

***POMONA VALLEY TRANSPORTATION AUTHORITY
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A
DISCRETIONARY INCENTIVE GRANT
(SCHEDULE OF EXPENDITURES)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***



POMONA VALLEY TRANSPORTATION AUTHORITY

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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report

To the Board of Directors of the Pomona Valley Transportation Authority
and the Los Angeles County Metropolitan Transportation Authority

Report on the Schedule

We have audited the accompanying schedule of expenditures as defined by the Proposition A Discretionary Incentive Grant Guidelines and Memorandum of Understanding (MOU.PA12PVT2) dated July 1, 2011 between Pomona Valley Transportation Authority (PVTA), as grantee, and the Los Angeles County Metropolitan Transportation Authority, as grantor for the year ended June 30, 2015 and the related notes to the schedule of expenditures.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. 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 schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 schedule.

As discussed in Notes 3 & 4, the schedule of expenditures based on contractual agreements and guidelines was tested for compliance with the MOU.PA12PVT2 and the Proposition A Incentive Program Guidelines.





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

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the expenditures by Grantee for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America, and on the basis of the guidelines, described in Notes 3 & 4.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2015 on our consideration of the PVTA's internal control over financial reporting which includes any of its elements (schedule of expenditures) 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 the schedule of expenditures and compliance and the results of that testing, and not to provide an opinion on internal control over the schedule of expenditures or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Los Angeles, California
November 29, 2015

POMONA VALLEY TRANSPORTATION AUTHORITY
PROPOSITION A DISCRETIONARY INCENTIVE GRANT
ELEMENTS OF FINANCIAL STATEMENTS
SCHEDULE OF EXPENDITURES
(Annual Fundmark)

June 30, 2015

Brief Description	Reported Amount	Adjustment	Audited Amount
A) Annual Fundmark established by Grantor (Note 2) *	\$ 650,993	\$ -	\$ 650,993
B) Actual amount billed by Grantee and committed (Note 4)	<u>647,992</u>	<u>-</u>	<u>647,992</u>
Lesser of A) Annual Fundmark or B) Actual amount billed & committed **	<u>\$ 647,992</u>	<u>\$ -</u>	<u>\$ 647,992</u>

* Each fiscal year to the extent program funds are available, grantor will develop funding marks for the Sub-Regional Paratransit Program

** Grantee's amount earned is limited to 25% of net operating costs or 25% of Annual Fundmark as determined on a quarterly basis

See accompanying independent auditor's report.

POMONA VALLEY TRANSPORTATION AUTHORITY

PROPOSITION A DISCRETIONARY INCENTIVE GRANT

SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES

(Total Expenditures)

June 30, 2015

Brief Description	Reported Expenditure	Adjustment	Audited Amount
Total Expenditures - Identified as Net Operating Costs *	\$ 2,827,064	\$ -	\$ 2,827,064
Prop A Incentive Guidelines maximum % that can be earned by Grantee	<u>x 25%</u>	<u>x 25%</u>	<u>x 25%</u>
A) Grantee's - Proposition A Discretionary Incentive Grant (Limitation)	706,766	-	706,766
B) Grantee's Actual amount billed to MTA	<u>647,992</u>	<u>-</u>	<u>647,992</u>
Lesser of A) 25% of Net Operating Costs or B) Actual amount billed **	<u>\$ 647,992</u>	<u>\$ -</u>	<u>\$ 647,992</u>

* Grantee contracts with Diversified Transportation, LLC. and Keolis/First Transit to administer the operations of PVTA, which includes the Pomona Valley Elderly & Disabled (Get About) and General Public (VC) programs.

** Grantee's expenditures are limited to the amount of funds billed.

See accompanying independent auditor's report.

POMONA VALLEY TRANSPORTATION AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES

For the Fiscal Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pomona Valley Transportation Authority (PVTA) is located in La Verne, California. PVTA was formed to provide and administer public transportation services to the residents of the Pomona Valley.

