

***CITY OF DIAMOND BAR  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
MEASURE M LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2019 AND 2018***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF DIAMOND BAR***  
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***FINANCIAL SECTION***

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report

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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Diamond Bar, California (the City) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City of Diamond Bar, California, as of June 30, 2019 and 2018, and the respective changes in their 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 PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Diamond Bar, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated November 6, 2019, on our consideration of the City's internal control over the Funds' 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 the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' 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 the Funds' financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 6, 2019

**CITY OF DIAMOND BAR**  
**PROPOSITION A LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 551,276	\$ 1,099,672
Total assets	\$ 551,276	\$ 1,099,672
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 81,242	\$ 23,853
Accrued payroll	2,390	2,519
Total liabilities	83,632	26,372
 <b>Fund Balance</b>		
Restricted	467,644	1,073,300
Total fund balance	467,644	1,073,300
Total liabilities and fund balance	\$ 551,276	\$ 1,099,672

The accompanying notes are an integral part of the financial statements.

**CITY OF DIAMOND BAR**  
**PROPOSITION A LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Proposition A	\$ 1,145,663	\$ 1,064,747
Interest income	28,750	14,331
Project generated revenue (Note 8)	<u>639,779</u>	<u>767,659</u>
Total revenues	<u>1,814,192</u>	<u>1,846,737</u>
 <b>EXPENDITURES</b>		
Various projects	<u>2,419,848</u>	<u>1,239,448</u>
Total expenditures	<u>2,419,848</u>	<u>1,239,448</u>
 (Deficiency) excess of revenues (under) over expenditures	 (605,656)	 607,289
 Fund balance at beginning of year	 <u>1,073,300</u>	 <u>466,011</u>
 Fund balance at end of year	 <u><u>\$ 467,644</u></u>	 <u><u>\$ 1,073,300</u></u>

The accompanying notes are an integral part of the financial statements.



**CITY OF DIAMOND BAR**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance	2018 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
130-02	Senior & Disabled Dial-A-Cab	\$ 100,000	\$ 100,000	\$ -	\$ -
140-01	Recreation Transit	78,759	54,366	24,393	62,582
170-01	Senior and Disabled Dial-A-Cab				
	Computer Hardware Enhancement	17,000	1,412	15,588	-
230-01	Transit Security	2,100	370	1,730	-
250-01	Transit Subsidy Program	231,250	831,546	(600,296) *	996,787
400-03	Adaptive Traffic Control System (ATCS)	331,200	71,236	259,964	13,092
405-02	Proposition A Local Return Fund Exchange	230,000	230,000	-	-
405-03	Proposition A Local Return Fund Exchange	970,000	970,000	-	-
480-01	Administration	162,128	140,918	21,210	147,496
480-02	Transportation Planning (SCVCOG) (Prev 01-270)	20,000	20,000	-	19,491
	Total expenditures	\$ 2,142,437	\$ 2,419,848	\$ (277,411)	\$ 1,239,448

\* The actual variance after considering other funding sources is calculated as follows:

Metro Budget	\$ 231,250
Total expenditures	\$ 831,546
Less: Project generated revenues - bus pass sales (Note 8)	<u>(639,779)</u>
PALRF expenditures	<u>191,767</u>
Actual variance positive	<u>\$ 39,483</u>

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
6/19/2014	Computer Hardware/Equipment	\$ 12,500	\$ -	\$ 12,500	\$ -
5/18/2016	HP Server	14,500	-	8,942	5,558
7/1/2016	Traffic Signal Upgrades - Year 1	365,000	-	54,750	310,250
7/1/2017	Battery Backup System 20 Units	103,650	-	10,446	93,204
Total		\$ 495,650	\$ -	\$ 86,638	\$ 409,012

