



MetroTM

**City of Diamond Bar
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2015 and 2014
with Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

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FINANCIAL SECTION

Report of Independent Auditors

**To the Honorable Members of the City Council of the
City of Diamond Bar, 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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Diamond Bar, California (the City) which comprise the Funds' balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenditures and changes in fund balance for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 audits 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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Diamond Bar, California, as of June 30, 2015 and 2014, and the respective changes in 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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic 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 each of the Funds' basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vaguez & Company LLP".

**Los Angeles, California
December 17, 2015**

City of Diamond Bar
Proposition A Local Return Fund
Balance Sheets

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	437,930	\$ 495,000
Total assets	\$	437,930	\$ 495,000
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	32,192	\$ 190,260
Accrued payroll		3,141	2,268
Total liabilities		35,333	192,528
Fund balance			
Restricted		402,597	302,472
Total fund balance		402,597	302,472
Total liabilities and fund balance	\$	437,930	\$ 495,000

See notes to financial statements.

City of Diamond Bar
 Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Proposition A	\$ 992,127	\$ 952,101
Investment income	3,362	6,932
Project generated revenue - bus pass sales	964,919	1,004,134
Total revenues	1,960,408	1,963,167
Expenditures		
Various projects	1,860,283	2,325,111
Total expenditures	1,860,283	2,325,111
Excess (deficiency) of revenues over expenditures	100,125	(361,944)
Fund balance at beginning of year	302,472	664,416
Fund balance at end of year	\$ 402,597	\$ 302,472

See notes to financial statements.

City of Diamond Bar
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2015
Actual for 2014

Project Code	Project Name	2015			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
140-01	Recreation Transit	\$ 91,700	\$ 80,964	\$ 10,736	\$ 67,757
140-04	Holiday Ride	5,000	-	5,000	-
170-01	Senior and Disabled Dial-A-Cab Computer Hardware Enhancement	12,500	-	12,500	-
210-01	Traffic Signal Infrastructure Upgrades	230,000	-	230,000	-
230-01	Transit Security	1,500	423	1,077	1,439
250-01	Transit Subsidy Program	300,000	1,232,530	(932,530) ^a	1,284,350
270-02	Development of Online Transit Pass Sales	-	-	-	10,171
270-08	Fairway Drive Grade Separation Project - TMP Review	18,260	-	18,260	-
405-02	Proposition A Local Return Fund Exchange	450,000	450,000	-	800,000
470-01	Pavement and Traffic Management Systems Software	750	-	750	-
480-01	Administration	161,390	79,446	81,944	144,564
480-02	Transportation Planning (SCVCOG) (Prev 01-270)	17,000	16,920	80	16,830
Total expenditures		\$ 1,288,100	\$ 1,860,283	\$ (572,183)	\$ 2,325,111

^a The actual variance after considering other funding sources is calculated as follows:

LACMTA budget	\$ 300,000
Total expenditures	\$ 1,232,530
Less: Project generated revenue - bus pass sales	<u>(964,919)</u>
PALRF expenditures	<u>267,611</u>
Actual variance - positive	<u>\$ 32,389</u>

See report of independent auditors.

City of Diamond Bar
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
6/19/14	Computer Hardware/Equipment	\$ -	\$ 12,500 *	\$ -	\$ 12,500
	Total	\$ -	\$ 12,500	\$ -	\$ 12,500

* This capital asset was funded by PALRF but was not previously included in the Schedule of Capital Assets.

See report of independent auditors.

**City of Diamond Bar
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	461,957	\$ 1,045,982
Due from LACMTA		-	71,682
Total assets	\$	461,957	\$ 1,117,664
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	50,390	\$ 46,007
Accrued payroll		6,762	7,314
Total liabilities		57,152	53,321
Fund balance			
Restricted		404,805	1,064,343
Total fund balance		404,805	1,064,343
Total liabilities and fund balance	\$	461,957	\$ 1,117,664

See notes to financial statements.

City of Diamond Bar
 Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Proposition C	\$ 825,931	\$ 792,581
Investment income	8,642	9,486
Total revenues	834,573	802,067
Expenditures		
Various projects	1,494,111	1,043,752
Total expenditures	1,494,111	1,043,752
Deficiency of revenues over expenditures	(659,538)	(241,685)
Fund balance at beginning of year	1,064,343	1,306,028
Fund balance at end of year	\$ 404,805	\$ 1,064,343

See notes to financial statements.

