



**Pomona Valley Transportation Authority
Report on the Schedule of Expenditures of the
Proposition A Discretionary Incentive Grant**

For the Year Ended June 30, 2019

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Proposition A Discretionary Incentive Grant**

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**Pomona Valley Transit Authority
Proposition A Discretionary Incentive Grant
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FINANCIAL SECTION

Report of Independent Auditors

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 (Schedule) as defined by the Proposition A Discretionary Incentive Grant Program Guidelines and Memorandum of Understanding for Sub-Regional Paratransit Services (Contract Number 910000000PA5POMVT) (MOU.PA5POMVT) dated July 1, 2016 between Pomona Valley Transportation Authority (PVTA), as grantee, and the Los Angeles County Metropolitan Transportation Authority, as grantor for the year ended June 30, 2019, and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the Proposition A Discretionary Incentive Grant Program Guidelines and MOU.PA5POMVT; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from 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 PVTA'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 PVTA'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.



Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Proposition A Discretionary Incentive Grant expenditures of PVTA for the year ended June 30, 2019, in accordance with the financial reporting provisions of the Proposition A Discretionary Incentive Grant Program Guidelines and MOU.PA5POMVT.

Basis of Accounting and Reporting

We draw attention to Notes 4 and 5, to the Schedule which describes the basis of accounting and reporting, including compliance requirements. The Schedule was prepared in accordance with contractual agreements and was tested for compliance with the MOU.PA5POMVT and the Proposition A Discretionary Incentive Grant Program Guidelines.

As discussed in Note 2, the Schedule presents only the expenditures towards the Proposition A Discretionary Incentive Grant under MOU.PA5POMVT, and does not purport to, and does not present fairly the financial position of PVTA as of June 30, 2019, and the changes in its financial position for the year 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 audit was conducted for the purpose of forming an opinion on PVTA's Schedule as a whole. The supplementary information contained in the Summary Schedule of Revenues Received from LACMTA is presented for purposes of additional analysis and is not a required part of the Schedule.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Schedule. Such information has been subjected to the auditing procedures applied in the audit of the Schedule and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Schedule or to the Schedule itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Schedule as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the PVTA's internal control over the preparation of the Schedule 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 solely to describe the scope of our testing of internal control over the preparation of the Schedule and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PVTA's internal control over the preparation of the Schedule or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering PVTA's internal control over the preparation of the Schedule and compliance.

Glendale, California
December 12, 2019

**Pomona Valley Transportation Authority
 Proposition A Discretionary Incentive Grant
 Schedule of Expenditures
 Year ended June 30, 2019**

Brief Description	Reported Expenditures	Adjustment	Audited Amount
Total Expenditures - Identified as Net Operating Costs	\$ 3,513,062	\$ -	\$ 3,513,062
Proposition A Discretionary Incentive Guidelines maximum % that can be received by Grantee	<u>x 25%</u>	<u>x 25%</u>	<u>x 25%</u>
Grantee's Proposition A Discretionary Incentive Grant (Limitation)*	<u>\$ 878,266</u>	<u>\$ -</u>	<u>\$ 878,266</u>

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

See report of independent auditors and notes to the schedule of expenditures

**Pomona Valley Transportation Authority
Proposition A Discretionary Incentive Grant
Supplementary Information
Summary Schedule of Revenues Received from LACMTA
Year ended June 30, 2019**

Proposition A Discretionary Incentive Grant

Annual Fundmark established by Grantor (Note 3)	\$ <u>780,882</u>
A) Grantee's actual amount received from LACMTA for the fiscal year ended June 30, 2019*	\$ <u>780,882</u>

Proposition A Discretionary Incentive Grant Limitation Calculation:

<u>Brief Description</u>	<u>Reported Expenditures</u>	<u>Adjustments</u>	<u>Audited Expenditure</u>
Total Expenditures - Identified as Net Operating Costs - Fiscal year ended June 30, 2017 **	\$ 3,123,528	\$ -	\$ 3,123,528
Proposition A Discretionary Incentive Grant Program Guidelines maximum % that can be received by Grantee	<u>x 25%</u>	<u>x 25%</u>	<u>x 25%</u>
B) Grantee's - Proposition A Discretionary Incentive Grant (Limitation)	\$ <u>780,882</u>	\$ -	\$ <u>780,882</u>
Lesser of A) Actual amount received or B) 25% of Net Operating Costs ***			\$ <u>780,882</u>

* This is the amount of allocation received by PVTA during the fiscal year ended June 30, 2019.

