



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

**City of West Covina  
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, 2015 and 2014  
with Report of Independent Auditors**

An Independently Owned Member  
**McGLADREY ALLIANCE**



 **Vasquez**  
& Company LLP  
Certified Public Accountants and Business Consultants

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**FINANCIAL SECTION**

## **Report of Independent Auditors**

### **To the Honorable Members of the City Council of the City of West Covina, 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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of West Covina, California (the City) which comprise the Funds' balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenditures and changes in fund balance 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 West Covina, California, as of June 30, 2015 and 2014, 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, 2015 and 2014, 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 March 21, 2016 on our consideration of the City'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, and 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 "Vasquez &amp; Company LLP".

**Los Angeles, California  
March 21, 2016**

**City of West Covina  
Proposition A Local Return Fund  
Balance Sheets**

		June 30	
		2015	2014
<b>ASSETS</b>			
Cash and investments	\$	605,820	\$ 503,238
Interest receivable		227	138
Due from LACMTA		-	105,733
<b>Total assets</b>	<b>\$</b>	<b>606,047</b>	<b>\$ 609,109</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	-	\$ -
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Fund balance</b>			
Restricted		606,047	609,109
<b>Total fund balance</b>		<b>606,047</b>	<b>609,109</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>606,047</b>	<b>\$ 609,109</b>

*See notes to financial statements.*

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

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	Years ended June 30	
	2015	2014
<b>Revenues</b>		
Proposition A	\$ 1,896,711	\$ 1,820,191
Investment income	227	360
Proposition A Discretionary Incentive Grant	-	206,605
<b>Total revenues</b>	<b>1,896,938</b>	<b>2,027,156</b>
<b>Expenditures</b>		
Various projects	1,900,000	1,730,000
<b>Total expenditures</b>	<b>1,900,000</b>	<b>1,730,000</b>
Excess (deficiency) of revenues over expenditures	(3,062)	297,156
Fund balance at beginning of year	609,109	311,953
Fund balance at end of year	\$ 606,047	\$ 609,109

*See notes to financial statements.*

**City of West Covina**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2015**  
**Actual for 2014**

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Project Code	Project Name	2015			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
270-06	Transportation Planning - SGVCOG	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
405-04	Fund Exchange with City of Industry	<u>1,877,990</u>	<u>1,870,000</u>	<u>7,990</u>	<u>1,700,000</u>
	<b>Total expenditures</b>	<u>\$ 1,907,990</u>	<u>\$ 1,900,000</u>	<u>\$ 7,990</u>	<u>\$ 1,730,000</u>

*See report of independent auditors.*



**City of West Covina**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2015**

<b>Date Acquired</b>	<b>Description</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
April 1992	HP LaserJet Printer	\$ 1,920	\$ -	\$ -	\$ 1,920
June 1992	486 PC Computer	850	-	-	850
June 1992	486 PC Computer	850	-	-	850
May 2001	Dell Pentium III Computer	3,921	-	-	3,921
April 2004	Thomas Bus SLF200	316,691	-	-	316,691
April 2004	Thomas Bus SLF200	171,878	-	-	171,878
June 2005	Harrington Leather Executive Chair	86	-	-	86
July 2005	Dell 5100CN Color Laser Printer	104	-	-	104
<b>Total</b>		<b>\$ 496,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 496,300</b>

*See report of independent auditors.*

**City of West Covina  
Proposition C Local Return Fund  
Balance Sheets**

		June 30	
		2015	2014
<b>ASSETS</b>			
Cash and investments	\$	839,545	\$ 809,073
Interest receivable		225	316
<b>Total assets</b>	<b>\$</b>	<b>839,770</b>	<b>\$ 809,389</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	150,102	\$ 50,016
Accrued payroll		8,920	5,322
<b>Total liabilities</b>		<b>159,022</b>	<b>55,338</b>
<b>Fund balance</b>			
Restricted		680,748	754,051
<b>Total fund balance</b>		<b>680,748</b>	<b>754,051</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>839,770</b>	<b>\$ 809,389</b>

