

***CITY OF DIAMOND BAR
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF DIAMOND BAR
TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
Independent Auditor’s Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	14
Schedule of Capital Assets	15
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	18
Notes to Financial Statements	19
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 <i>Government Auditing Standards</i>	24
COMPLIANCE SECTION	
Independent Auditor’s Report on Compliance	26
Compliance Matrix	28
Schedule of Findings and Recommendations	31
EXIT CONFERENCE	32

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

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), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Diamond Bar, California (City) as of and for the year ended June 30, 2017 and 2016, 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, and TDAA3F of the City of Diamond Bar, California, as of June 30, 2017 and 2016, 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, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Diamond Bar, California, as of June 30, 2017 and 2016, and the changes in financial position thereof 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Diamond Bar, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. 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 financial statements.

The supplementary 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 financial statements or to the 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 the financial statements as a whole.



Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated October 30, 2017, on our consideration of the City of Diamond Bar’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

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

Los Angeles, California
October 30, 2017

DIAMOND BAR

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u> as restated
ASSETS		
Cash and investments	\$ 496,924	\$ 1,070,199
Total assets	<u>\$ 496,924</u>	<u>\$ 1,070,199</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 28,724	\$ 215,020
Accrued payroll	<u>2,189</u>	<u>3,199</u>
Total liabilities	<u>30,913</u>	<u>218,219</u>
Fund Balance		
Restricted	<u>466,011</u>	<u>851,980</u>
Total fund balance	<u>466,011</u>	<u>851,980</u>
Total liabilities and fund balance	<u>\$ 496,924</u>	<u>\$ 1,070,199</u>

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

DIAMOND BAR

PROPOSITION A LOCAL RETURN FUND

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u> as restated
REVENUES		
Proposition A	\$ 1,034,041	\$ 1,018,034
Investment income	9,808	8,751
Project generated revenue (Note 7)	823,272	881,565
Total revenues	<u>1,867,121</u>	<u>1,908,350</u>
EXPENDITURES		
Various projects	<u>2,253,090</u>	<u>1,458,967</u>
Total expenditures	<u>2,253,090</u>	<u>1,458,967</u>
(Deficiency) excess of revenues over expenditures	(385,969)	449,383
Fund balance at beginning of year	<u>851,980</u>	<u>402,597</u>
Fund balance at end of year	<u>\$ 466,011</u>	<u>\$ 851,980</u>

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

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual as restated
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
140-01	Recreation Transit	\$ 88,250	\$ 60,936	\$ 27,314	\$ 71,626
170-01	Senior and Disabled Dial-A-Cab Computer Hardware Enhancement	14,500	-	14,500	14,500
210-01	Traffic Signal Infrastructure Upgrades	365,000	255,658	109,342	109,342
210-02	Traffic Signal Infrastructure Upgrades - Phase II	35,155	2,230	32,925	-
230-01	Transit Security	2,100	-	2,100	-
250-01	Transit Subsidy Program	268,760	1,051,966	(783,206) *	1,133,971
270-08	Fairway Drive Grade Separation Project - TMP Review	18,260	-	18,260	-
400-03	Adaptive Traffic Control System (ATCS)	180,000	35,186	144,814	-
400-05	Battery Back Up System- 20 Units	130,000	103,560	26,440	-
405-02	Proposition A Local Return Fund Exchange (Note 9)	600,000	600,000	-	-
480-01	Administration	145,449	124,703	20,746	112,528
480-02	Transportation Planning (SCVCOG) (Prev 01-270)	18,860	18,851	9	17,000
	Total expenditures	<u>\$ 1,866,334</u>	<u>\$ 2,253,090</u>	<u>\$ (386,756)</u>	<u>\$ 1,458,967</u>

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

LACMTA Budget		\$ 268,760
Total expenditures	\$ 1,051,966	
Less: Project generated revenues - bus pass sales	<u>(823,272)</u>	
PALRF expenditures		<u>228,694</u>
Actual variance - positive		<u>\$ 40,066</u>

See accompanying independent auditor's report.

DIAMOND BAR

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
6/19/2014	Computer Hardware/Equipment	\$ 12,500	\$ -	\$ -	\$ 12,500
5/18/2016	HP Sever	14,500	-	-	14,500
7/1/2016	Traffic Signal Upgrades - Year 1	-	365,000	-	365,000
	Total	\$ 27,000	\$ 365,000	\$ -	\$ 392,000

See accompanying independent auditor's report.

