

***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, 2021 AND 2020***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF DIAMOND BAR
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FINANCIAL SECTION



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, 2021 and 2020, 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 from material misstatement.

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

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





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City of Diamond Bar, California, as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the 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, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. 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 December 9, 2021, 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 solely 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 the effectiveness of the City's 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
December 9, 2021

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

	2021	2020
ASSETS		
Cash and investments	\$ 908,168	\$ 891,422
Total assets	\$ 908,168	\$ 891,422
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 33,286	\$ 10,269
Accrued payroll and benefits	1,054	2,554
Total liabilities	34,340	12,823
 Fund Balance		
Restricted	873,828	878,599
Total fund balance	873,828	878,599
Total liabilities and fund balance	\$ 908,168	\$ 891,422

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

	2021	2020
REVENUES		
Proposition A	\$ 1,156,806	\$ 1,111,697
Interest income	12,070	16,403
Project generated revenue (Note 8)	30,031	432,626
Total revenues	1,198,907	1,560,726
EXPENDITURES		
Various projects	1,203,678	1,149,771
Total expenditures	1,203,678	1,149,771
Excess (deficiency) of revenues over expenditures	(4,771)	410,955
Fund balance at beginning of year	878,599	467,644
Fund balance at end of year	\$ 873,828	\$ 878,599

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
107	Senior and Disabled Dial-A-Cab	\$ 350,000	\$ 140,379	\$ 209,621	\$ 201,772
135	Transit Subsidy Program	215,000	43,102	171,898 *	594,641
150	Transit Security	8,100	-	8,100	5,000
150	Recreation Transit	34,550	-	34,550	30,380
240	Senior and Disabled Dial-A-Cab				
	Computer Hardware Enhancement	42,000	32,884	9,116	-
304	Battery Back-Up System - 11 Units	100,000	43,570	56,430	-
304	Adaptive Traffic Control System (ATCS)	278,102	-	278,102	163,481
410	Proposition A Fund Exchange (Note 9)	800,000	800,000	-	-
470	Transportation Planning (SCVCOG)	20,000	-	20,000	20,000
610	Administration	160,402	143,743	16,659	134,497
	Total expenditures	\$ 2,008,154	\$ 1,203,678	\$ 804,476	\$ 1,149,771

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

Metro Budget	\$ 215,000
Total expenditures	\$ 43,102
Less: Project generated revenues - bus pass sales (Note 8)	<u>(30,031)</u>
PALRF expenditures	<u>13,071</u>
Actual variance positive	<u>\$ 201,929</u>

See accompanying independent auditor's report.

CITY OF DIAMOND BAR
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
5/18/2016	HP Server	\$ 5,558	\$ -	\$ -	\$ 5,558
7/1/2016	Traffic Signal Upgrades - Year 1	310,250	-	-	310,250
7/1/2017	Battery Back Up System 20 Units	93,204	-	-	93,204
Total		\$ 409,012	\$ -	\$ -	\$ 409,012

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ 1,875,965	\$ 1,224,756
Total assets	\$ 1,875,965	\$ 1,224,756
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 47,071	\$ 22,380
Accrued payroll and benefits	593	1,533
Total liabilities	47,664	23,913
 Fund Balance		
Restricted	1,828,301	1,200,843
Total fund balance	1,828,301	1,200,843
Total liabilities and fund balance	\$ 1,875,965	\$ 1,224,756

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

	2021	2020
REVENUES		
Proposition C	\$ 959,529	\$ 922,155
Interest income	17,781	26,025
Total revenues	977,310	948,180
 EXPENDITURES		
Various projects	349,852	826,331
Total expenditures	349,852	826,331
Excess of revenues over expenditures	627,458	121,849
Fund balance at beginning of year	1,200,843	1,078,994
Fund balance at end of year	\$ 1,828,301	\$ 1,200,843