*See notes to financial statements.*

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

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	Years ended June 30	
	2015	2014
<b>Revenues</b>		
Proposition C	\$ 1,576,738	\$ 1,512,980
Investment income	1,810	2,171
<b>Total revenues</b>	<b>1,578,548</b>	1,515,151
<b>Expenditures</b>		
Various projects	1,651,851	2,035,009
<b>Total expenditures</b>	<b>1,651,851</b>	2,035,009
Deficiency of revenues over expenditures	(73,303)	(519,858)
Fund balance at beginning of year	754,051	1,273,909
Fund balance at end of year	\$ 680,748	\$ 754,051

*See notes to financial statements.*

**City of West Covina**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2015**  
**Actual for 2014**

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
110-03	West Covina Shuttle	\$ 172,120	\$ 161,472	\$ 10,648	\$ 164,149
110-05	West Covina Shuttle - Green Line (Supplemental)	240,000	264,669	(24,669)	254,330
130-01	Elderly And Disabled Dial-A-Ride	140,800	151,868	(11,068)	98,723
140-04	Recreation Event Transit	80,000	67,943 *	12,057	68,281
150-02	Concrete Bus Pads Program	50,000	-	50,000	80,000
160-01	Bus Shelters	52,500	-	52,500	50,101
170-02	Bus Shelter Maintenance	-	66,399 *	(66,399)	53,604
200-01	Purchase of Buses - Fixed Route	265,000	-	265,000	-
270-05	Transportation Planning	128,000	127,782	218	92,687
280-01	Transit Marketing Services	4,027	4,832	(805)	5,973
300-01	Paving the City Yard along Bus Travel Way	50,000	-	50,000	-
420-01	General Plan Circulation Element	200,000	113,370	86,630	-
430-01	Merced Avenue Between Edgewood School and Oranwood Park - Crosswalk Enhancement	-	-	-	11,228
440-01	Bridge Repairs	23,978	20,000	3,978	1,022
440-13	Street Rehabilitation - Major Streets	1,322	-	1,322	712,566
440-14	Street Rehabilitation - Major Streets	266,632	274,842	(8,210)	14,071
440-15	Street Rehabilitation - Major Streets	260,000	-	260,000	-
450-01	Concrete Bus Pads North of Azusa Ave and Holt Ave	25,000	-	25,000	-
460-13	Traffic Controllers and Cabinet Upgrades	74,459	-	74,459	10,339
470-01	Pavement Management System	85,000	-	85,000	-
470-06	Pavement Management System	171,140	119,024	52,116	132,225
480-01	Administration	271,720	279,650	(7,930)	285,710
<b>Total expenditures</b>		<b>\$ 2,561,698</b>	<b>\$ 1,651,851</b>	<b>\$ 909,847</b>	<b>\$ 2,035,009</b>

\* See Compliance Matrix.

*See report of independent auditors.*

**City of West Covina**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2015**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Jan 1995	4 Ford Taurus GL	\$ 64,088	\$ -	\$ -	\$ 64,088
Apr 1995	Dell Computer	2,427	-	-	2,427
Feb 1995	Dell Computer	3,386	-	-	3,386
Apr 2001	Dell Pentium III Computer	3,201	-	-	3,201
May 2001	Dell Pentium III Computer	3,474	-	-	3,474
Apr 2004	Harrington Leather Executive Chair	22	-	-	22
Jun 2005	LaserJet Printer and USB Cable	23	-	-	23
Jun 2005	Thomas Bus SLF200	21,955	-	-	21,955
<b>Total</b>		<b>\$ 98,576</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,576</b>

*See report of independent auditors.*

**City of West Covina  
Measure R Local Return Fund  
Balance Sheets**

		<b>June 30</b>	
		<b>2015</b>	<b>2014</b>
<b>ASSETS</b>			
Cash and investments	\$	<b>799,135</b>	\$ 430,558
Due from LACMTA		-	101,141
Interest receivable		<b>299</b>	171
<b>Total assets</b>	<b>\$</b>	<b><u>799,434</u></b>	<b><u>\$ 531,870</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	<b>79,052</b>	\$ 51,623
Accrued payroll		<b>2,673</b>	1,017
<b>Total liabilities</b>		<b><u>81,725</u></b>	<b><u>52,640</u></b>
<b>Fund balance</b>			
Restricted		<b>717,709</b>	479,230
<b>Total fund balance</b>		<b><u>717,709</u></b>	<b><u>479,230</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>799,434</u></b>	<b><u>\$ 531,870</u></b>

