

***CITY OF CLAREMONT
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[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF CLAREMONT
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FINANCIAL SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Claremont, 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 Claremont, California (the City) as of and for the years ended June 30, 2019, 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 Claremont, 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 Claremont, 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 7, 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 & Simpson".

Los Angeles, California
November 7, 2019

CITY OF CLAREMONT
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 1,834,937	\$ 1,751,521
Interest receivable	9,499	5,746
Other receivable - Get About	150	8
Prepaid Expense	8,000	3,000
Total assets	\$ 1,852,586	\$ 1,760,275
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 6,790	\$ 500
Accrued wages	-	3,067
Total liabilities	6,790	3,567
 Fund Balance		
Restricted	1,845,796	1,756,708
Total fund balance	1,845,796	1,756,708
Total liabilities and fund balance	\$ 1,852,586	\$ 1,760,275

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

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

	2019	2018
REVENUES		
Proposition A	\$ 727,257	\$ 675,584
Interest income	45,164	25,905
Project generated revenue - Get About	225	210
Total revenues	772,646	701,699
 EXPENDITURES		
Various projects	683,558	645,691
Total expenditures	683,558	645,691
 Excess of revenues over expenditures	89,088	56,008
 Fund balance at beginning of year	1,756,708	1,700,700
 Fund balance at end of year	\$ 1,845,796	\$ 1,756,708

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

CITY OF CLAREMONT
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			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-01	Get About	\$ 290,880	\$ 290,880	\$ -	\$ 273,112
120-03	Senior Trip Program	10,000	12,284	(2,284)	12,231
250-03	Dial-A-Ride Subsidy	385,963	214,252	171,711	162,410
250-04	Elderly & Handicapped User Subsidy	2,500	2,000	500	2,500
270-02	Gold Line Planning, Engineering and Environmental Review	60,000	65,369	(5,369)	103,283
300-09	Citywide Bus Stop Design Project	32,000	-	32,000	-
480-02	Direct Administration	144,384	69,420	74,964	68,189
480-08	Overhead Support Services	18,353	18,353	-	13,894
500-11	SGV-COG Dues	11,000	11,000	-	10,072
Total expenditures		\$ <u>955,080</u>	\$ <u>683,558</u>	\$ <u>271,522</u>	\$ <u>645,691</u>

See accompanying independent auditor's report.

CITY OF CLAREMONT
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
6/30/2009	Trackless Trolley Stops	\$ 16,470	\$ -	\$ -	\$ 16,470
10/8/2015	Parking Space Counting System	27,152	-	-	27,152
5/5/2016	Additional Parking Spaces Available Sign	15,976	-	-	15,976
	Total	\$ 59,598	\$ -	\$ -	\$ 59,598

See accompanying independent auditor's report.

CITY OF CLAREMONT
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 1,833,785	\$ 1,561,109
Interest receivable	9,518	5,349
Due from Metro	139	-
Total assets	\$ 1,843,442	\$ 1,566,458
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 98,842	\$ 15,311
Accrued wages	-	2,851
Total liabilities	98,842	18,162
 Fund Balance		
Restricted	1,744,600	1,548,296
Total fund balance	1,744,600	1,548,296
Total liabilities and fund balance	\$ 1,843,442	\$ 1,566,458

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

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

	2019	2018
REVENUES		
Proposition C	\$ 603,239	\$ 560,011
Interest income	42,949	21,638
Total revenues	646,188	581,649
 EXPENDITURES		
Various projects	449,884	375,019
Total expenditures	449,884	375,019
 Excess of revenues over expenditures	196,304	206,630
 Fund balance at beginning of year	1,548,296	1,341,666
 Fund balance at end of year	\$ 1,744,600	\$ 1,548,296

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

CITY OF CLAREMONT
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)	
170-01	Bus Stop Maintenance	\$ 27,041	\$ 25,184	\$ 1,857	\$ 17,084
230-14	Transit Store Security	37,658	37,046	612	22,471
270-01	Phase II Gold Line Planning, Design and Review	80,585	67,706	12,879	65,582
300-07	Transit Center Maintenance	88,841	130,275	(41,434) *	177,373
300-08	Claremont Transit Deposit Seismic Renovations and ADA Improvements	285,973	6,920	279,053	7,000
300-09	Citywide Bus Stop Design Project	-	39,765	(39,765) **	15,120
450-07	Improvements	50,000	50,000	-	-
480-08	Overhead Support Services	39,305	57,988	(18,683) ***	35,389
500-01	Design & Construction Of Joint Use City Yard Facility/Long Term Debt Payment	35,000	35,000	-	35,000
	Total expenditures	\$ 644,403	\$ 449,884	\$ 194,519	\$ 375,019

* The City received an approval from Metro on October 10, 2019 to amend the budget for Project Code 300-07, Transit Center Maintenance to \$115,357.