PVTA is a public entity organized in 1977 pursuant to Section 6500 of the Government Code of the State of California. The formation of PVTA is as a joint powers authority (JPA) whose members consist of the City of Claremont, the City of La Verne, the City of Pomona and the City of San Dimas. PVTA operates under a form of government, with the Board being comprised of two Directors appointed from each participating member.

Fund Accounting

The operations of the Proposition A Discretionary Incentive Grant are accounted for in a separate set of self-balancing accounts that comprise its revenues and expenditures.

Proposition A incentive program earmarks 5% of the 40% Proposition A Discretionary funds, which are distributed to eligible applicants based on funding priorities and subject to fund availability. The funds are used for varied transportation needs that encourage and develop an integrated transportation system.

Basis of Accounting

The operations of the PVTA are accounted for as an enterprise fund which uses the accrual basis of accounting. Accordingly, expenditures are recorded at the time liabilities are incurred.

NOTE 2 – ANNUAL FUNDMARK

PVTA (Grantee) has been established and has met the eligibility criteria as a First Priority Applicant for being identified as a Sub-Regional paratransit participant and therefore is eligible to receive on a quarterly basis up to 25% of their net operating cost.

Each fiscal year, the Los Angeles County Metropolitan Transportation Authority (grantor) will establish an “annual fundmark” for the Grantee’s share of the Program Funds for the Sub-Regional Paratransit Program to the extent funds are available.

POMONA VALLEY TRANSPORTATION AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES

For the Fiscal Year Ended June 30, 2015

(Continued)

NOTE 2 – ANNUAL FUNDMARK (CONTINUED)

As such, the grantor approved the annual allocation in the total amount of \$650,993 in FY 2014-15 to the Grantee based on FY 2013-14 services and funding levels.

Program	Amount
Elderly & Disabled (Get About)	\$ 569,395
General Public (VC)	81,598
Total annual allocation	\$ 650,993

NOTE 3 – GENERAL AND ADMINISTRATIVE CONDITIONS

Memorandum of Understanding

On July 1, 2011, Metro and the Grantee entered into a Memorandum of Understanding (MOU.PA07PVT2), which is effective through June 30, 2016.

In accordance with the MOU, the Grantee must abide by the following restrictions in the agreement.

- 1) Grantee shall use program funds to provide certain specialized transportation services known as the Pomona Valley Transportation Authority Elderly & Disabled (Get About) and General Public (VC) Program.
- 2) Grantee shall document coordination activities with existing transit service and with participating local governments. This documentation shall consist of executed agreements, joint resolutions, and / or approved implementation plans.
- 3) Grantee shall submit invoice quarterly requesting reimbursement. Grantor shall pay 25% of the reasonable and allowable costs not to exceed the annual allocation.

POMONA VALLEY TRANSPORTATION AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES

For the Fiscal Year Ended June 30, 2015

(Continued)

NOTE 4 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT

Recording

For the FY 2014-15 the Grantee billed MTA quarterly reimbursements amounting to \$647,992, which represents the lesser of the Annual Fundmark of \$650,993 or \$706,766 which is 25 percent of net operating costs (\$2,827,064) for the Grantee's Get About and VC Program.

A Proposition A Discretionary Incentive Grant amounting to \$647,992 for the fiscal year ended June 30, 2015 was recorded under the Proposition A Discretionary Incentive Grant.

Compliance

The incentive funds were used to supplement Prop A and Prop C operating expenses to pay for transit services operated by Diversified Transportation, LLC, and Keolis who also operated the Pomona Valley Transportation Authority's Get About and VC Programs, which are eligible projects under the Proposition A Discretionary Incentive Grant Guidelines. In December 2013, PVTA changed contractors from Keolis to First Transit Inc.

