funds. All appropriations lapse at year-end. The appropriate budget is prepared by department, function, and fund. The City Manager may make transfers of appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

OTHER REPORT



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Lathrop
Lathrop, California

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

We have audited the accompanying financial statements of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City of Lathrop (City), California, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012, which included an explanatory paragraph describing that the financial statements only present the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as it relates to the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 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.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund financial statements are free of material misstatement, we performed tests of the City's 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 audit was further made to determine that TDA funds allocated to and received by the City were expended in conformance with applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Sections 6666 and 6667 of Title 21 of the California Code of Regulations. 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* and the Transportation Development Act.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 31, 2012