

***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, 2016 AND 2015***



Simpson & Simpson, LLP  
Certified Public Accountants

***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 year ended June 30, 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 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 of 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, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The financial statements of the PALRF, PCLRF, MRLRF, and TDAA3F as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated December 21, 2015, expressed an unmodified opinion on those statements.

### ***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, 2016 and 2015, 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 Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated October 7, 2016, 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
October 7, 2016

***CITY OF LA VERNE***

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 489,176	\$ 454,434
Interest receivable	<u>1,081</u>	<u>695</u>
Total assets	<u>\$ 490,257</u>	<u>\$ 455,129</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 78,933	\$ 56,900
Accrued salaries and benefits	<u>308</u>	<u>1,159</u>
Total liabilities	<u>79,241</u>	<u>58,059</u>
 <b>Fund Balance</b>		
Restricted	<u>411,016</u>	<u>397,070</u>
Total fund balance	<u>411,016</u>	<u>397,070</u>
 Total liabilities and fund balance	<u>\$ 490,257</u>	<u>\$ 455,129</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>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Proposition A	\$ 581,724	\$ 566,654
Interest income	<u>4,038</u>	<u>2,133</u>
Total revenues	<u>585,762</u>	<u>568,787</u>
<b>EXPENDITURES</b>		
Various projects	<u>571,816</u>	<u>534,636</u>
Total expenditures	<u>571,816</u>	<u>534,636</u>
Excess of revenues over expenditures	13,946	34,151
Fund balance at beginning of year	<u>397,070</u>	<u>362,919</u>
Fund balance at end of year	\$ <u><u>411,016</u></u>	\$ <u><u>397,070</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, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
120-10	Get About Pass Subsidy	\$ 6,500	\$ 4,965	\$ 1,535	\$ 6,970
130-02	Get About Paratransit	186,615	186,616	(1)	170,855
140-13	Recreational Excursions	20,500	24,762	(4,262)	24,830
250-09	Senior Bus Pass Subsidy	1,200	954	246	1,360
250-11	Metrolink Pass Subsidy	49,000	38,731	10,269	39,825
250-12	Bus Pass Subsidy (FHT)	5,500	5,234	266	7,719
290-12	SGV Council of Governments	5,300	5,300	-	5,300
405-20	Proposition A Fund Trade City of Industry (Note 7)	-	-	-	250,000
405-20	Proposition A Fund Exchange City of West Hollywood (Note 7)	280,000	280,000	-	-
480-01	Administration	22,451	25,254	(2,803)	27,777
	Total expenditures	<u>\$ 577,066</u>	<u>\$ 571,816</u>	<u>\$ 5,250</u>	<u>\$ 534,636</u>

See accompanying independent auditor's report.

***CITY OF LA VERNE***

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
None		\$ <u>          </u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
	Total	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>

See accompanying independent auditor's report.

***CITY OF LA VERNE***

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 897,854	\$ 976,837
Interest receivable	<u>2,705</u>	<u>1,683</u>
Total assets	<u>\$ 900,559</u>	<u>\$ 978,520</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 21,119	\$ 18,398
Accrued salaries and benefits	<u>1,439</u>	<u>3,154</u>
Total liabilities	<u>22,558</u>	<u>21,552</u>
 <b>Fund Balance</b>		
Restricted	<u>878,001</u>	<u>956,968</u>
Total fund balance	<u>878,001</u>	<u>956,968</u>
 Total liabilities and fund balance	<u>\$ 900,559</u>	<u>\$ 978,520</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

	2016	2015
<b>REVENUES</b>		
Proposition C	\$ 483,269	\$ 470,950
Interest income	11,937	5,841
Rental income	-	35,000
Total revenues	<u>495,206</u>	<u>511,791</u>
<b>EXPENDITURES</b>		
Various projects	<u>574,173</u>	<u>341,896</u>
Total expenditures	<u>574,173</u>	<u>341,896</u>
(Deficiency) excess of revenues over expenditures	(78,967)	169,895
Fund balance at beginning of year	<u>956,968</u>	<u>787,073</u>
Fund balance at end of year	<u><u>\$ 878,001</u></u>	<u><u>\$ 956,968</u></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, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
130-02	Get About Paratransit	\$ 186,615	\$ 186,615	\$ -	\$ 170,856
140-06	Community Education	23,000	23,000	-	23,000
150-01	Bus Stop Improvements	7,000	-	7,000	54,082
160-14	Bus Stop Maintenance	10,568	10,994	(426)	10,166
200-03	Get About Capital Outlay	20,200	20,200	-	20,000
270-01	Gold Line Plaza Design	30,000	-	30,000	-
270-02	Infrastructure Financing District-Future Gold Line Station	20,000	14,382	5,618	-
280-15	Community Newsletter	4,000	4,000	-	4,000
290-13	Purchase of Parking Spaces for Public Carpooling	253,980	253,980	-	-
310-07	Transit Store Annex	27,004	27,073	(69)	32,368
410-08	Transportation Demand Management	1	-	1	-
460-01	"D" & Dover Traffic Signal	1	-	1	-
460-02	Street Resurfacing	200,000	-	200,000	-
480-04	Administration	33,342	33,929	(587)	27,424
	Total expenditures	<u>\$ 815,711</u>	<u>\$ 574,173</u>	<u>\$ 241,538</u>	<u>\$ 341,896</u>