*See notes to financial statements.*

City of West Covina  
Measure R Local Return Fund

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

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	Years ended June 30	
	2015	2014
<b>Revenues</b>		
Measure R	\$ 1,180,222	\$ 1,126,753
Investment income	1,486	1,044
Miscellaneous revenue	-	2,400
<b>Total revenues</b>	<b>1,181,708</b>	<b>1,130,197</b>
<b>Expenditures</b>		
Various projects	<b>943,229</b>	1,582,115
<b>Total expenditures</b>	<b>943,229</b>	<b>1,582,115</b>
Excess (deficiency) of revenues over expenditures	<b>238,479</b>	(451,918)
Fund balance at beginning of year	<b>479,230</b>	931,148
Fund balance at end of year	<b>\$ 717,709</b>	<b>\$ 479,230</b>

*See notes to financial statements.*

**City of West Covina**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2015**  
**Actual for 2014**

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
01-003	SP13104 Street Rehabilitation Annual Residential and CDBG Streets	\$ -	\$ -	\$ -	412,066
01-004	SP13105 Street Rehabilitation Major Streets	3,202	3,202	-	546,798
01-006	SP14108 Street Rehabilitation Major Streets	319,817	314,684	5,133	5,182
01-007	SP15106 Street Rehabilitation Major Streets	600,000	17,000	583,000	-
04-001	Dial-A-Ride	250,000	257,409	(7,409)	240,121
04-002	Corridor Shuttle (Fixed Route)	285,000	219,111	65,889	255,597
08-001	Fund Administration	138,420	131,823	6,597	122,351
<b>Total expenditures</b>		<b>\$ 1,596,439</b>	<b>\$ 943,229</b>	<b>\$ 653,210</b>	<b>\$ 1,582,115</b>

*See report of independent auditors.*



**City of West Covina**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2015**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See report of independent auditors.*

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

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		June 30	
		2015	2014
<b>ASSETS</b>			
Due from LACMTA		\$ -	\$ 50,515
	<b>Total assets</b>	\$ -	\$ 50,515
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Cash overdraft		\$ 2,036	\$ 50,515
Accrued payroll		259	-
	<b>Total liabilities</b>	2,295	50,515
<b>Fund balance</b>			
Unassigned		(2,295)	-
	<b>Total fund balance</b>	(2,295)	-
	<b>Total liabilities and fund balance</b>	\$ -	\$ 50,515

*See notes to financial statements.*

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

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		Years ended June 30	
		2015	2014
<b>Revenues</b>			
Intergovernmental Allocations:			
Article 3	\$	-	\$ 50,515
<b>Total revenues</b>		-	50,515
<b>Expenditures</b>			
Construction/Maintenance		2,295	50,000
<b>Total expenditures</b>		<b>2,295</b>	<b>50,000</b>
Excess (deficiency) of revenues over expenditures		(2,295)	515
Unassigned fund balance at beginning of year		-	(515)
Unassigned fund balance at end of year	\$	(2,295)	-

*See notes to financial statements.*

**City of West Covina**  
**Transportation Development Act Article 3 Fund**  
**Supplementary Information**  
**Schedule of Transportation Development Act Allocation for Specific Projects**  
**Pursuant to Public Utilities Code Section 99234**  
**Year ended June 30, 2015**

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<b>Project Description</b>	<u>Program Year</u>	Totals to Date		<u>Unexpended Allocations</u>	<u>Project Status</u>
		<u>Allocations</u>	<u>Expenditures</u>		
<b>Local Allocations:</b>					
Sidewalk and Stamped Concrete					
Sidewalk Virginia Avenue	2015	\$ -	\$ 2,295	\$ (2,295)	Completed
<b>Totals</b>		\$ -	\$ 2,295	(2,295)	
Fund balance at beginning of year				-	
Unassigned fund balance at end of year				\$ (2,295)	

*See report of independent auditors.*

**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) 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.

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**

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.

**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.

**Unrealized Gain (Loss) on Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, local governments are required to use fair value (instead of amortized costs) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain (loss) on investments.

**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, 2015 and 2014, 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.

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.

