



**Metro**<sup>TM</sup>

**City of Pomona  
Annual Financial Report of its**

**Proposition A Local Return Fund  
Proposition C Local Return Fund  
Measure R Local Return Fund  
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2017 and 2016  
with Report of Independent Auditors**

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**FINANCIAL SECTION**

## Report of Independent Auditors

### To the Honorable Members of the City Council of the City of Pomona, 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, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Pomona, California (the City) which comprise the Funds' balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

#### ***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.

#### ***Auditors' 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 audits 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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Pomona, California, as of June 30, 2017 and 2016, 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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2017 and 2016, 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 as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic 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' basic financial statements or to the Funds' basic 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' basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 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 black ink that reads "Vaguez &amp; Company LLP".

Los Angeles, California  
December 18, 2017

**City of Pomona  
Proposition A Local Return Fund  
Balance Sheets**

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	2,140,618	\$ 2,325,709
Accounts receivable		4,000	2,000
Interest receivable		5,751	2,869
Due from other government agencies		295,281	295,281
<b>Total assets</b>	<b>\$</b>	<b><u>2,445,650</u></b>	<b><u>\$ 2,625,859</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	239,099	\$ 157,149
Accrued payroll and employee benefits		4,980	4,854
<b>Total liabilities</b>		<b><u>244,079</u></b>	<b><u>162,003</u></b>
<b>Deferred inflows of resources</b>			
Unavailable revenues		295,281	295,281
<b>Total deferred inflows of resources</b>		<b><u>295,281</u></b>	<b><u>295,281</u></b>
<b>Fund balance</b>			
Restricted		1,906,290	2,168,575
<b>Total fund balance</b>		<b><u>1,906,290</u></b>	<b><u>2,168,575</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b><u>2,445,650</u></b>	<b><u>\$ 2,625,859</u></b>

*See notes to Funds financial statements.*

**City of Pomona**  
**Proposition A Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Proposition A	\$ 2,781,244	\$ 2,738,458
Investment income (loss)	(1,844)	12,506
Get About Subsidy	16,000	14,280
Other revenues	-	12,000
<b>Total revenues</b>	<b>2,795,400</b>	<b>2,777,244</b>
 <b>Expenditures</b>		
Various projects	<b>3,057,685</b>	2,290,655
<b>Total expenditures</b>	<b>3,057,685</b>	2,290,655
 Excess (deficiency) of revenues over expenditures	<b>(262,285)</b>	486,589
 Fund balance at beginning of year	<b>2,168,575</b>	1,681,986
 Fund balance at end of year	<b>\$ 1,906,290</b>	<b>\$ 2,168,575</b>

*See notes to Funds financial statements.*

City of Pomona  
**Proposition A Local Return Fund  
 Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2017**  
**(With Comparative Actuals for 2016)**

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
130-01	PVTA - Get About	\$ 1,578,196	\$ 1,483,708	\$ 94,488	\$ 1,332,160
130-02	Group Service Transit Pilot Program	125,000	-	125,000	70,400
140-01	Recreational Transit	40,000	47,339	(7,339)	42,440
160-03	Bus Stop Improvements along San Bernardino San Antonio N Garey Ridgeway Dudley Alvarado and Monterey	85,000	-	85,000	-
160-05	Bus Stop Improvements for Local City Streets within Districts 2 and 3	100,000	-	100,000	-
160-06	Bus Stop Improvements	103,943	-	103,943	-
160-07	Transit Improvement Program - Citywide	299,180	31,243	267,937	29,846
160-09	Bus Stop Improvements	-	655,532	(655,532) *	-
170-03	Bus Stop Shelter Maintenance	124,808	130,056	(5,248)	108,305
230-01	Metrolink Security	232,000	227,332	4,668	209,817
230-05	Bus Stop Improvements	62,553	-	62,553	53,370
230-10	Transit Station Security Cameras	136,070	-	136,070	-
250-01	Get About Subsidy	16,000	20,000	(4,000)	-
250-02	MTA Bus Pass Subsidy	190,000	146,580	43,420	-
250-03	Metrolink Passes Subsidy Program	-	-	-	159,120
360-01	Metrolink Utilities (2 Stations)	69,570	61,146	8,424	68,937
390-01	Metrolink Maintenance (2 Stations)	126,114	119,040	7,074	113,235
480-01	Administration	130,569	135,709	(5,140)	103,025
	<b>Total expenditures</b>	<b>\$ 3,419,003</b>	<b>\$ 3,057,685</b>	<b>\$ 361,318</b>	<b>\$ 2,290,655</b>

\* See Compliance Matrix and Schedule of Findings and Questioned Costs.