** The amount of allocation received by PVTA during the fiscal year ended June 30, 2019 is based on expenditures reported for the fiscal year ended June 30, 2017. The operating expense calculation has a two-year lag, as permitted by LACMTA. Grantee contracts with American Cab, LLC and First Transit Inc. to administer the operations of PVTA, which includes the Pomona Valley Elderly & Disabled (Get About) and General Public (VC) programs for the year ended June 30, 2017. The Schedule of Expenditures for the Proposition A Discretionary Incentive Grant for the year ended June 30, 2017 was audited Vasquez & Company LLP, whose report, dated December 18, 2017, expressed an unmodified opinion.

*** Grantee's billings to LACMTA are limited to the amount of the funding allocation or up to 25% of the total expenditures.

See report of independent auditors and notes to the schedule of expenditures

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pomona Valley Transportation Authority (PVTA) is located in La Verne, California, and 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. PVTA was formed 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 SCHEDULE OF EXPENDITURES AND ANNUAL FINANCIAL STATEMENTS

The schedule of expenditures reflects only certain elements of the financial statements (expenditures) for PVTA's Proposition A Discretionary Incentive Grant, and do not purport to, and do not present fairly the PVTA's financial statements or total expenditures as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 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 the Proposition A Discretionary Incentive Grant on a quarterly basis up to 25% of their net operating cost.

Each fiscal year, the Los Angeles County Metropolitan Authority (LACMTA) (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. As such, the grantor approved the annual allocation of \$780,882 for the FY 2019.

NOTE 4 GENERAL AND ADMINISTRATIVE CONDITIONS

Memorandum of Understanding

On July 1, 2016, Metro and the LACMTA entered into a Memorandum of understanding (MOU.PA5POMVT), which is effective through June 30, 2021.

In accordance with Article 2 of 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) programs to eligible paratransit users as coordinated transportation programs.
- 2) Grantee shall document coordination activities with existing transit services and with participating local governments. This documentation shall consist of executed agreements, joint resolutions, and/or approved implementation plans.
- 3) Grantee shall submit invoices quarterly requesting reimbursement. Grantor shall pay 25% of the reasonable and allowable costs not to exceed the annual allocation.

For the fiscal year 2018/19, PVTA received quarterly reimbursements totaling \$780,882 which were committed to PVTA's programs described above.

NOTE 5 PROPOSITION A DISCRETIONARY INCENTIVE GRANT

Recording

Proposition A Discretionary Incentive Grant totaling to \$780,882 for the year ended June 30, 2019 was recorded under the Proposition A Discretionary Incentive Grant and represents the only Proposition A Discretionary Incentive Grant received by PVTA.

Compliance

The incentive funds were used to supplement Proposition A and Proposition C operating expenses to pay for transit services operated by American Cab, LLC, and First Transit, Inc. 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 Program Guidelines.

NOTE 6 SUBSEQUENT EVENTS

The PVTA has evaluated events or transactions through December 12, 2019, the date the schedule of expenditures was 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.

**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 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 Program Guidelines and the Memorandum of Understanding for Sub-Regional Paratransit Services (MOU.PA5POMVT) dated July 1, 2016 between Pomona Valley Transportation Authority (PVTA), as grantee, and the Los Angeles County Metropolitan Transportation Authority, as grantor for the year ended June 30, 2019, and the related notes to the Schedule, and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered PVTA's internal control over the preparation of the Schedule (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of PVTA's internal control. Accordingly, we do not express an opinion on the effectiveness of PVTA'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 PVTA's Schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether PVTA's Schedule is 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 amounts reported in the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the PVTA'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 PVTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Glendale, California
December 12, 2019**

COMPLIANCE SECTION

Report of Independent Auditors 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 Program Guidelines and the Memorandum of Understanding for Sub-Regional Paratransit Services (MOU.PA5POMVT) dated July 1, 2016 (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility for the Schedule

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

Auditors' Responsibility

Our responsibility is to express an opinion on the PVTA's compliance with the Guidelines 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 the PVTA's compliance with the Guidelines 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 on compliance with the Guidelines. Our audit does not provide a legal determination of the PVTA's compliance with the Guidelines.

Opinion

In our opinion, 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, 2019.



Report on Internal Control over Compliance

Management of the PVTA 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 PVTA'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 PVTA'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 with the requirements, 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 with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that 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 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 "Vaguez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 12, 2019**

**Pomona Valley Transportation Authority
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirement		In Compliance		Questioned Costs	If no, provided 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	
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	

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Pomona Valley Transportation Authority
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

There were no findings noted.

EXIT CONFERENCE

**Pomona Valley Transportation Authority
Proposition A Discretionary Incentive Grant
Exit Conference
Year ended June 30, 2019**

An exit conference was held on December 12, 2019 with the Pomona Valley Transportation Authority (PVTA) representative. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

PVTA's representative:
George Sparks – Administrator

Matters discussed:

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

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

George Sparks – Administrator



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