DIAMOND BAR

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 733,755	\$ 715,387
Total assets	<u>\$ 733,755</u>	<u>\$ 715,387</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 54,404	\$ 49,042
Accrued payroll	<u>691</u>	<u>1,330</u>
Total liabilities	<u>55,095</u>	<u>50,372</u>
Fund Balance		
Restricted	<u>678,660</u>	<u>665,015</u>
Total fund balance	<u>678,660</u>	<u>665,015</u>
Total liabilities and fund balance	<u>\$ 733,755</u>	<u>\$ 715,387</u>

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

DIAMOND BAR

PROPOSITION C LOCAL RETURN FUND

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Proposition C	\$ 860,946	\$ 847,210
Interest income	<u>11,512</u>	<u>6,672</u>
Total revenues	<u>872,458</u>	<u>853,882</u>
 EXPENDITURES		
Various projects	<u>858,813</u>	<u>593,672</u>
Total expenditures	<u>858,813</u>	<u>593,672</u>
 Excess of revenues over expenditures	13,645	260,210
 Fund balance at beginning of year	<u>665,015</u>	<u>404,805</u>
 Fund balance at end of year	<u>\$ 678,660</u>	<u>\$ 665,015</u>

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

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-02	Senior and Disabled Dial-A-Cab	\$ 350,000	\$ 304,623	\$ 45,377	\$ 297,591
140-04	Holiday Ride	10,000	-	10,000	-
210-02	Traffic Signal Infrastructure Upgrades- Phase II	372,295	-	372,295	-
270-09	57/60 Supplemental Needs Study	-	-	-	25,000
400-03	Adaptive Traffic Control System (ATCS)	180,000	-	180,000	58,696
400-05	Battery Back Up System- 20 Units	100,000	100,000	-	-
400-49	Diamond Bar Intelligent Transportation System ITS	196,437	85,545	110,892	-
450-01	Grand Avenue Enhancement	-	-	-	204,000
450-02	Diamond Bar Boulevard/Brea Canyon Road Intersection Enhancements	288,270	264,580	23,690	3,185
450-08	Median Modification (Diamond Bar Boulevard/Maple Hill)	95,000	95,000	-	-
450-09	Copley/Golden Springs Drive Intersection Modification	111,740	3,865	107,875	-
470-01	Pavement and Traffic Management Systems Software	5,950	5,200	750	5,200
	Total expenditures	<u>\$ 1,709,692</u>	<u>\$ 858,813</u>	<u>\$ 850,879</u>	<u>\$ 593,672</u>

See accompanying independent auditor's report.

DIAMOND BAR

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
1/3/2013	CCTV Cameras - Traffic Signal Management	\$ 111,549	\$ -	\$ -	\$ 111,549
8/14/2014	Med Mods - DBB/Kiowa Crest	45,802	-	-	45,802
8/14/2014	TS - Battery Backup System	168,284	-	-	168,284
2/25/2015	DBB/BCR Enhancements	23,690	264,580	-	288,270
2/28/2015	Grand Avenue Enhancements	500,020	204,000	-	704,020
	Total	<u>\$ 849,345</u>	<u>\$ 468,580</u>	<u>\$ -</u>	<u>\$ 1,317,925</u>

See accompanying independent auditor's report.

DIAMOND BAR

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ <u>680,953</u>	\$ <u>728,689</u>
Total assets	\$ <u><u>680,953</u></u>	\$ <u><u>728,689</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>680,953</u>	<u>728,689</u>
Total fund balance	<u>680,953</u>	<u>728,689</u>
Total liabilities and fund balance	\$ <u><u>680,953</u></u>	\$ <u><u>728,689</u></u>

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

DIAMOND BAR

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Measure R	\$ 643,438	\$ 633,707
Interest income	<u>9,642</u>	<u>7,735</u>
Total revenues	<u>653,080</u>	<u>641,442</u>
EXPENDITURES		
Various projects	<u>700,816</u>	<u>630,373</u>
Total expenditures	<u>700,816</u>	<u>630,373</u>
(Deficiency) excess of revenues over expenditures	(47,736)	11,069
Fund balance at beginning of year	<u>728,689</u>	<u>717,620</u>
Fund balance at end of year	<u>\$ 680,953</u>	<u>\$ 728,689</u>

The accompanying notes are an integral part of the financial statements

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Grand Avenue Enhancement Project	\$ 59,675	\$ -	\$ 59,675	\$ -
1.05	Residential and Collector Street Rehabilitation - Area 3	22,005	-	22,005	574,663
1.05	Residential and Collector Street Rehabilitation - Area 4	700,816	700,816	-	-
1.90	Ground Drainage Design Project	-	-	-	10,710
2.03	Traffic Signal Infrastructure Upgrades	-	-	-	45,000
	Total expenditures	<u>\$ 782,496</u>	<u>\$ 700,816</u>	<u>\$ 81,680</u>	<u>\$ 630,373</u>

See accompanying independent auditor's report.

DIAMOND BAR

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
7/1/2013	Median Modification - DBB/Clear Creek	\$ 36,796	\$ -	\$ -	\$ 36,796
12/31/2014	Traffic Management Program	32,767	-	-	32,767
2/28/2015	Grand Avenue Enhancement	59,675	-	-	59,675
	Total	<u>\$ 129,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,238</u>

See accompanying independent auditor's report.