*See report of independent auditors.*



**City of Pomona**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2017**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

**City of Pomona  
Proposition C Local Return Fund  
Balance Sheets**

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	3,439,076	\$ 7,787,601
Interest receivable		10,570	9,629
<b>Total assets</b>	<b>\$</b>	<b><u>3,449,646</u></b>	<b><u>\$ 7,797,230</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	5,535	\$ 261
Accrued payroll and employee benefits		2,579	3,066
<b>Total liabilities</b>		<b><u>8,114</u></b>	<b><u>3,327</u></b>
<b>Fund balance</b>			
Restricted		3,441,532	7,793,903
<b>Total fund balance</b>		<b><u>3,441,532</u></b>	<b><u>7,793,903</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>3,449,646</u></b>	<b><u>\$ 7,797,230</u></b>

*See notes to Funds financial statements.*

**City of Pomona**  
**Proposition C Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Proposition C	\$ 2,313,406	\$ 2,276,663
Investment income	6,174	42,084
<b>Total revenues</b>	<b>2,319,580</b>	<b>2,318,747</b>
 <b>Expenditures</b>		
Various projects	6,671,951	448,888
<b>Total expenditures</b>	<b>6,671,951</b>	<b>448,888</b>
 Excess (deficiency) of revenues over expenditures	(4,352,371)	1,869,859
 Fund balance at beginning of year	7,793,903	5,924,044
 Fund balance at end of year	<b>\$ 3,441,532</b>	<b>\$ 7,793,903</b>

*See notes to Funds financial statements.*

**City of Pomona**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2017**  
**(With Comparative Actuals for 2016)**

Project Code	Project Name	2017			2016 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
370-01	Street Improvements - Hamilton Underpass at UPRR	\$ 38,975	\$ 7,400	\$ 31,575	\$ 7,863
400-01	Garey and McKinley - Traffic Signal Modification	29,754	-	29,754	140
400-02	Traffic Signal Improvements - Towne Avenue and Philadelphia	34,644	11,841	22,803	21,716
400-03	Coop Agreement - Traffic Signal (Foothill Blvd and Sumner Ave)	259,244	255,279	3,965	6,783
440-01	Bridge Rehabilitation Program	52,945	1,437	51,508	2,240
440-02	Street Rehabilitation - Reservoir Street (Mission Blvd and County Rd)	1,900,000	-	1,900,000	-
440-04	Street Repair - Towne Avenue Underpass	730,050	-	730,050	-
440-06	Street Rehabilitation District 4 and 5	103,943	-	103,943	-
440-10	Traffic Operations - Communication Upgrade	99,000	-	99,000	-
450-01	Mission Boulevard Grade Separation at State Route 71	118,278	2,929	115,349	28,998
450-02	Median Closure - State Route 71	100,000	-	100,000	-
450-05	Mission Corridor Improvement	100,000	-	100,000	-
450-07	Major Street Rehabilitation - Citywide	100,000	-	100,000	-
450-08	Major Street Rehabilitation - Citywide	6,111,328	6,261,356	(150,028)	318,954
450-09	Landscape Improvements - Mission Blvd/SR-1	125,000	30,308	94,692	-
460-07	Traffic Signal Improvements - Battery Backup System	200,000	19,919	180,081	-
460-09	Traffic Signal Improvements - Towne Avenue and Riverside Drive	150,500	5,000	145,500	-
480-01	Administration	130,407	76,482	53,925	62,194
<b>Total expenditures</b>		<b>\$ 10,384,068</b>	<b>\$ 6,671,951</b>	<b>\$ 3,712,117</b>	<b>\$ 448,888</b>

*See report of independent auditors.*

**City of Pomona**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2017**

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Date Acquired	Description	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

