

***CITY OF LA VERNE
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016***



CITY OF LA VERNE
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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of La Verne, California and the
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of La Verne, California (City) as of and for the years ended June 30, 2017 and 2016, 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 audits. We conducted our audits 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.





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of La Verne, California, as of June 30, 2017 and 2016, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of La Verne, California, as of June 30, 2017 and 2016, and the changes in financial position thereof for the years 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Verne, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 supplementary 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 supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 17, 2017, on our consideration of the City of La Verne'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, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 17, 2017

CITY OF LA VERNE

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 444,095	\$ 489,176
Interest receivable	955	1,081
Total assets	\$ <u>445,050</u>	\$ <u>490,257</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 29,761	\$ 78,933
Accrued salaries and benefits	487	308
Total liabilities	<u>30,248</u>	<u>79,241</u>
Fund Balance		
Restricted	<u>414,802</u>	<u>411,016</u>
Total fund balance	<u>414,802</u>	<u>411,016</u>
Total liabilities and fund balance	\$ <u>445,050</u>	\$ <u>490,257</u>

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

CITY OF LA VERNE

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition A	\$ 602,929	\$ 581,724
Interest income	<u>3,638</u>	<u>4,038</u>
Total revenues	<u>606,567</u>	<u>585,762</u>
EXPENDITURES		
Various projects	<u>602,781</u>	<u>571,816</u>
Total expenditures	<u>602,781</u>	<u>571,816</u>
Excess of revenues over expenditures	3,786	13,946
Fund balance at beginning of year	<u>411,016</u>	<u>397,070</u>
Fund balance at end of year	\$ <u><u>414,802</u></u>	\$ <u><u>411,016</u></u>

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

CITY OF LA VERNE

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-10	Get About Pass Subsidy	\$ 6,500	\$ 6,775	\$ (275)	\$ 4,965
130-02	Get about Paratransit	205,500	205,501	(1)	186,616
140-13	Recreational Excursions	25,000	26,129	(1,129)	24,762
250-09	Senior Bus Pass Subsidy	1,200	995	205	954
250-11	Metrolink Pass Subsidy	49,000	37,315	11,685	38,731
250-12	Bus Pass Subsidy (FHT)	7,200	8,950	(1,750)	5,234
290-12	SGV Council of Governments	5,300	5,300	-	5,300
405-20	Proposition A Fund Exchange City of West Hollywood (Note 7)	-	-	-	280,000
405-20	Proposition A Fund Exchange City of Industry (Note 7)	280,000	280,000	-	-
480-01	Administration	35,888	31,816	4,072	25,254
	Total expenditures	<u>\$ 615,588</u>	<u>\$ 602,781</u>	<u>\$ 12,807</u>	<u>\$ 571,816</u>

See accompanying independent auditor's report.

CITY OF LA VERNE

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF LA VERNE

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 714,025	\$ 897,854
Interest receivable	<u>1,569</u>	<u>2,705</u>
Total assets	<u>\$ 715,594</u>	<u>\$ 900,559</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 20,552	\$ 21,119
Accrued salaries and benefits	<u>1,032</u>	<u>1,439</u>
Total liabilities	<u>21,584</u>	<u>22,558</u>
Fund Balance		
Restricted	<u>694,010</u>	<u>878,001</u>
Total fund balance	<u>694,010</u>	<u>878,001</u>
Total liabilities and fund balance	<u>\$ 715,594</u>	<u>\$ 900,559</u>

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

CITY OF LA VERNE

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition C	\$ 500,447	\$ 483,269
Interest income	5,845	11,937
Other revenue	<u>2,847</u>	<u>-</u>
Total revenues	<u>509,139</u>	<u>495,206</u>
 EXPENDITURES		
Various projects	<u>693,130</u>	<u>574,173</u>
Total expenditures	<u>693,130</u>	<u>574,173</u>
 Deficiency of revenues over expenditures	(183,991)	(78,967)
 Fund balance at beginning of year	<u>878,001</u>	<u>956,968</u>
 Fund balance at end of year	<u>\$ 694,010</u>	<u>\$ 878,001</u>

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

CITY OF LA VERNE

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-02	Get About Paratransit	\$ 205,500	\$ 205,501	\$ (1)	\$ 186,615
140-06	Community Education	23,000	23,000	-	23,000
150-01	Bus Stop Improvements	1	-	1	-
150-02	Bus Stop Improvements	7,000	-	7,000	-
160-14	Bus Stop Maintenance	10,186	12,039	(1,853)	10,994
200-03	Get About Capital Outlay	20,500	20,500	-	20,200
270-01	Gold Line Plaza Design	1	-	1	-
270-02	Infrastructure Financing District-Future Gold Line Station	8,000	9,569	(1,569)	14,382
280-15	Community Newsletter	4,000	4,000	-	4,000
290-13	Purchase of Parking Spaces for Public Carpooling	-	-	-	253,980
310-07	Transit Store Annex	38,349	47,122	(8,773)	27,073
410-08	Transportation Demand Management	500	417	83	-
440-01	Street Resurfacing for Bonita Avenue Between White and "B" Streets	380,000	339,432	40,568	-
480-04	Administration	35,349	31,550	3,799	33,929
	Total expenditures	\$ 732,386	\$ 693,130	\$ 39,256	\$ 574,173

See accompanying independent auditor's report.