** The City originally listed the budget of \$32,000 for Project Code 300-09, Citywide Bus Stop Design Project, under Proposition A on Form B due to oversight. On July 11, 2019, the City submitted Form A to Metro and received approval on October 10, 2019 to amend the budget to \$32,000.

*** The City received an approval from Metro on October 10, 2019 to amend the budget for Project Code 480-08, Overhead Support Services to \$55,000.

See accompanying independent auditor's report.

CITY OF CLAREMONT
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
4/30/2008	Hotsy Pressure Washer - Unit #81008	\$ 10,236	\$ -	\$ -	\$ 10,236
6/30/2012	Bicycle Station, Bicycle Amenities And Safety Features	54,962	-	-	54,962
2/9/2016	A/C Unit at Depot	7,832	-	-	7,832
12/22/2017	Carpet for City Hall and Community Development Department	17,400	-	-	17,400
Total \$		<u>\$90,430</u>	<u>-</u>	<u>-</u>	<u>\$ 90,430</u>

See accompanying independent auditor's report.

CITY OF CLAREMONT
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 1,344,718	\$ 971,421
Interest receivable	6,665	3,358
Total assets	\$ 1,351,383	\$ 974,779
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 23,973
Total liabilities	-	23,973
 Fund Balance		
Restricted	1,351,383	950,806
Total fund balance	1,351,383	950,806
Total liabilities and fund balance	\$ 1,351,383	\$ 974,779

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

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

	2019	2018
REVENUES		
Measure R	\$ 452,559	\$ 419,718
Interest income	28,652	14,278
Total revenues	481,211	433,996
 EXPENDITURES		
Various projects	80,634	697,955
Total expenditures	80,634	697,955
 Excess (deficiency) of revenues over (under) expenditures	400,577	(263,959)
 Fund balance at beginning of year	950,806	1,214,765
 Fund balance at end of year	\$ 1,351,383	\$ 950,806

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

CITY OF CLAREMONT
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			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repair & Maintenance	\$ 400,000	\$ 12,404	\$ 387,596	\$ 200,000
1.20	Farmers Market Bollards	-	74,751	(74,751)	-
3.05	Sidewalk Removal and Replacement	300,000	(6,521) *	306,521	5,724
	Total expenditures	\$ 700,000	\$ 80,634	\$ 619,366	\$ 205,724

*The City returned a sign reflectometer in FY 2018-19

See accompanying independent auditor's report.

CITY OF CLAREMONT
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
6/28/2018	Sign Retro Reflectometer	\$ 9,768	\$ -	\$ -	\$ 9,768
1/10/2019	Bollard Footing Project	-	74,751	-	74,751
	Total	\$ 9,768	\$ 74,751	\$ -	\$ 84,519

See accompanying independent auditor's report.

CITY OF CLAREMONT
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 592,649	\$ 381,973
Interest receivable	4,395	1,199
Total assets	\$ 597,044	\$ 383,172
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 15,776	\$ -
Total liabilities	15,776	-
 Fund Balance		
Restricted	581,267	383,172
Total fund balance	581,267	383,172
Total liabilities and fund balance	\$ 597,043	\$ 383,172

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

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

	2019	2018
REVENUES		
Measure M	\$ 509,648	\$ 380,360
Interest income	16,967	2,812
Total revenues	526,615	383,172
EXPENDITURES		
Various projects	328,520	-
Total expenditures	328,520	-
Excess of revenues over expenditures	198,095	383,172
Fund balance at beginning of year	383,172	-
Fund balance at end of year	\$ 581,267	\$ 383,172

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

CITY OF CLAREMONT
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Deep Patch Pavement Reconstruction	\$ 10,000	\$ -	\$ 10,000	\$ -
1.90	Foothill Blvd Refurbishment Project - Debit Service Payments	326,219	311,464	14,755	-
2.29	Signaled Intersection Upgrades	320,000	17,056	302,944	-
	Total expenditures	<u>\$ 656,219</u>	<u>\$ 328,520</u>	<u>\$ 327,699</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Due from Metro	\$ 89,165	\$ -
Prepaid expenses	1,012	542
Total assets	\$ 90,177	\$ 542
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ -	\$ 3,715
Cash overdraft	95,480	-
Total liabilities	95,480	3,715
 Fund Balance		
Unassigned	(5,303)	(3,173)
Total fund balance	(5,303)	(3,173)
Total liabilities and fund balance	\$ 90,177	\$ 542

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

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

	2019	2018
REVENUES		
TDA 3	\$ 89,165	\$ -
Interest income	-	245
Total revenues	89,165	245
 EXPENDITURES		
Traffic Signal Upgrades for Bicycle And Pedestrian Use	91,295	36,867
Total expenditures	91,295	36,867
 Excess of revenues under expenditures	(2,130)	(36,622)
 Fund balance at beginning of year	(3,173)	33,449
 Fund balance at end of year	\$ (5,303)	\$ (3,173)

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

CITY OF CLAREMONT
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>
Local allocations					
Traffic Signal Upgrades for Bicycle and Pedestrian Use	2018-19	\$ <u>89,165</u>	\$ <u>91,295</u>	\$ <u>(2,130)</u>	Ongoing
Total		\$ <u>89,165</u>	\$ <u>91,295</u>	<u>(2,130)</u>	
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				<u>(3,173)</u>	
Fund balance at end of year				<u>\$ (5,303)</u>	

See accompanying independent auditor's report.