See accompanying independent auditor's report.

**CITY OF LA VERNE**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
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		\$ 193,743	\$ 32,396	\$ -	\$ 226,139

See accompanying independent auditor's report.

***CITY OF LA VERNE***

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 262,553	\$ 248,349
Interest receivable	<u>599</u>	<u>605</u>
Total assets	\$ <u><u>263,152</u></u>	\$ <u><u>248,954</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>263,152</u>	<u>248,954</u>
Total fund balance	<u>263,152</u>	<u>248,954</u>
Total liabilities and fund balance	\$ <u><u>263,152</u></u>	\$ <u><u>248,954</u></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>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Measure R	\$ 362,112	\$ 352,599
Interest income	<u>2,086</u>	<u>2,954</u>
Total revenues	<u>364,198</u>	<u>355,553</u>
<b>EXPENDITURES</b>		
Various projects	<u>350,000</u>	<u>637,064</u>
Total expenditures	<u>350,000</u>	<u>637,064</u>
Excess (deficiency) of revenues over expenditures	14,198	(281,511)
Fund balance at beginning of year	<u>248,954</u>	<u>530,465</u>
Fund balance at end of year	\$ <u><u>263,152</u></u>	\$ <u><u>248,954</u></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, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
01-001	Virginia Ave Street Rehabilitation	\$ -	\$ -	\$ -	\$ 335,286
01-002	Street Repair and Maintenance-Old Ranch Road Area- ARAM	-	-	-	301,778
1.05	Calle Aragon Neighborhood ARAM Project	350,000	350,000	-	-
	Total expenditures	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 637,064</u>

See accompanying independent auditor's report.

***CITY OF LA VERNE***

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>9,222</u>	\$ <u>-</u>
Total assets	\$ <u><u>9,222</u></u>	\$ <u><u>-</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>4,050</u>	\$ <u>-</u>
Total liabilities	<u>4,050</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>5,172</u>	<u>-</u>
Total fund balance	<u>5,172</u>	<u>-</u>
 Total liabilities and fund balance	\$ <u><u>9,222</u></u>	\$ <u><u>-</u></u>

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>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Payment from prior years reserve	\$ 87,785	\$ -
Interest income	<u>120</u>	<u>1</u>
Total revenues	<u>87,905</u>	<u>1</u>
<b>EXPENDITURES</b>		
Handicap Barrier Removal	<u>82,733</u>	<u>-</u>
Total expenditures	<u>82,733</u>	<u>-</u>
<b>OTHER FINANCING USE</b>		
Funds returned to LACMTA, including interest	<u>-</u>	<u>(377)</u>
Excess (deficiency) of revenues over expenditures	5,172	(376)
Fund balance at beginning of year	<u>-</u>	<u>376</u>
Fund balance at end of year	\$ <u><u>5,172</u></u>	\$ <u><u>-</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, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
Handicap Barrier Removal	2015-16	\$ <u>87,785</u>	\$ <u>82,733</u>	\$ <u>5,052</u>	Complete
Total		\$ <u><u>87,785</u></u>	\$ <u><u>82,733</u></u>	5,052	
Unexpended interest accumulated to date				120	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				\$ <u><u>5,172</u></u>	

See accompanying independent auditor's report.

## ***CITY OF LA VERNE***

### **NOTES TO FINANCIAL STATEMENTS** **For the Fiscal Years Ended June 30, 2016 and 2015**

#### **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 of "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, 2016 and 2015 (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 categorizes 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 recognizes unrealized gain (loss) on investments.

Refer to the City's 2016 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, 2016:

- 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, 2016 and 2015**  
**(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 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 City of West Hollywood on October 19, 2015.