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,123,604	\$ 779,397
Total assets	<u>\$ 1,123,604</u>	<u>\$ 779,397</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 43,259	\$ 48,941
Accrued payroll	<u>1,351</u>	<u>1,177</u>
Total liabilities	<u>44,610</u>	<u>50,118</u>
 <b>Fund Balance</b>		
Restricted	<u>1,078,994</u>	<u>729,279</u>
Total fund balance	<u>1,078,994</u>	<u>729,279</u>
Total liabilities and fund balance	<u>\$ 1,123,604</u>	<u>\$ 779,397</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIAMOND BAR**  
**PROPOSITION C LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Proposition C	\$ 950,295	\$ 879,898
Interest income	<u>18,331</u>	<u>12,661</u>
Total revenues	<u>968,626</u>	<u>892,559</u>
 <b>EXPENDITURES</b>		
Various projects	<u>618,911</u>	<u>841,940</u>
Total expenditures	<u>618,911</u>	<u>841,940</u>
 Excess of revenues over expenditures	 349,715	 50,619
 Fund balance at beginning of year	 <u>729,279</u>	 <u>678,660</u>
 Fund balance at end of year	 <u>\$ 1,078,994</u>	 <u>\$ 729,279</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIAMOND BAR**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-02	Senior and Disabled Dial-A-Cab	\$ 250,000	\$ 176,804	\$ 73,196	\$ 310,412
140-04	Holiday Ride	15,000	-	15,000	-
210-02	Traffic Signal Infrastructure Upgrades - Phase II	-	-	-	361,647
210-03	Traffic Signal Infrastructure Upgrades - Phase III (Construction)	280,663	211,143	69,520	19,520
400-49	Diamond Bar Intelligent Transportation System ITS	206,665	100,791	105,874	110,857
440-03	Arterial Street Rehabilitation (Diamond Bar Boulevard from Mountain Laurel to Clear Creek Canyon)	300,000	-	300,000	-
450-01	Grand Avenue and Golden Springs Intersection Enhancement	170,888	3,588	167,300	13,169
450-09	Copley/Golden Springs Drive Intersection Modification	150,785	126,585	24,200	20,335
470-01	Pavement and Traffic Management Systems Software	6,000	-	6,000	6,000
Total expenditures		\$ 1,380,001	\$ 618,911	\$ 761,090	\$ 841,940

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
1/3/2013	CCTV Cameras - Traffic Signal Management	\$ 111,549	\$ -	\$ 36,254	\$ 75,295
8/14/2014	Med Mods - DBB/Kiowa Crest	45,802	-	18,703	27,099
8/14/2014	TS - Battery Backup System	168,284	-	41,370	126,914
2/25/2015	DBB/BCR Enhancements	288,270	-	67,263	221,007
2/28/2015	Grand Avenue Enhancements	704,020	-	211,206	492,814
7/1/2017	Battery Back up System 20 Units	100,000	-	10,000	90,000
7/1/2017	Med Mods - DBB/Maple Hill	95,000	-	19,000	76,000
6/30/2018	TS Infrastructure Upgrade	361,647	-	18,082	343,565
12/18/2018	Copley/GSD Modification	-	150,785	7,539	143,246
Total		\$ 1,874,572	\$ 150,785	\$ 429,417	\$ 1,595,940

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 148,435	\$ 63,393
Total assets	\$ 148,435	\$ 63,393
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	148,435	63,393
Total fund balance	148,435	63,393
Total liabilities and fund balance	\$ 148,435	\$ 63,393

The accompanying notes are an integral part of the financial statements.

**CITY OF DIAMOND BAR**  
**MEASURE R LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Fiscal Years Ended June 30**

	2019	2018
<b>REVENUES</b>		
Measure R	\$ 712,926	\$ 661,492
Interest income	3,604	3,155
Total revenues	716,530	664,647
<b>EXPENDITURES</b>		
Various projects	631,488	1,267,050
Total expenditures	631,488	1,267,050
Excess (deficiency) of revenues over (under) expenditures	85,042	(602,403)
Fund balance at beginning of year	63,393	665,796
Fund balance at end of year	\$ 148,435	\$ 63,393