CITY OF LA VERNE

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
Jun-94	Land Downtown Transportation Info Center	\$ 79,736	\$ -	\$ -	\$ 79,736
Sept 95	Bench 6' Long	12,490	-	-	12,490
Feb 01	Motorola MCS2000 High SpecMobile Radio	2,254	-	-	2,254
Mar 01	01 Ford E-350 SD Prisoner Transport Van	32,913	-	-	32,913
Nov 04	Bus Shelter- Foothill and Bradford	16,350	-	-	16,350
Dec 13	City Hall Parking Lot Rehabilitation	50,000	-	-	50,000
Jan 15	Bus Stop Shelter-Moreno and Foothill	32,396	-	-	32,396
	Total	\$ 226,139	\$ -	-	226,139

See accompanying independent auditor's report.

CITY OF LA VERNE

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 290,096	\$ 262,553
Interest receivable	<u>563</u>	<u>599</u>
Total assets	<u>\$ 290,659</u>	<u>\$ 263,152</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted	<u>290,659</u>	<u>263,152</u>
Total fund balance	<u>290,659</u>	<u>263,152</u>
Total liabilities and fund balance	<u>\$ 290,659</u>	<u>\$ 263,152</u>

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

CITY OF LA VERNE

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Measure R	\$ 375,176	\$ 362,112
Interest income	<u>2,331</u>	<u>2,086</u>
Total revenues	<u>377,507</u>	<u>364,198</u>
EXPENDITURES		
Various projects	<u>350,000</u>	<u>350,000</u>
Total expenditures	<u>350,000</u>	<u>350,000</u>
Excess of revenues over expenditures	27,507	14,198
Fund balance at beginning of year	<u>263,152</u>	<u>248,954</u>
Fund balance at end of year	<u>\$ 290,659</u>	<u>\$ 263,152</u>

The accompanying notes are an integral part of the financial statements

CITY OF LA VERNE

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Calle Aragon Neighborhood ARAM Project	\$ -	\$ -	\$ -	\$ 350,000
1.05	Rancho La Verne Neighborhood ARAM Project	500,000	350,000	150,000	-
	Total expenditures	<u>\$ 500,000</u>	<u>\$ 350,000</u>	<u>\$ 150,000</u>	<u>\$ 350,000</u>

See accompanying independent auditor's report.

CITY OF LA VERNE

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF LA VERNE

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS
JUNE 30**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ -	\$ 9,222
Total assets	\$ -	\$ 9,222
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 4,050
Total liabilities	-	4,050
Fund Balance		
Restricted	-	5,172
Total fund balance	-	5,172
Total liabilities and fund balance	\$ -	\$ 9,222

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

CITY OF LA VERNE

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Payments from prior years reserve	\$ -	\$ 87,785
Interest income	<u>120</u>	<u>120</u>
Total revenues	<u>120</u>	<u>87,905</u>
EXPENDITURES		
Handicap Barrier Removal	<u>-</u>	<u>82,733</u>
Total expenditures	<u>-</u>	<u>82,733</u>
OTHER FINANCING USE		
Funds returned to LACMTA, including interest	<u>(5,292)</u>	<u>-</u>
Total other financing uses	<u>(5,292)</u>	<u>-</u>
(Deficiency) excess of revenues over expenditures	(5,172)	5,172
Fund balance at beginning of year	<u>5,172</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>5,172</u></u>

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

CITY OF LA VERNE

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS

For the Fiscal Year Ended June 30, 2017

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None	2016-17	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	-	
Interest income				120	
Funds returned to LACMTA, including interest				(5,292)	
Fund balance at beginning of the year				<u>5,172</u>	
Fund balance at beginning of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF LA VERNE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20% respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF represents 15% of the ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

Transportation Development Act Article 3 Fund (TDAA3F) is a Special Revenue Fund that accounts for the City’s share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on a spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF LA VERNE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, which became effective for the fiscal year ended June 30, 2016, the City categorized its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognized unrealized gain (loss) on investments.

Refer to the City's 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- Restricted – Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF LA VERNE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs.