CITY OF CLAREMONT
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 presents 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 CLAREMONT
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 classifications 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).
- Unassigned – The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes

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 and 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 CLAREMONT
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 quarterly balances to the total of the pooled cash and investments.

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

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	2019	2018
FY 2015-16 allocation	\$ 16,955	\$ -
FY 2016-17 allocation	24,049	-
FY 2017-18 allocation	23,596	-
FY 2018-19 allocation	24,565	-
Total payment requested	\$ <u>89,165</u>	\$ <u>-</u>

NOTE 9 – 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:

	2019	2018
FY 2015-16 allocation	\$ -	\$ 18,955
FY 2016-17 allocation	-	24,049
FY 2017-18 allocation	-	23,596
Available reserve balance	\$ <u>-</u>	\$ <u>64,600</u>

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 7, 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
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**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 Claremont, 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 Claremont, 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 7, 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 black ink that reads "Simpson & Simpson".

Los Angeles, California
November 7, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Claremont, 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 instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2019-001 to 2019-002. 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 Schedule of Findings and Recommendations. 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 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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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.



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.

Simpson & Simpson

Los Angeles, California
November 7, 2019

CITY OF CLAREMONT
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
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	See Finding No. 2019-001 on the Schedule of Findings and Recommendations.
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	There were no Intelligent Transportation Systems projects or elements in FY 2018/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

CITY OF CLAREMONT
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. Measure R Local Return Fund					None	
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund 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 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	See Finding No. 2019-002 on the Schedule of Findings and Recommendations.
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	There were no administrative expenditures in FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY 2018/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

CITY OF CLAREMONT
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		
C. Measure M 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 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	
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	There were no administrative expenditures in FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY 2018/19.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2018/19.

CITY OF CLAREMONT
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		
D. 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.	X			None	

CITY OF CLAREMONT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

PCLRF: Finding No. 2019-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects”.
Condition	<p>The City exceeded more than 25 percent of LACMTA’s approved budget on PCLRF Project Code 300-07 (Transit Center Maintenance) in the amount of \$19,224 and 480-08 (Overhead Support Services) in the amount of \$8,857. However, subsequently, the City submitted an amended Form A to LACMTA to revise the budget to include the increase for this project and received subsequent approval on October 10, 2019.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	<p>For Project Code 300-07, Transit Center Maintenance, the increase was due to emergency elevator repairs at the Village Parking Structure and unanticipated increases in maintenance costs.</p> <p>For Project Code 480-08, Overhead Support Services, the budgeted costs of \$39,305 in the Form B submitted was underestimated.</p>
Effect	The City did not comply with the Guidelines when the City’s PCLRF project expenditure exceeded 25 percent of LACMTA’s prior approval.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management’s Response	Management will verify that Form A is submitted for each emergency expenditure prior issuing payment to the vendor going forward.
Finding Corrected During the Audit	On October 14, 2019, LACMTA Program Manger granted retroactive approval in the amount of \$115,357 for Transit Center Maintenance and \$55,000 for Overhead Support Services. No follow-up is required.

CITY OF CLAREMONT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MRLRF: Finding No. 2019-002

Compliance Requirement	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	During FY 2018-19, the City used Measure R Local Return funds for Project Code 1.20, Farmers Market Bollards in the amount of \$74,751; however, the funds for the Project were expended prior to LACMTA’s approval as the Project was not reported on the Form-One.
Cause	It was due to City staff’s oversight. The City was not aware of the requirement to submit an amended Form-One for next projects added during the year.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form-One.
Management’s Response	The City will establish procedures to ensure approvals of expenditures are received from LACMTA as well as the timely filing of all required forms going forward.
Finding Corrected During the Audit	As a result of the audit, the City submitted an updated Form-One to LACMTA and received retroactive approval on the project on December 5, 2019. No follow-up is required.

EXIT CONFERENCE

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

An exit conference was held on October 22, 2019 with the City of Claremont. Those in attendance were:

Simpson & Simpson Representative:

May Yi, Auditor

City's Representative:

Bibi Ameer, Accounting Supervisor

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and two (2) non-compliance issues 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:

Adam Pirrie, Finance Director

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF CLAREMONT 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 Claremont and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date