**City of Pomona  
Measure R Local Return Fund  
Balance Sheets**

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	2,799,772	\$ 2,376,609
Interest receivable		6,354	3,134
<b>Total assets</b>	<b>\$</b>	<b><u>2,806,126</u></b>	<b><u>\$ 2,379,743</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	37,823	\$ 50,417
Accrued payroll and employee benefits		20,740	21,243
<b>Total liabilities</b>		<b><u>58,563</u></b>	<b><u>71,660</u></b>
<b>Fund balance</b>			
Restricted		<u>2,747,563</u>	2,308,083
<b>Total fund balance</b>		<b><u>2,747,563</u></b>	<b><u>2,308,083</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>2,806,126</u></b>	<b><u>\$ 2,379,743</u></b>

*See notes to Funds financial statements.*

**City of Pomona**  
**Measure R Local Return Fund**

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Measure R	\$ 1,730,645	\$ 1,704,639
Investment income (loss)	(3,620)	14,303
Other	5,386	-
<b>Total revenues</b>	<b>1,732,411</b>	<b>1,718,942</b>
<b>Expenditures</b>		
Various projects	1,292,931	1,597,062
<b>Total expenditures</b>	<b>1,292,931</b>	<b>1,597,062</b>
Excess of revenues over expenditures	<b>439,480</b>	121,880
<b>Other financing source</b>		
Transfers from PCLRF	-	2,240
<b>Total other financing sources</b>	<b>-</b>	<b>2,240</b>
Excess of revenues over expenditures and other financing source	<b>439,480</b>	124,120
Fund balance at beginning of year	<b>2,308,083</b>	2,183,963
Fund balance at end of year	<b>\$ 2,747,563</b>	<b>\$ 2,308,083</b>

*See notes to Funds financial statements.*

City of Pomona  
Measure R Local Return Fund  
Supplementary Information  
Schedule of Expenditures – Actual and LACMTA Approved Project Budget  
Year ended June 30, 2017  
(With Comparative Actuals for 2016)

Project Code	Project Name	2017		Variance Positive (Negative)	2016 Actual
		LACMTA Budget	Actual		
1.05	Major Street Rehabilitation - Citywide (FY13/14 - FY15/16)	\$ 302,500	\$ -	\$ 302,500	173,000
1.05	Street Rehabilitation - District 2 and 3	-	-	-	432,166
1.05	Street Improvement Citywide (CDBG) (FY15-16 to FY17-18)	30,000	-	30,000	-
1.05	Street Rehabilitation - District 1 and 6	100,000	-	100,000	-
1.05	Sidewalks Penmar Lane (Grading, Asphalt, Curb, Cutter, Sidewalk)	15,000	-	15,000	-
1.05	Street Rehabilitation Citywide - Excess RDA	7,000	-	7,000	-
1.05	Street Rehabilitation District 4 and 5	400,347	447,979	(47,632)	-
1.05	Bridge Rehab Program - Phase I	10,000	-	10,000	-
1.25	ADA Path of Travel-Citywide (CDBG) (FY14-15 to FY16-17)	35,000	-	35,000	-
1.90	Repair 5420 Square Feet of Sidewalk	-	-	-	119,450
1.90	Replace 8406 Square Feet of Deteriorated Asphalt	-	-	-	152,578
1.90	Repair 7169 potholes	-	-	-	127,688
1.90	Install Pavement Markers, Repair Sidewalks, R&R Asphalt and Pothole	430,747	335,494	95,253	-
1.90	Alley Improvements - Citywide (CDBG) (FY14-15 to FY16-17)	20,000	-	20,000	-
2.03	Maintain 598 Traffic Signals	-	-	-	166,086
2.03	Replace Damaged Signal Poles	-	-	-	169,997
2.03	Maintain 503 Traffic Signals	60,000	60,000	-	-
2.03	Upgrade 30 Traffic Signals	288,914	-	288,914	-
2.29	Replacement/addition of Traffic Signs	-	-	-	59,965
2.29	Upgrade 36 Traffic Signals	-	-	-	99,198
2.29	Replace Damaged Signal Poles	193,994	297,485	(103,491)	-
2.29	R&R of Traffic Signs/Traffic Signal Upgrades	150,000	118,228	31,772	-
3.20	ADA Curb Ramps and Sidewalks - Citywide	-	-	-	75,000
8.10	Fund Administration	30,995	33,745	(2,750)	21,934
	<b>Total expenditures</b>	<b>\$ 2,074,497</b>	<b>\$ 1,292,931</b>	<b>\$ 781,566</b>	<b>\$ 1,597,062</b>