The accompanying notes are an integral part of the financial statements



**CITY OF DIAMOND BAR**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)**

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
1.05	Lemon Avenue Interchange Confluence Project	\$ 45,000	\$ -	\$ 45,000	\$ -
1.05	Morning Canyon Parkway Improvement (Diamond Bar Boulevard to Stonepine)	-	-	-	144,229
1.05	Pathfinder Road Rehabilitation (West City Limit to Peacefull Hills)	-	-	-	23,366
1.05	Residential and Collector Street Rehabilitation - Area 6 (Construction)	694,868	631,488	63,380	-
1.05	Residential and Collector Street Rehabilitation - Area 5 (Construction)	-	-	-	949,455
2.03	LED Illuminated Street Name Signs	50,000	-	50,000	-
2.03	Traffic Signal Infrastructure Upgrades - Year 3 (Construction)	150,000	-	150,000	150,000
Total expenditures \$		<u>939,868</u>	<u>\$ 631,488</u>	<u>\$ 308,380</u>	<u>\$ 1,267,050</u>

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
7/1/2013	Median Modification - DBB/Clear Creek	\$ 36,796	\$ -	\$ 25,538	\$ 11,258
12/31/2014	Traffic Management Program	32,767	-	7,373	25,394
2/28/2015	Grand Avenue Enhancement	59,675	-	25,860	33,815
6/30/2019	Traffic Signal Infrastructure Upgrades - Year 3 (Construction)	-	150,000	-	150,000
6/30/2019	Morning Canyon - DBB/ Stonepine Improvement	-	159,386	-	159,386
Total		\$ 129,238	\$ 309,386	\$ 58,771	\$ 379,853

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**MEASURE M LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 528,074	\$ 217,420
Total assets	\$ 528,074	\$ 217,420
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	528,074	217,420
Total fund balance	528,074	217,420
Total liabilities and fund balance	\$ 528,074	\$ 217,420

The accompanying notes are an integral part of the financial statements.

**CITY OF DIAMOND BAR**  
**MEASURE M LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Fiscal Years Ended June 30**

	2019	2018
<b>REVENUES</b>		
Measure M	\$ 802,895	\$ 599,463
Interest income	8,945	3,374
Total revenues	811,840	602,837
 <b>EXPENDITURES</b>		
Various projects	501,186	385,417
Total expenditures	501,186	385,417
 Excess of revenues over expenditures	310,654	217,420
 Fund balance at beginning of year	217,420	-
 Fund balance at end of year	\$ 528,074	\$ 217,420

The accompanying notes are an integral part of the financial statements

**CITY OF DIAMOND BAR**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)**

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Area 6 Residential and Collector Street Rehabilitation	\$ 420,000	\$ 420,000	\$ -	\$ -
1.05	Grand/Golden Springs Drive Intersection Improvements	207,691	-	207,691	-
1.05	Groundwater Drainage Improvements - Phase 1	-	-	-	41,238
1.05	Groundwater Drainage Improvements - Phase 2	45,000	10,720	34,280	299,338
1.05	Groundwater Drainage Improvements - Phase 3	65,000	-	65,000	-
1.05	Diamond Bar Boulevard Complete Streets	200,000	70,466	129,534	44,841
1.05	Lemon Avenue Interchange Confluence Project	80,000	-	80,000	-
	Total expenditures	\$ <u>1,017,691</u>	\$ <u>501,186</u>	\$ <u>516,505</u>	\$ <u>385,417</u>

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
9/1/2017	DBB Streetscape Design	\$ 94,841	\$ -	\$ -	\$ 94,841
2/1/2018	Groundwater Drain Improvement Phase II	97,631	212,426	-	310,057
	Total	\$ 192,472	\$ 212,426	\$ -	\$ 404,898

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS**

June 30

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and investments	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIAMOND BAR**  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
For the Fiscal Years Ended June 30

	2019	2018
<b>REVENUES</b>		
TDA 3	\$ 23,631	\$ 37,525
Total revenues	23,631	37,525
<b>EXPENDITURES</b>		
Various projects	23,631	37,525
Total expenditures	23,631	37,525
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.



**CITY OF DIAMOND BAR**  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS  
For the Fiscal Year Ended June 30, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
Grand Avenue/Golden Springs Intersection Enhancement	2018-19	\$ 23,631	\$ 23,631	\$ -	Ongoing
Total		<u>\$ 23,631</u>	<u>\$ 23,631</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF DIAMOND BAR**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2019 and 2018

**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), Measure M Local Return Fund (MMLRF), 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.