In fiscal year 2015, the City entered into an agreement on August 2014 with the City of Industry to exchange \$1 of Proposition A Local Return funds for every \$.75 (or 75 cents) of General Fund monies. Accordingly, the City received \$250,000 of the City of Industry's General Funds on and assigned \$187,000 of its Proposition A Local Return funds to City of Industry.



**CITY OF LA VERNE**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2016 and 2015  
(Continued)

**NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2011-12 allocation	\$ 16,419	\$ -
FY 2012-13 allocation	24,238	-
FY 2013-14 allocation	25,972	-
FY 2014-15 allocation	21,156	-
FY 2015-16 allocation	-	-
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, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2011-12 allocation	\$ -	\$ 16,419
FY 2012-13 allocation	-	24,238
FY 2013-14 allocation	-	25,972
FY 2014-15 allocation	-	21,156
FY 2015-16 allocation	20,546	-
Available reserve balance	\$ 20,546	\$ 87,785

**NOTE 10 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through October 7, 2016, 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  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
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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 Transportation 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 (TDAA3F) Fund of the City of La Verne, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2016.

**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 any 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 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) are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
October 7, 2016

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## *COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
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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 Transportation 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, 2016.

### ***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 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 (TDAA3F) Fund for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Nos. 2016-001 and 2016-002. Our opinion on each local return program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

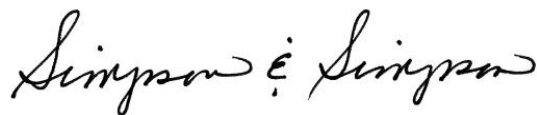
### **Report on Internal Control Over Compliance**

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 the 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.



Los Angeles, California  
October 7, 2016

**CITY OF LA VERNE**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016

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	
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	See Finding No. 2016-001 on the Schedule of Findings and Questioned Costs.
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, 2016  
(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.	Fund 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, 2016  
(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	\$5,172	See Finding No. 2016-002 on the Schedule of Findings and Questioned Costs.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

***CITY OF LA VERNE***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2016**

**PCLRF: Finding No. 2016-001**

Compliance Reference	According to Proposition A & C Guidelines, Section II, 1.3, Recreational Transit Service: "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15th after the fiscal year."
Condition	The City did not meet the October 15, 2016 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 3, 2016.
Cause	The Community Services Administrator who was responsible for the submission of the listing was not able to submit the form to LACMTA by its due date.
Effect	The City's Listing of Recreational Transit Services was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services listing is properly prepared and submitted before the due date of October 15 <sup>th</sup> so that the City's expenditures of the Proposition C Local Return Fund will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The Finance Department will coordinate with the Community Services Administrator to ensure that the Listing of Recreational Transit Services form is submitted by October 15 <sup>th</sup> of each year. The Finance Department will verify that the Recreational Transit Form has been submitted to MTA in a timely manner.

***CITY OF LA VERNE***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2016

(Continued)

**TDAA3F: Finding No. 2016-002**

Compliance Reference	According to the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Article 3 Bicycle and Pedestrian Funds, Funding and Allocation Guidelines: “ Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated.”
Condition	As of June 30, 2016, the City had an unspent TDA 3 ending fund balance of \$5,172 which includes interest income of \$120. The remaining funds were not placed on a reserve account with the County Auditor-Controller as required by the guidelines.
Cause	According to the City’s Project Administrator, the project was expected to cost more than the amount drawn down since the City’s General Fund was covering the difference. However, when the Handicap Barrier Removal project was completed, the actual expenditures incurred were determined to be less than the estimated cost.
Effect	The City is not in compliance with the requirements of the Guidelines. The total questioned costs is \$5,172, including interest of \$120.
Recommendation	In accordance with the Guidelines, we recommend that the City return to LACMTA the unspent fund plus interest of \$5,172. In addition, we recommend that the City establish controls to ensure that it only draws down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to LACMTA to be placed on reserve for the City as required by the Guidelines.
Management’s Response	The City plans to return the unspent TDA 3 funds plus interest totaling \$5,172 to LACMTA to be placed on reserve on December 21, 2016.

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***EXIT CONFERENCE***

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***CITY OF LA VERNE***

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

June 30, 2016

An exit conference was held on December 21, 2016 via telephone conference. Those in attendance were:

***Simpson & Simpson Representative:***

Elizabeth Mendoza – Senior Auditor

***City's Representative:***

Richard Martinez – Finance Director

Christy Lopez - Accountant

***Matters Discussed:***

Results of the audit disclosed two (2) non-compliance issues 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:

Richard Martinez – Finance Director

Christy Lopez - Accountant