



MetroTM

**City of La Verne
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 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, 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 La Verne, 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 La Verne, 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 21, 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.

Los Angeles, California
December 21, 2015

**City of La Verne
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	454,434	\$ 374,398
Interest receivable		695	406
Total assets	\$	455,129	374,804
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	56,900	\$ 10,573
Accrued salaries and benefits		1,159	1,312
Total liabilities		58,059	11,885
Fund balance			
Restricted		397,070	362,919
Total fund balance		397,070	362,919
Total liabilities and fund balance	\$	455,129	\$ 374,804

See notes to financial statements.

City of La Verne
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Proposition A	\$ 566,654	\$ 543,793
Investment income	2,133	1,118
Total revenues	568,787	544,911
Expenditures		
Various projects	534,636	569,067
Total expenditures	534,636	569,067
Excess (deficiency) of revenues over expenditures	34,151	(24,156)
Fund balance at beginning of year	362,919	387,075
Fund balance at end of year	\$ 397,070	\$ 362,919

See notes to financial statements.

City of La Verne
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		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
120-10	Get About Pass Subsidy	\$ 6,500	\$ 6,970	\$ (470)	\$ 5,015
130-02	Get About Paratransit	170,856	170,855	1	158,508
140-13	Recreational Excursions	20,500	24,830	(4,330)	22,101
250-09	Senior Bus Pass Subsidy	800	1,360 *	(560)	1,610
250-11	Metrolink Pass Subsidy	49,000	39,825	9,175	40,823
250-12	Bus Pass Subsidy (FHT)	1,700	7,719 *	(6,019)	5,783
290-12	SGV Council of Governments	5,300	5,300	-	5,300
405-20	Prop A Fund Trade City of Industry	250,000	250,000	-	300,000
480-01	Administration	24,985	27,777	(2,792)	29,927
Total expenditures		\$ 529,641	\$ 534,636	\$ (4,995)	\$ 569,067

* See Compliance Matrix.

See report of independent auditors.

City of La Verne
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>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

**City of La Verne
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	976,837	\$ 806,661
Interest receivable		1,683	961
Total assets	\$	978,520	\$ 807,622
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	18,398	\$ 18,079
Accrued salaries and benefits		3,154	2,470
Total liabilities		21,552	20,549
Fund balance			
Restricted		956,968	787,073
Total fund balance		956,968	787,073
Total liabilities and fund balance	\$	978,520	\$ 807,622

See notes to financial statements.

City of La Verne
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2015	2014
Revenues			
Proposition C	\$	470,950	\$ 451,902
Investment income		5,841	3,480
Rental income		35,000	-
Total revenues		511,791	455,382
 Expenditures			
Various projects		341,896	328,791
Total expenditures		341,896	328,791
Excess of revenues over expenditures		169,895	126,591
Fund balance at beginning of year		787,073	660,482
Fund balance at end of year		\$ 956,968	\$ 787,073

See notes to financial statements.

City of La Verne
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			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-02	Get About Paratransit	\$ 170,856	\$ 170,856	\$ -	\$ 158,508
140-06	Community Education	23,000	23,000	-	23,000
150-01	Bus Stop Improvements	60,000	54,082	5,918	-
160-14	Bus Stop Maintenance	9,756	10,166	(410)	9,958
200-03	Get About Capital Outlay	20,000	20,000	-	19,500
270-01	Blue Line Station Feasibility Study	1	-	1	3,000
280-15	Community Newsletter	4,000	4,000	-	3,000
310-07	Transit Store Annex	30,926	32,368	(1,442)	29,894
410-08	Transportation Demand Management	500	-	500	-
460-01	"D & Dover Traffic Signal	150,000	-	150,000	50,000
480-04	Administration	29,576	27,424	2,152	31,931
Total expenditures		\$ 498,615	\$ 341,896	\$ 156,719	\$ 328,791

See report of independent auditors.

City of La Verne
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>
Jun-94	Land Downtown Transportation Info Center	\$ 79,736	\$ -	\$ -	\$ 79,736
Sep-95	Bench 6' Long	12,490	-	-	12,490
Feb-01	Motorola MCS2000 High Spec Mobile 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 Rehab	50,000	-	-	50,000
Total		\$ 193,743	\$ -	\$ -	\$ 193,743

See report of independent auditors.

**City of La Verne
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	248,349	\$ 529,843
Interest receivable		605	622
Total assets	\$	248,954	\$ 530,465
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		248,954	530,465
Total fund balance		248,954	530,465
Total liabilities and fund balance	\$	248,954	\$ 530,465

See notes to financial statements.

City of La Verne
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2015	2014
Revenues			
Measure R	\$	352,599	\$ 336,624
Investment income		2,954	1,855
Total revenues		355,553	338,479
Expenditures			
Various projects		637,064	-
Total expenditures		637,064	-
Excess (deficiency) of revenues over expenditures		(281,511)	338,479
Fund balance at beginning of year		530,465	191,986
Fund balance at end of year		\$ 248,954	\$ 530,465

See notes to financial statements.