NOTE 5 – SUBSEQUENT EVENTS

The PVTA has evaluated events or transactions that occurred subsequent to June 30, 2015 through November 29, 2015, the date the accompanying schedule of expenditures 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 schedule of expenditures.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**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 Board of Directors of the Pomona Valley Transportation Authority
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 accompanying schedule of expenditures (schedule) as defined by the Proposition A Discretionary Incentive Grant Guidelines and Memorandum of Understanding (MOU.PA12PVT2) dated July 1, 2011 between Pomona Valley Transportation Authority (PVTA), as grantee, and the Los Angeles County Metropolitan Transportation Authority, as grantor for the year ended June 30, 2015, and have issued our report thereon dated November 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the schedule, we considered the PVTA'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 accompanying schedule of expenditures, but not for the purpose of expressing an opinion on the effectiveness of the PVTA's internal control over the schedule of expenditures. Accordingly, we do not express an opinion on the effectiveness of the PVTA's internal control over the schedule of expenditures.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the PVTA's schedule of expenditures 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 over the schedule 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 the schedule that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over the schedule 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 PVTA's schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,





and grant agreements, noncompliance with which could have a direct and material effect on the determination of the schedule 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 instance 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 intended solely to describe the scope of our testing of internal control over the schedule and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over the schedule 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 over the schedule of expenditures 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 29, 2015

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report On Compliance

To the Board of Directors of the Pomona Valley Transportation Authority
and the Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the compliance of the Pomona Valley Transportation Authority (PVTA) with the Proposition A Discretionary Incentive Grant Guidelines and Memorandum of Understanding (MOU.PA12PVT2) dated July 1, 2011 for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the PVTA'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 Proposition A Discretionary Incentive Grant program occurred. An audit includes examining, on a test basis, evidence about PVTA'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. Our audit does not provide a legal determination of PVTA's compliance with those requirements.

Opinion

In our opinion, as noted in the Compliance Matrix, the Pomona Valley Transportation Authority complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Discretionary Incentive Grant for the year ended June 30, 2015.

This report is intended solely for the information and use of the Pomona Valley Transportation Authority and the Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
November 29, 2015



POMONA VALLEY TRANSPORTATION AUTHORITY
COMPLIANCE MATRIX
Year Ended June 30, 2015

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A Discretionary Incentive Grant				
1. Memorandum of Understanding covers the period under Audit	X		None	
2. Expenditures were used for projects in accordance with Contractual Agreement	X		None	
3. Joint Powers Authority - Governing Body has earmarked funds / committed funds.	X		None	
4. Maintenance of effort more than 1/2 of allocated Proposition A and Proposition C Local Return Funds were spent or encumbered as of the year ending date	N/A		None	Not Applicable, PVTA did not receive any Local Return Funds.
5. Grant did not exceed 25% of Total Operating Costs	X		None	
B. Memorandum of Understanding				
1. Amount received did not exceed Annual Fundmark	X		None	
2. Accounting records and documentation sufficient enough to prepare financial statements (schedule of expenditures)	X		None	

POMONA VALLEY TRANSPORTATION AUTHORITY
COMPLIANCE MATRIX
Year Ended June 30, 2014
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
3.	Ability to demonstrate that funds were spent on operating subsidies. Received the lesser of 25% of Annual Fundmark or 25% of Dial-A-Ride net operating costs.	X		None	

EXIT CONFERENCE

POMONA VALLEY TRANSPORTATION AUTHORITY

PROPOSITION A DISCRETIONARY INCENTIVE GRANT

EXIT CONFERENCE

June 30, 2015

An exit conference was held on December 7, 2015 with the Pomona Valley Transportation Authority (PVTA). Those in attendance were:

Simpson & Simpson Representative:

Caprice McGuire, Staff Auditor

PVTA's Representative:

George Sparks, Administrator

Matters Discussed:

Results of the audit disclosed no significant financial or compliance issues.

A copy of this report was forwarded to the following PVTA representative for their comments prior to the issuance of the final report:

George Sparks, Administrator