City of Diamond Bar
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2015
Actual for 2014

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
130-02	Senior and Disabled Dial-A-Cab	\$ 575,000	\$ 443,956	\$ 131,044	\$ 568,210
150-01	Copley Drive Bus Stop Relocation	-	-	-	12,147
210-01	Traffic Signal Infrastructure Upgrades	70,000	-	70,000	-
400-43	Traffic Signal Battery Back-up Updates	150,000	137,613	12,387	30,671
400-45	Citywide Traffic Signal Timing Plan Updates	35,000	-	35,000	8,400
400-49	Diamond Bar Intelligent Transportation System ITS	175,734	184,994	(9,260)	185,488
440-01	Zone 7 Arterial Street Maintenance	-	-	-	146,922
450-01	Grand Avenue Enhancement	446,420	500,020	(53,600)	-
450-02	Brea Canyon and Brea Canyon Street Improvements	91,270	20,505	70,765	-
450-05	Median Modification - Grand / Summitridge	-	-	-	28,073
450-06	Median Modification (Diamond Bar Blvd/Silver Hawk)	-	-	-	42,324
450-07	Median Modification (Diamond Bar Blvd/Kiowa Crest)	41,000	36,722	4,278	-
470-01	Pavement and Traffic Management Systems Software	5,200	-	5,200	9,080
470-02	Arterial Slurry Seal/Overlay - Zone 1	225,300	170,301	54,999	12,437
Total expenditures		\$ 1,814,924	\$ 1,494,111	\$ 320,813	\$ 1,043,752

See report of independent auditors.

City of Diamond Bar
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
1/3/13	CCTV Cameras-Traffic Signal Management	\$ 111,549	\$ -	\$ -	\$ 111,549
8/14/14	Med Mods - DBB/Kiowa Crest	-	44,302	-	44,302
8/14/14	TS - Battery Backup System	-	167,002	-	167,002
2/25/15	DBB/BCR Enhancements	-	20,505	-	20,505
2/28/15	Grand Avenue Enhancements	-	500,020	-	500,020
Total		<u>\$ 111,549</u>	<u>\$ 731,829</u>	<u>\$ -</u>	<u>\$ 843,378</u>

See report of independent auditors.

**City of Diamond Bar
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	717,620	\$ 903,258
Total assets	\$	717,620	\$ 903,258
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		717,620	903,258
Total fund balance		717,620	903,258
Total liabilities and fund balance	\$	717,620	\$ 903,258

See notes to financial statements.

City of Diamond Bar
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Measure R	\$ 617,347	\$ 589,378
Investment income	5,556	6,224
Total revenues	622,903	595,602
Expenditures		
Various projects	808,541	549,629
Total expenditures	808,541	549,629
Excess (deficiency) of revenues over expenditures	(185,638)	45,973
Fund balance at beginning of year	903,258	857,285
Fund balance at end of year	\$ 717,620	\$ 903,258

See notes to financial statements.

City of Diamond Bar
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2015
Actual for 2014

Project Code	Project Name	2015			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Comprehensive Groundwater Drainage Study	\$ 100,000	\$ 68,113	\$ 31,887	\$ -
1.05	Grand Avenue Enhancement Project	59,675	700	58,975	58,975
1.05	Residential and Collector Street Rehabilitation - Area 2	703,271	703,271	-	-
1.05	Residential and Collector Street Rehabilitation - Area 3	611,120	36,457	574,663	-
1.05	Residential Slurry Seal - Area 1B	-	-	-	488,546
1.20	Diamond Bar Blvd at Clear Creek Canyon	-	-	-	(1,292)
2.03	Traffic Signal Infrastructure Upgrades	45,000	-	45,000	-
2.29	Neighborhood Traffic Management Mitigations	34,000	-	34,000	3,400
Total expenditures		\$ 1,553,066	\$ 808,541	\$ 744,525	\$ 549,629

See report of independent auditors.

City of Diamond Bar
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2015

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
7/1/13	Median Modification - DBB/Clear Creek	\$ 36,796	\$ -	\$ -	\$ 36,796
12/31/14	Traffic Management Program	-	3,400	-	3,400
2/28/15	Grand Avenue Enhancements	-	59,675	-	59,675
Total		<u>\$ 36,796</u>	<u>\$ 63,075</u>	<u>\$ -</u>	<u>\$ 99,871</u>

See report of independent auditors.

City of Diamond Bar
 Transportation Development Act Article 3 Fund
 Balance Sheets
 Pursuant to Public Utilities Code Section 99234

		June 30	
		2015	2014
ASSETS			
Cash		\$ -	\$ -
	Total assets	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ -	\$ -
	Total liabilities	-	-
Commitments and contingencies		Note 8	
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities and fund balance	\$ -	\$ -

See notes to financial statements.