City of La Verne
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)	
01-001	Virginia Ave Street Rehabilitation	\$ 350,000	\$ 335,286	\$ 14,714	\$ -
01-002	Street Repair and Maintenance - Old Ranch Road Area ARAM	-	301,778 *	(301,778)	-
	Total expenditures	<u>\$ 350,000</u>	<u>\$ 637,064</u>	<u>\$ (287,064)</u>	<u>\$ -</u>

* See Compliance Matrix.

See report of independent auditors.

City of La Verne
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>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	-	\$ 376
Total assets	\$	-	\$ 376
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	-
Total liabilities		-	-
Fund balance			
Restricted		-	376
Total fund balance		-	376
Total liabilities and fund balance	\$	-	\$ 376

See notes to financial statements.

City of La Verne
 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	1	1
Total revenues	1	1
Expenditures		
Construction/Maintenance	-	-
Total expenditures	-	-
Excess of revenues over expenditures	1	1
Other financing use		
Funds returned to LACMTA, including interest	(377)	-
Excess (deficiency) of revenues over expenditures and other financ	(376)	1
Fund balance at beginning of year	376	375
Fund balance at end of year	\$ -	\$ 376

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.

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 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

As permitted under the Guidelines and as approved by LACMTA, the City entered into agreements to exchange its uncommitted Proposition A Local Return monies as follows:

- In August 2014, the City entered into an agreement with the City of Industry to exchange the City's PALRF monies amounting to \$250,000 for \$187,500 general fund monies or \$0.75 general fund monies per \$1 of PALRF monies.
- In July 2013, the City entered into an agreement with the City of Industry to exchange the City's PALRF monies amounting to \$300,000 for \$228,000 general fund monies or \$0.76 general fund monies per \$1 of PALRF monies.

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 2011/12 reserve	\$ 16,419	\$ 16,419
FY 2012/13 reserve	24,238	24,238
FY 2013/14 reserve	25,972	25,972
FY 2014/15 allocation	21,156	-
	\$ 87,785	\$ 66,629

There were no TDA Article 3 drawdowns for the years ended June 30, 2015 and 2014.

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. There were no funds that lapsed in FY 2014/15.

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 21, 2015, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure 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 La Verne, 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 La Verne, 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 21, 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 21, 2015

COMPLIANCE SECTION

Report of Independent Auditors 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 (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 La Verne, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Compliance Matrix. Our opinion 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 Compliance Matrix. 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 responses.

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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Compliance Matrix as Finding #2015-002, that we consider to be a material weakness.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Compliance Matrix. 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 responses.

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.

**Los Angeles, California
December 21, 2015**

**City of La Verne
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	\$5,954	<p><i>Finding #2015-001</i></p> <p><u>PALRF</u></p> <p>The City exceeded LACMTA's approved budget by more than 25% for the following projects:</p> <p>a. Project code 250-09, Senior Bus Pass Subsidy (\$360), and</p> <p>b. Project code 250-12, Bus Pass Subsidy (FHT) (\$5,594).</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>LACMTA Program Manager granted a retroactive approval on the amended budget for the said projects on December 18, 2015.</p> <p>We recommend that the City submit to LACMTA Program Manager a Form A to obtain approval for the change in project budget, and that the City implement controls to ascertain compliance at all times.</p>

**City of La Verne
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 (Continued)				
3. Expenditures did not exceed 25% of LACMTA's approved budget. (Continued)				<i>Management Response</i> The Senior Bus Pass Subsidy, Project Code 250-09 and Bus Pass Subsidy, Project Code 250-12 budget request amounts were reduced in error. New Form A's were sent to MTA requesting approval for the change in project budget and was approved on December 18, 2015.
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	

**City of La Verne
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)				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	
6. Funds were expended with LACMTA's approval.		X	\$301,778	<p><i>Finding #2015-002</i></p> <p>The City claimed expenditures for Project code 01-002 Street Repairs and Maintenance – Old Ranch Road Area ARAM project totaling \$301,778 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for MRLRF funding, this project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager granted a retroactive approval of the said projects on December 15, 2015.</p> <p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p> <p><i>Management Response</i></p> <p>The Project code 01-002 was originally submitted and approved in FY2013/14. Our Public Works Director was under the belief that once the funds were approved and encumbered in FY 2013/14 that he did not need to include the project in the FY2014/15 Form One. We have submitted another Form One to LACMTA and Project 01-002 is included in this Form One for FY2014/15. We received approval for the Form One from MTA on December 15, 2015.</p>

**City of La Verne
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)				
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	
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.				Not applicable. No expenditures in FY 2014/15.

EXIT CONFERENCE

An exit conference was held on December 21, 2015 with City of La Verne representatives. Those in attendance were:

Vasquez & Company LLP representatives:
Roger A. Martinez – Partner
Marialyn Salvador – Audit Manager

City of La Verne representatives:
Richard Martinez – Finance Officer
Christy Lopez – Accountant

Matters discussed:

Results of the audit disclosed issues of noncompliance with the Guidelines.

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

Richard Martinez – Finance Officer
Christy Lopez – Accountant



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