MMLRF is derived from 17% 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 a Special Revenue Fund that accounts for the City’s share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

*Basis of Accounting and Measurement Focus*

PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

*Budgets and Budgetary Accounting*

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

**CITY OF DIAMOND BAR**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fair Value Measurement*

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

*Fund Balance Reporting*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F report the following fund balance classification as of June 30, 2019:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

**CITY OF DIAMOND BAR**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS**

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 6 – 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 7 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F’s 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 and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

**NOTE 8 – PROJECT GENERATED REVENUE - PALRF**

Project generated revenue under PALRF for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
Bus Pass Sales	\$	639,779	\$	767,659
Total	\$	639,779	\$	767,659

**CITY OF DIAMOND BAR**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
FY 2013-14 allocation	\$ -	\$ 8,471
FY 2014-15 allocation	7,974	29,054
FY 2015-16 allocation	<u>15,657</u>	<u>-</u>
Total payment requested	<u>\$ 23,631</u>	<u>\$ 37,525</u>

**NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2019 and 2018, the City has funds on reserve as follows:

	<u>2019</u>	<u>2018</u>
FY 2014-15 allocation	\$ -	\$ 7,974
FY 2015-16 allocation	20,286	35,943
FY 2016-17 allocation	37,553	37,553
FY 2017-18 allocation	37,179	37,179
FY 2018-19 allocation	<u>38,689</u>	<u>-</u>
Available reserve balance	<u>\$ 133,707</u>	<u>\$ 118,649</u>

**NOTE 11 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 6, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 6, 2019

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the  
City of Diamond Bar, California and the  
Los Angeles County Metropolitan Transit 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, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M 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 on Each Local Return Program and Transportation Development Act Article 3*

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.





## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Finding and Recommendation as Finding No. 2019-001. Our opinion on each local return program and Transportation Development Act Article 3 is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Finding and Recommendation. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines 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 Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 6, 2019

**CITY OF DIAMOND BAR**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	X			None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

**CITY OF DIAMOND BAR**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
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 form was 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	
6.	Funds were expended with Metro'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 expenditures are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

**CITY OF DIAMOND BAR**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
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 fund shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.		X		None	See Finding No. 2019-001 on the Schedule of Finding and Recommendation.
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 Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

**CITY OF DIAMOND BAR**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2019  
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

**CITY OF DIAMOND BAR**  
**SCHEDULE OF FINDING AND RECOMMENDATION**  
 June 30, 2019

**MMLRF: Finding No. 2019-001**

<b>Compliance Reference</b>	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.”
<b>Condition</b>	The City did not meet the August 1, 2018 deadline for submission of Form M-One. However, the City submitted the Form M-One on August 14, 2018.
<b>Cause</b>	Due to position vacancies in the Public Works Department, the Form M-One was not submitted to LACMTA by the due date.
<b>Effect</b>	The City’s Form M-One was not submitted timely as required by Measure M Local Return Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure M Local Return Funds will be in accordance with LACMTA’s approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
<b>Management’s Response</b>	The City personnel is now aware of the reporting deadlines for the Measure M’s Form M-One and will be submitting all future forms in a timely fashion to meet the required deadlines.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted Form M-One on August 14, 2018. No follow-up is required.

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*EXIT CONFERENCE*

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**CITY OF DIAMOND BAR**  
PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND,  
MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE  
June 30, 2019

An exit conference was held on December 9, 2019 with the City of Diamond Bar. Those in attendance were:

***Simpson & Simpson Representative:***

Yung Dang, Senior Auditor

***City's Representatives:***

Susan Full, Senior Accountant  
Dianna Honeywell, Finance Director

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue with Metro Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Susan Full, Senior Accountant  
Dianna Honeywell, Finance Director

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> Street, Suite 3320  
Los Angeles, CA 90071

RE: CITY OF DIAMOND BAR ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2019 and 2018 for the City of Diamond Bar and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date