City of Diamond Bar
Transportation Development Act Article 3 Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Pursuant to Public Utilities Code Section 99234

	Years ended June 30	
	2015	2014
Revenues		
Intergovernmental Allocations:		
Article 3	\$ -	\$ -
Investment income	-	-
Total revenues	-	-
Expenditures		
Construction/Maintenance	-	32,000
Total expenditures	-	32,000
Deficiency of revenues over expenditures	-	(32,000)
Other financing use		
Funds returned to LACMTA, including interest	-	(37,082)
Deficiency of revenues over expenditures and other financing uses	-	(69,082)
Fund balance at beginning of year	-	69,082
Fund balance at end of year	\$ -	\$ -

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations 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) (collectively, the Funds) 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 is derived from 15% of a county-wide 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 pooled with other City monies in the Special Revenue Fund. The Special Revenue Fund accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting

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.

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.

Unrealized Gain (Loss) on Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, local governments are required to use fair value (instead of amortized costs) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain (loss) on investments.

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 do not purport to, and do not present fairly the City's financial position as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

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. See accompanying Compliance Matrix.

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

The Measure R Ordinance specifies that Local Return (LR) funds be used exclusively for transportation purposes.

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. See accompanying Compliance Matrix.

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. See accompanying Compliance Matrix.

NOTE 6 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF and TDAA3F cash and investment 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 monthly balances to the total of the pooled cash and investments.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 7 PROPOSITION A FUND EXCHANGE

In November 2014, as permitted under the Guidelines and as approved by the LACMTA, the City entered into an agreement with the City of Industry to exchange \$450,000 of the City's uncommitted PALRF monies for \$337,500 General Fund monies or \$0.80 General Fund per \$1 of PALRF.

NOTE 8 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of June 30, 2015 and 2014, the City has funds on reserve as follows:

		2015		2014
FY 2010/11 reserve	\$	-	\$	7,679
FY 2011/12 reserve		29,403		29,403
FY 2012/13 reserve		43,423		43,423
FY 2013/14 reserve		45,463		45,463
FY 2014/15 allocation		37,028		-
Available reserve balance	\$	155,317	\$	125,968

There were no TDA Article 3 funds drawn down during FY 2014/15 and FY 2013/14.

For FY 2014/15, any TDA Article 3 funds left on reserve for FY 2010/11 or prior, are subject to lapse if not claimed by the City by June 30, 2015. As of June 30, 2015, \$7,679 of the reserved fund lapsed.

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 17, 2015, the date the financial statements were available to be issued, and concluded that no events have occurred that require disclosure in or adjustments to the financial statements.

**Report of Independent Auditors 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 Diamond Bar, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Diamond Bar, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2015.

Internal Control over Financial Reporting

In planning and performing our audits of the Funds' 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 Funds' 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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 Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Los Angeles, California
December 17, 2015

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

**To the Honorable Members of the City Council of the
City of Diamond Bar, California and the
Los Angeles County Metropolitan Transportation Authority**

Report on Compliance

We have audited the compliance of the City of Diamond Bar, California (the 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 Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditors' 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 the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, and Transportation Development Act Article 3 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 with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion

In our opinion, the City of Diamond Bar, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 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 might 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 or significant deficiencies 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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vagueney & Company LLP".

Los Angeles, California
December 17, 2015

**City of Diamond Bar
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	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 approved before being incurred.	X		None	
3. Expenditures did not exceed 25% of LACMTA's approved budget.	X		None	
4. Administrative expenses are within the 20% cap.	X		None	
5. All on-going and carryover projects were reported on Form B.	X		None	
6. Annual Project Summary Report (Form B) was submitted on time.	X		None	
7. Annual Expenditure Report (Form C) was submitted on time.	X		None	
8. Cash or cash equivalents are maintained.	X		None	
9. Accounting procedures, record keeping and documentation are adequate.	X		None	
B. Measure R Local Return Fund				
1. Funds were expended for transportation purposes.	X		None	
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X		None	
3. Signed Assurances and Understandings on file.	X		None	
4. Separate Measure R Local Return Account was established.	X		None	
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	

**City of Diamond Bar
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
B. Measure R Local Return Fund (Continued)				
6. Funds were expended with LACMTA's approval.	X		None	
7. Expenditure Plan (Form One) was submitted on time.	X		None	
8. Expenditure Report (Form Two) was submitted on time.	X		None	
9. Timely use of funds.	X		None	
10. Administrative expenses are within the 20% cap.	X		None	
11. Fund exchanges were approved by LACMTA.				Not applicable.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.				Not applicable.
13. Recreational transit form was submitted on time.				Not applicable.
C. Transportation Development Act Article 3 Fund				
1. Timely use of funds.	X		None	
1. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.				Not applicable. There were no expenditures in FY 2014/15.

EXIT CONFERENCE

An exit conference was held on December 22, 2015 with City of Diamond Bar representatives. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Manager

City of Diamond Bar representatives:
Dianna Honeywell – Finance Director
Susan Full – Senior Accountant

Matters discussed:

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

A copy of this report was forwarded to the following City of Diamond Bar representatives for comments prior to the issuance of the final report:

Dianna Honeywell – Finance Director
Susan Full – Senior Accountant



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