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities.

NOTE 6 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

NOTE 7 – PROPOSITION A FUND EXCHANGE - PALRF

In fiscal year 2017, the City entered into an agreement on November 7, 2016 with the City of Industry to exchange \$1 of Proposition A local return funds for every \$.72 (or 72 cents) of General Fund monies. Accordingly, the City received \$201,600 of the City of Industry's General Funds on January 25, 2017 and assigned \$280,000 of its Proposition A Local Return Funds to the City of Industry on January 17, 2017.

In fiscal year 2016, the City entered into an agreement on October 5, 2015 with the City of West Hollywood to exchange \$1 of Proposition A local return funds for every \$.65 (or 65 cents) of General Fund monies. Accordingly, the City received \$182,000 of the City of West Hollywood's General Funds on November 13, 2015 and assigned \$280,000 of its Proposition A Local Return Funds to the City of West Hollywood on October 19, 2015.

CITY OF LA VERNE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2011-12 allocation	\$ -	\$ 16,419
FY 2012-13 allocation	-	24,238
FY 2013-14 allocation	-	25,972
FY 2014-15 allocation	-	21,156
Total	\$ -	\$ 87,785

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2017 and 2016, the City has funds on reserve as follows:

	2017	2016
FY 2015-16 allocation	\$ 20,546	\$ 20,546
FY 2016-17 allocation	21,903	-
Available reserve balance	\$ 42,449	\$ 20,546

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through November 17, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
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**Independent Auditor's 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 Honorable Members of the City Council of the
City of La Verne, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, 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, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of La Verne, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's local return funds and TDAA3F 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 City'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 is 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 result 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.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 17, 2017

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
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Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of La Verne, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of La Verne, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the City's compliance with those guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City'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 Guidelines referred to in the preceding paragraph. Those standards and the Guidelines 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 local return program and the Transportation Development Act Article 3 occurred. An audit includes examining, on a test basis, evidence about the City'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of La Verne complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund (TDAA3F) for the year ended June 30, 2017.





Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding #2017-001. Our opinion on each local return program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of La Verne is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 the City'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 under the Requirements 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 under the Requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with Requirements 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 we consider to 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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 17, 2017

CITY OF LA VERNE
COMPLIANCE MATRIX
Year Ended June 30, 2017

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.		X	None	See Finding #2017-001 on the Schedule of Findings and Recommendations.
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) and listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF LA VERNE
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF LA VERNE
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
C. Transportation Development Act Article 3 Fund				
1.	Timely use of funds.	X		None
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	N/A		None

N/A - Not applicable as the City did not expend funds.

CITY OF LA VERNE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

PCLRF: Finding #2017-001

Compliance Reference	<p>According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>The Purchasing Policy Section III (e), <i>Contracts</i>, of the City’s Accounting Policies and Procedures Manual states, “Change orders exceeding ten percent (10%) of the original award or formal bids and public projects must also be approved by the City Council.”</p>
Condition	<p>The expenditures for PCLRF’s Project Code 440-01 Street Resurfacing in the total amount of \$339,432 was in excess of 10% of the original approved contract of \$284,304 by the amount of \$26,698. While a Change Order was prepared, there was no City Council approval authorizing the excess in accordance with the Purchasing Policy requirement. Although the City did not receive the City Council’s approval, the excess was determined to be allowable reasonable, and allocable expenditures for the PCLRF’s project.</p>
Cause	<p>The submittal of the Change Order for the City Council’s approval was overlooked by the City.</p>
Effect	<p>The costs claimed under the PCLRF project exceeding 10% of the original approved contract amount without the City Council’s authorization does not comply to the Purchasing policy of the City’s Accounting Policies and Procedures Manual.</p>
Recommendation	<p>We recommend that the City implement internal controls that will strictly enforce compliance with its Purchasing policy that any excess of 10% of the original approved contract amount receive proper approval from the City Council.</p>
Management’s Response	<p>The City has prepared a draft of the Council Agenda item for the Change Order which will be presented to the City Council for proper approval on December 18, 2017. In addition, the concerned City personnel were reminded of the Purchasing Policy requirements to ensure that all projects with change orders of 10% above the amount of bid price have the City Council’s authorization and approval.</p>

EXIT CONFERENCE

CITY OF LA VERNE

PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE

June 30, 2017

An exit conference was held on November 30, 2017 via telephone conference. Those in attendance were:

Simpson & Simpson Representative:

Elizabeth Mendoza, Senior Auditor

City's Representative:

Yolanda Karraa, Finance Consultant

Christy Lopez, Accountant

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue with LACMTA's Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Christy Lopez, Accountant

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF LA VERNE ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016.

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 for the City of La Verne and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date