DIAMOND BAR

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

BALANCE SHEETS
JUNE 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ -	\$ -
Total assets	\$ -	\$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

DIAMOND BAR

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
REVENUES		
Payment from previous years reserve	\$ -	\$ 117,497
Total revenues	<u>-</u>	<u>117,497</u>
EXPENDITURES		
Various projects	<u>-</u>	<u>117,497</u>
Total expenditures	<u>-</u>	<u>117,497</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

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, 2017

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
None		\$ -	\$ -	\$ -	
	Totals	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Fund balance at beginning of year				<u>-</u>	
Unassigned fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF DIAMOND BAR

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) 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 represents 15% of the 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.

Transportation Development Act Article 3 Fund (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, 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 a 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. Statements of revenues, expenditures and changes in fund balances 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, 2017 and 2016 (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with 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 investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

Fund Balance Reporting

Governmental Accounting Standards Board (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 the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- Restricted – Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

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, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R 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, 2017 and 2016
(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.

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.

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code’s section may only be used for activities relating to pedestrians and bicycle facilities.

NOTE 6 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

NOTE 7 – PROJECT GENERATED REVENUE

Project generated revenue under PALRF for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Bus Pass Sales	\$ <u>823,272</u>	\$ <u>881,565</u>
Total	\$ <u>823,272</u>	\$ <u>881,565</u>

CITY OF DIAMOND BAR

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 8 – RESTATEMENT OF PALRF’S 2016 FINANCIAL STATEMENTS

The 2016 financial statements of PALRF were restated to report certain expenditures for the City’s Project Code 210-01, Traffic Signal Infrastructure Upgrades, related to prior fiscal year that were not previously recorded.

	Accounts Payable	Expenditures	Fund Balance
Balance, as previously reported	\$ 105,678	\$ 1,349,625	\$ 961,322
Adjustment	109,342	109,342	(109,342)
Balance, as restated	<u>\$ 215,020</u>	<u>\$ 1,458,967</u>	<u>\$ 851,980</u>

NOTE 9 – PROPOSITION A FUND EXCHANGE – PALRF

In fiscal year 2017, the City entered into an agreement on August 2016 with the City of Rancho Palos Verdes to exchange \$1 of Proposition A Local Return Funds for every \$.75 (or 75 cents) of General Fund monies. Accordingly, the City received \$450,000 of the City of Rancho Palos Verdes General Fund and assigned \$600,000 of its Proposition A Local Return Funds to the City of Rancho Palos Verdes.

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2010-11 allocation	\$ -	\$ 7,679
FY 2011-12 allocation	-	29,403
FY 2012-13 allocation	-	43,423
FY 2013-14 allocation	-	36,992
Total	<u>\$ -</u>	<u>\$ 117,497</u>

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, 2017 and 2016, the City has funds on reserve as follows:

	2017	2016
FY 2013-14 allocation	\$ 8,471	\$ 8,471
FY 2014-15 allocation	37,028	37,028
FY 2015-16 allocation	35,943	35,943
FY 2016-17 allocation	37,553	-
Available reserve balance	<u>\$ 118,995</u>	<u>\$ 81,442</u>

CITY OF DIAMOND BAR

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016
(Continued)

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through October 30, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

**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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Diamond Bar, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 City’s local return funds and TDAA3F 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 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is 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
October 30, 2017

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

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 (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the City's compliance with those 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 a local return program and the Transportation Development Act Article 3 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, the City of Diamond Bar complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the year ended June 30, 2017.



Report on Internal Control Over Compliance

Management of the City of Diamond Bar is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 under the Requirements 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 Requirements 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 Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that 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 requirement of the Guidelines. Accordingly, this report 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
October 30, 2017

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2017

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A and Proposition C Local Return Funds				
1. Timely use of funds.	X		None	
2. Expenditures were approved before being incurred.	X		None	
3. Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4. Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5. Administrative expenses were within the 20% cap.	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) and listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9. Cash or cash equivalents were maintained.	X		None	
10. Accounting procedures, record keeping and documentation were adequate.	X		None	
11. Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF DIAMOND BAR
COMPLIANCE MATRIX
Year Ended June 30, 2017
(Continued)

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

CITY OF DIAMOND BAR

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2017

No findings were noted.

EXIT CONFERENCE

CITY OF DIAMOND BAR

PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2017

An exit conference was held on November 7, 2017 via telephone conference. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Auditor

City's Representative:

Susan Full, Senior Accountant

Dianna Honeywell, Finance Director

Matters Discussed:

Results of the audit disclosed no significant control deficiencies or non-compliance issues with LACMTA's Guidelines.

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

Susan Full, Senior Accountant

Dianna Honeywell, Finance Director

Simpson & Simpson, LLP
633 West 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, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 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,

Dianna Honeywell
Finance Director
November 7, 2017