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
260	Battery Back-Up System - 11 Units	\$ 100,000	\$ 43,570	\$ 56,430	\$ -
280	Lemon Avenue Quiet Zone	60,000	-	60,000	-
302	Traffic Signal Re-Timing (Related to ATCS)	60,000	-	60,000	37,302
302	BlueTOAD System BlueArgus Cloud Based Software Annual Maintenance Support	6,000	-	6,000	6,000
302	Pavement and Traffic Management Systems Software	26,000	-	26,000	-
304	Annual Traffic Signal Maintenance	220,000	159,388	60,612	193,988
304	Annual Siemens ATCS Maintenance Support Service	32,000	30,150	1,850	-
304	Adaptive Traffic Control System (ATCS)	60,000	-	60,000	-
350	Diamond Bar Intelligent Transportation System ITS	177,468	20,000	157,468	87,282
380	On-Going Traffic Signal Timing Consultant Services	60,000	35,517	24,483	-
620	Administration *	60,000	58,308	1,692	-
705	Arterial and Collector Street Rehabilitation Designs	200,000	-	200,000	-
705	Arterial Street Rehabilitation (Diamond Bar Boulevard from Mountain Laurel to Clear Creek Canyon)	356,000	-	356,000	355,221
705	Grand Avenue and Golden Springs Intersection Enhancement	223,031	2,919	220,112	1,759
715	Arterial Street Rehabilitation (Golden Springs from Brea Canyon to Lemon Avenue)	400,000	-	400,000	-
	Sub-total	<u>2,040,499</u>	<u>349,852</u>	<u>1,690,647</u>	<u>681,552</u>

See accompanying independent auditor's report.

CITY OF DIAMOND BAR
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET

(Continued)

For the Fiscal Year Ended June 30, 2021

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
816	School Zone Circulation Improvements and Safe Route to School Plan (SRTS)	\$ 200,000	\$ -	\$ 200,000	\$ 144,779
	Total expenditures	\$ 2,240,499	\$ 349,852	\$ 1,890,647	\$ 826,331

* The City received a retroactive approval from Metro on November 19, 2021 on the budget for Project Code 620, Administration, in the amount of \$60,000. See Compliance Matrix and Schedule of Findings and Recommendations - Finding No. 2021-002.

See accompanying independent auditor's report.

CITY OF DIAMOND BAR
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
1/3/2013	CCTV Cameras-Traffic Signal Management	\$ 75,295	\$ -	\$ -	\$ 75,295
8/14/2014	Med Mods - DBB/Kiowa Crest	27,099	-	-	27,099
8/14/2014	TS - Battery Backup System	126,914	-	-	126,914
2/25/2015	DBB/BCR Enhancements	221,007	-	-	221,007
2/28/2015	Grand Avenue Enhancements	492,814	-	-	492,814
7/1/2017	Battery Back up System 20 Units	90,000	-	-	90,000
7/1/2017	Med Mods - DBB/Maple Hill	76,000	-	-	76,000
6/30/2018	TS Infrastructure Upgrade	343,565	-	-	343,565
12/18/2018	Copley/GSD Modification	143,246	-	-	143,246
Total		\$ 1,595,940	\$ -	\$ -	\$ 1,595,940

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ 820,121	\$ 139,637
Total assets	\$ 820,121	\$ 139,637
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	820,121	139,637
Total fund balance	820,121	139,637
Total liabilities and fund balance	\$ 820,121	\$ 139,637

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

	2021	2020
REVENUES		
Measure R	\$ 720,644	\$ 690,627
Interest income	4,840	5,001
Total revenues	725,484	695,628
EXPENDITURES		
Various projects	45,000	704,426
Total expenditures	45,000	704,426
Excess (deficiency) of revenues over expenditures	680,484	(8,798)
Fund balance at beginning of year	139,637	148,435
Fund balance at end of year	\$ 820,121	\$ 139,637

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance Favorable (Unfavorable)	2020 Actual
		Metro Budget	Actual		
705	Lemon Avenue Interchange Confluence Project	\$ 45,000	\$ 45,000	\$ -	\$ -
705	Grand Avenue Enhancement Project	59,675	-	59,675	-
705	Residential and Collector Street Rehabilitation - Area 7 (Construction)	719,039	-	719,039	704,426
705	Residential and Collector Street Rehabilitation - Area 1 (Construction)	850,000	-	850,000	-
	Total expenditures	\$ <u>1,673,714</u>	\$ <u>45,000</u>	\$ <u>1,628,714</u>	\$ <u>704,426</u>

See accompanying independent auditor's report.

CITY OF DIAMOND BAR
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
7/1/2013	Median Modification - DBB/Clear Creek	\$ 11,258	\$ -	\$ -	\$ 11,258
12/31/2014	Traffic Management Program	25,394	-	-	25,394
2/28/2015	Grand Avenue Enhancements	33,815	-	-	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		\$ 379,853	\$ -	\$ -	\$ 379,853

See accompanying independent auditor's report.