*See report of independent auditors.*



**City of Pomona**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2017**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
09/23/2014	Accushot Epoxy Machine with Trailer	\$ 7,653	\$ -	\$ -	\$ 7,653
06/08/2015	Message Board	12,993	-	-	12,993
06/23/2015	Zieman 1185 Trailer	7,602	-	-	7,602
<b>Total</b>		<b>\$ 28,248</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,248</b>

*See report of independent auditors.*

City of Pomona  
Transportation Development Act Article 3 Fund  
Pursuant to Public Utilities Code Section 99234  
Balance Sheets

		June 30	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$	-	\$ 6,741
Interest receivable		-	16
Due from LACMTA		<u>217,236</u>	<u>196,259</u>
<b>Total assets</b>	<b>\$</b>	<b><u>217,236</u></b>	<b>\$ <u>203,016</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Cash overdraft	\$	26,242	\$ -
Accounts payable		3,050	45,702
Accrued payroll and employee benefits		-	295
<b>Total liabilities</b>		<u>29,292</u>	<u>45,997</u>
 <b>Deferred inflows of resources</b>			
Unavailable revenues		<u>129,157</u>	<u>116,259</u>
<b>Total deferred inflows of resources</b>		<u>129,157</u>	<u>116,259</u>
 <b>Fund balance</b>			
Restricted		<u>58,787</u>	<u>40,760</u>
<b>Total fund balance</b>		<u>58,787</u>	<u>40,760</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$</b>	<b><u>217,236</u></b>	<b>\$ <u>203,016</u></b>

*See notes to Funds financial statements.*

City of Pomona  
 Transportation Development Act Article 3 Fund  
 Pursuant to Public Utilities Code Section 99234  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2017	2016
<b>Revenues</b>		
Intergovernmental Allocations:		
Article 3	\$ 88,079	\$ 80,000
Investment income	65	64
<b>Total revenues</b>	<b>88,144</b>	80,064
<b>Expenditures</b>		
Construction/Maintenance	70,117	69,444
<b>Total expenditures</b>	<b>70,117</b>	69,444
Excess of revenues over expenditures	18,027	10,620
Fund balance at beginning of year	40,760	30,140
Fund balance at end of year	\$ 58,787	\$ 40,760

*See notes to Funds financial statements.*

**City of Pomona**  
**Transportation Development Act Article 3 Fund**  
**Pursuant to Public Utilities Code Section 99234**  
**Supplementary Information**  
**Schedule of Transportation Development Act Allocation for Specific Projects**  
**Year ended June 30, 2017**

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<b>Project Description</b>	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
<b>Local Allocations:</b>					
Sidewalk Concrete Repair					
Services Citywide Project	2017	\$ 88,079	\$ 70,117	\$ 17,962	Ongoing
<b>Totals</b>		\$ 88,079	\$ 70,117	17,962	
Investment income				65	
Fund balance at beginning of year				40,760	
Fund balance at end of year				\$ 58,787	*

\* As of June 30, 2017, the City has not received the revenue draw down of \$88,079 for the FY 2016/17. The unspent fund balance balance was encumbered for the above ongoing project.

*See report of independent auditors.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF) and the 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.

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**

The PALRF, PCLRF, MRLRF, and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is 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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

**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 and 2016:

- 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 the City's Comprehensive Annual Financial Report.

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2017 and 2016.

**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 do not purport to, and do not present fairly the City's financial position as of June 30, 2017 and 2016, 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.

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

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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**

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

**NOTE 7 DUE FROM OTHER GOVERNMENT AGENCIES**

Due from other government agencies for the years ended June 30, 2017 and 2016 consisted of the following:

**PALRF**

		<u>2017</u>		<u>2016</u>
State of California – SB90	\$	<u>295,281</u>	\$	<u>295,281</u>
	\$	<u>295,281</u>	\$	<u>295,281</u>

**NOTE 8 OTHER REVENUES – PALRF**

Other revenues under PALRF amounting to \$0 and \$12,000 for the years ended June 30, 2017 and 2016, respectively, represents funds received from the Foothill Transit Authority.

**NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

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

		<u>2017</u>		<u>2016</u>
FY 2014/15 allocation	\$	<u>19,602</u>	\$	<u>80,000</u>
FY 2015/16 allocation		<u>68,477</u>		<u>-</u>
	\$	<u>88,079</u>	\$	<u>80,000</u>



**NOTE 10      TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of June 30, 2017 and 2016, the City has funds on reserve as follows:

		<b>2017</b>		2016
FY 2014/15 allocation	\$	-	\$	19,602
FY 2015/16 allocation		<b>28,180</b>		96,657
FY 2016/17 allocation		<b>100,977</b>		-
	<b>\$</b>	<b>129,157</b>	<b>\$</b>	116,259

For FY 2016/17, any TDA Article 3 funds left on reserve for FY 2012/13 or prior, are subject to lapse if not claimed by the City by June 30, 2017. There were no funds that lapsed in FY 2016/17.

**NOTE 11      SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 18, 2017, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**To the Honorable Members of the City Council of the  
City of Pomona, California and the  
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Pomona, California (the City) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Funds' 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 audits 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, and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

**Los Angeles, California**  
**December 18, 2017**

**COMPLIANCE SECTION**

## Report of Independent Auditors on Compliance

**To the Honorable Members of the City Council of the  
City of Pomona, California and the  
Los Angeles County Metropolitan Transportation Authority**

### Report on Compliance

We have audited the compliance of the City of Pomona, California (the 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 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 the Guidelines.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R 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***

In our opinion, the City of Pomona, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-001 and #2017-002. Our opinion is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 compliance requirements 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 a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

**Los Angeles, California  
December 18, 2017**

**City of Pomona  
Compliance Matrix  
Year ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.		X			See Finding #2017-001
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted on time.	X				
8. Annual Expenditure Report (Form C) was submitted on time.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.	X				
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted on time.	X				

*See report of independent auditors on compliance.*

**City of Pomona  
Compliance Matrix  
Year ended June 30, 2017**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted on time.		X			See Finding #2017-002
8. Expenditure Report (Form Two) was submitted on time.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted on time.			X		
<b>C. Transportation Development Act Article 3 Fund</b>					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

*See report of independent auditors on compliance.*



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Pomona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

**PALRF: Finding #2017-001**

<b>Compliance Reference</b>	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
<b>Condition</b>	<p>The City claimed expenditures under Project code 160-09, Bus Stop Improvements, totaling \$655,532 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p>
<b>Cause</b>	City had received Metro approval for project in FY 2015/16 in the amount of \$730,000 which was intended to be rolled over to FY 2016/17. The code was administratively entered as OG (on-going) instead of CO (carry-over).
<b>Effect</b>	Proposition A LR funds were expended towards project expenditures without prior approval by the LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
<b>Management's Response</b>	For future carry-overs, City Staff has developed a Master spread-sheet to ensure these errors are captured. This sheet will be shared with Finance to review the information as needed.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted a retroactive approval of the said project on October 31, 2017.

**City of Pomona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

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**MRLRF: Finding #2017-002**

<b>Compliance Reference</b>	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year".
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 2, 2016, 1 day after the due date of August 1.
<b>Cause</b>	The City has an on-going correspondence with Metro in regards to the submittal of the Form One and Form B on August 1, 2016. However, the submittal of Form One was delayed until the next day.
<b>Effect</b>	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend that the City consider establishment of procedures and controls to ensure that all reporting deadlines are met.
<b>Management's Response</b>	Correspondence with Metro was on-going with the submittal of the Form One and Form B. The City had been in contact discussing submittals with Metro on August 1, 2016.

**EXIT CONFERENCE**

An exit conference was held on December 18, 2017 with the City of Pomona representatives. Those in attendance were:

Vasquez and Company LLP representatives:  
    Marialyn Salvador – Audit Senior Manager  
    Emer Fabro – Audit Supervisor

City of Pomona representatives:  
    Joe Weaver – Senior Accountant  
    Dustin Andolsen – Accounting Supervisor

Matters discussed:

Results of the audit disclosed instances of noncompliance with the LACMTA Guidelines.

A copy of this report was forwarded to the following City of Pomona representatives for comments prior to the issuance of the final report:

    Linda Poliakon – Accounting Manager  
    Joe Weaver – Senior Accountant  
    Dennice Raygoza – Senior Management Analyst



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