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

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ <u>1,491,815</u>	\$ <u>761,185</u>
Total assets	\$ <u><u>1,491,815</u></u>	\$ <u><u>761,185</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>1,491,815</u>	<u>761,185</u>
Total fund balance	<u>1,491,815</u>	<u>761,185</u>
Total liabilities and fund balance	\$ <u><u>1,491,815</u></u>	\$ <u><u>761,185</u></u>

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

	2021	2020
REVENUES		
Measure M	\$ 816,516	\$ 777,455
Interest income	12,820	13,870
Total revenues	829,336	791,325
 EXPENDITURES		
Various projects	98,706	558,214
Total expenditures	98,706	558,214
Excess of revenues over expenditures	730,630	233,111
Fund balance at beginning of year	761,185	528,074
Fund balance at end of year	\$ 1,491,815	\$ 761,185

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance Favorable (Unfavorable)	2020 Actual
		Metro Budget	Actual		
705	Lemon Avenue Interchange Confluence Project	\$ 80,000	\$ 80,000	\$ -	\$ -
705	Grand/Golden Springs Drive Intersection Improvements	207,691	-	207,691	-
705	Diamond Bar Boulevard Complete Streets Residential and Collector Street Rehab - Area 7 (Construction)	75,000	-	75,000	130,542
705	Residential and Collector Street Rehabilitation - Designs (Area 1a, 1b, 2) Arterial	420,000	18,706	401,294	420,000
715	Residential and Collector Street Rehabilitation - Area 1 (Construction)	100,000	-	100,000	7,672
720	LED Illuminated Street Name Sign and HST Replacement (Construction)	925,000	-	925,000	-
		350,000	-	350,000	-
	Total expenditures	\$ <u>2,157,691</u>	\$ <u>98,706</u>	\$ <u>2,058,985</u>	\$ <u>558,214</u>

See accompanying independent auditor's report.

CITY OF DIAMOND BAR
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
2/1/2018	Groundwater Drain Improvement Phase II	\$ 522,483	\$	\$ -	\$ 522,483
	Total	\$ 522,483	\$ -	\$ -	\$ 522,483

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

	2021	2020
ASSETS		
Due from Metro	\$ 545	\$ 7,919
Total assets	\$ 545	\$ 7,919
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to CIP Fund	\$ 730	\$ 7,919
Total liabilities	730	7,919
 Fund Balance		
Unassigned	(185)	-
Total fund balance	(185)	-
Total liabilities and fund balance	\$ 545	\$ 7,919

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

	2021	2020
REVENUES		
TDA 3	\$ 545	\$ 7,919
Total revenues	545	7,919
EXPENDITURES		
Grand Avenue/Golden Springs Intersection Enhancement	730	7,919
Total expenditures	730	7,919
Deficiency of revenues over expenditures	(185)	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ (185)	\$ -

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, 2021

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Grand Avenue/Golden Springs Intersection Enhancement	2019-20	\$ 545	\$ 730	\$ (185)	Ongoing
Total		<u>\$ 545</u>	<u>\$ 730</u>	(185)	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ (185)</u>	

See accompanying independent auditor's report.

CITY OF DIAMOND BAR
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020

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 the 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. The statement of revenues, expenditures and changes in fund balance for Special Revenue Funds generally present increases (revenues 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, 2021 and 2020
(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 2021 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, 2021:

- 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, 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, 2021 and 2020
(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, 2021 and 2020 consisted of the following:

		2021		2020
Bus pass sales	\$	30,031	\$	432,626
Total	\$	30,031	\$	432,626

The significant decrease in project generated revenue in fiscal year ended June 30, 2021 was caused by the coronavirus that adversely affected the operations and services of the City.

CITY OF DIAMOND BAR
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 9 – PROPOSITION A FUND EXCHANGE - PALRF

In fiscal year 2021, the City entered into an agreement on January 5, 2021 with Foothill Transit to exchange \$1 of Proposition A Local Return Funds for every \$.75 (or 75 cents) of General Fund. Accordingly, the City received \$600,000 of Foothill Transit’s General Funds on March 1, 2021 and assigned \$800,000 of its Proposition A Local Return Funds to Foothill Transit on February 26, 2021.

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2021 and 2020 consisted of the following:

		2021		2020
FY 2015-16 allocation	\$	545	\$	7,919
Total payment requested	\$	545	\$	7,919

NOTE 11 – 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, 2021 and 2020, the City has funds on reserve as follows:

		2021		2020
FY 2015-16 allocation *	\$	11,822	\$	12,367
FY 2016-17 allocation *		37,553		37,553
FY 2017-18 allocation		37,179		37,179
FY 2018-19 allocation		38,689		38,689
FY 2019-20 allocation		41,380		41,380
FY 2020-21 allocation		32,052		-
Available reserve balance	\$	198,675	\$	167,168

* The fiscal year 2015-16 allocation of \$11,822 and fiscal year 2016-17 allocation of \$37,553 were not spent as of June 30, 2021 and would have lapsed. However, the City requested for an extension and received a final extension approval from Metro on May 3, 2021 to spend the funds until June 30, 2022.

CITY OF DIAMOND BAR
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 12 – IMPACT OF CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 Funds' financial statements.

NOTE 13 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 9, 2021, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2021.

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) as a basis for designing 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 financial statements. 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". The signature is written in a cursive, flowing style.

Los Angeles, California
December 9, 2021

COMPLIANCE SECTION



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, 2021.

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, 2021.





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. 2021-001 and 2021-002. Our opinion on each local return program and Transportation Development Act Article 3 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 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 & Simpson".

Los Angeles, California
December 9, 2021

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2021

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 or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Funds were expended with Metro’s approval and were not substituted for property tax.		X		None	See Finding No. 2021-002 on the Schedule of Findings and Recommendations.
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.		X		PALRF: \$78,759	See Finding No. 2021-001 on the Schedule of Findings and Recommendations.
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X			None	
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.			X	None	
11.	Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.	X			None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2021
(Continued)

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						
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	X			None	
13.	A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X	None	
14.	Recreational transit form was submitted on time.			X	None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.	X			None	
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2021
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
 Year Ended June 30, 2021
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	
15.	Fund exchanges were approved by Metro.			X	None	
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2021
(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.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
14.	Recreational transit form was submitted on time.			X	None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
 Year Ended June 30, 2021
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
 Year Ended June 30, 2021
 (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 DIAMOND BAR
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021

PALRF: Finding No. 2021-001

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;” and “The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”
Condition	The City’s administrative expenditures exceeded more than 20 percent of its total PALRF annual expenditures less fund exchange with Foothill Transit in the amount of \$78,759. The amount of \$78,759 represents the excess over 20 percent of the PALRF’s total local return annual expenditures.
Cause	All professional staff in the Finance department left or retired during the last months of the fiscal year 2020-21 starting in April 2021, including the City staff who was directly involved in the monitoring and managing of the administrative costs. As a result, the determination of the administrative expenditures exceeding more than 20 percent of its total PALRF expenditures less fund exchange with Foothill Transit was overlooked. Furthermore, some of the approved projects were severely impacted by the pandemic which resulted in a significant underspending during the fiscal year ended June 30, 2021.
Effect	The City’s Proposition A Administration Project Code 610 expenditures exceeded 20 percent of its PALRF annual expenditures less fund exchange with Foothill Transit. Therefore, the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PALRF’s total annual expenditures reduced by any fund exchanges with other cities or transit authorities.
Management’s Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of PALRF’s total expenditures less any fund exchanges with other cities or transit authorities.
Corrected During the Audit	Metro Program Manager granted the City a waiver to reimburse its PALRF account for the questioned cost of \$78,759 on December 27, 2021. No follow-up is required.

CITY OF DIAMOND BAR
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021
(Continued)

PCLRF: Finding No. 2021-002

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds.”
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF’s Project Code 620, Administration, in the amount of \$58,308. However, the City subsequently received an approved budget in the amount of \$60,000 from Metro for the PCLRF project on November 19, 2021.
Cause	The request for Metro’s approval of the Administration project prior to incurring expenditures was an oversight.
Effect	The City did not comply with the Guidelines and expenditures for the PCLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Proposition C Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	In the future, the City staff will seek prior approval prior to charging any expenditures to PCLRF.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 19, 2021. No follow-up is required.

EXIT CONFERENCE

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, 2021

An exit conference was held on December 28, 2021 with the City of Diamond Bar. Those in attendance were:

Simpson & Simpson Representative:

Daryl Maxwell, Auditor

City's Representatives:

Jason Jacobsen, Director of Finance

Matters Discussed:

Results of the audit disclosed no significant control deficiencies 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:

Jason Jacobsen, Director of Finance

Simpson & Simpson, LLP
633 West 5th 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, 2021 AND 2020

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, 2021 and 2020 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