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 and investment 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 monthly 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      PROPOSITION A DISCRETIONARY INCENTIVE GRANT**

The Proposition A Discretionary Incentive Grant represents additional funds received from LACMTA for the City’s participation in the National Transit Database Reporters Random Sampling Program for its “Go West Shuttle Bus” and “West Co Dial-A-Ride” programs.

		<u>2015</u>		<u>2014</u>
FY 2011/12 Annual NTD Report	\$	-	\$	105,733
FY 2010/11 Annual NTD Report		-		100,872
	\$	<u>-</u>	\$	<u>206,605</u>

The Proposition A Discretionary Incentive Grants was recorded under PALRF.

**NOTE 8      PROPOSITION A LOCAL RETURN FUND EXCHANGE**

As permitted by the Guidelines and as approved by LACMTA, the City entered into agreements with the City of Industry to exchange the City’s uncommitted PALRF monies with general fund monies. Those exchanges are listed below:

- In August 2014, the City entered into an agreement with the City of Industry to exchange \$1,870,000 Proposition A monies for \$1,402,500 or \$0.75 of general fund monies per \$1 PALRF monies.
- In August 2013, the City entered into an agreement with the City of Industry to exchange \$1,700,000 Proposition A monies for \$1,275,000 or \$0.75 of general fund monies per \$1 PALRF monies.

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

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

		<u>2015</u>		<u>2014</u>
FY 2012/13 reserve	\$	-	\$	50,000
FY 2013/14 allocation		-		515
	\$	<u>-</u>	\$	<u>50,515</u>

There was no drawdown of TDA Article 3 funds in FY2014/15.

**NOTE 10      TRANSPORTATION DEVELOPMENT ACT 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, 2015 and 2014, the City has funds on reserve as follows:

		<u>2015</u>		<u>2014</u>
FY 2013/14 reserve	\$	<u>86,389</u>	\$	86,389
FY 2014/15 allocation		<u>70,774</u>		-
Total reserve	\$	<u><u>157,163</u></u>	\$	<u><u>86,389</u></u>

For FY 2014/15, any TDA Article 3 funds left on reserve for FY 2010/11 or prior, are subject to lapse if not claimed by the City by June 30, 2015. There were no funds that lapsed in FY 2014/15.

**NOTE 11      SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 21, 2016, 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 West Covina, 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 West Covina, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2016.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 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 "Vazquez &amp; Company LLP".

**Los Angeles, California**  
**March 21, 2016**

**COMPLIANCE SECTION**

## **Report of Independent Auditors on Compliance**

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

### **Report on Compliance**

We have audited the compliance of the City of West Covina, 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, 2015.

#### ***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 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 West Covina, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Compliance Matrix. 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 Compliance Matrix. 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, 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Compliance Matrix as Finding #2015-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Compliance Matrix. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

**Los Angeles, California  
March 21, 2016**

**City of West Covina  
Compliance Matrix  
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>A. Proposition A and Proposition C Local Return Funds</b>				
1. Timely use of funds.	X		None	
2. Expenditures approved before being incurred.		X	\$66,399	<p><i>Finding #2015-001</i></p> <p><u>PCLRF</u></p> <p>The City claimed expenditures under the Project code 170-02, Bus Shelter Maintenance, with no prior approval from LACMTA. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager granted a retroactive approval of the said project on February 11, 2016.</p> <p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any projects under the Local Return funds.</p> <p><i>Management Response</i></p> <p>Bus Shelter Maintenance, which has been an on-going project, was omitted from the City's Form B in error. The City will establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any projects under the Local Return Funds.</p>
3. Expenditures did not exceed 25% of LACMTA's approved budget.	X		None	
4. Administrative expenses are within the 20% cap.	X		None	
5. All on-going and carryover projects were reported in Form B.	X		None	

**City of West Covina  
Compliance Matrix  
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>A. Proposition A and Proposition C Local Return Funds (Continued)</b>				
6. Annual Project Summary Report (Form B) was submitted on time.	X		None	
7. Annual Expenditure Report (Form C) was submitted on time.	X		None	
8. Cash or cash equivalents are maintained.	X		None	
9. Accounting procedures, record keeping and documentation are adequate.  Only recreational trips within the eligible recreation transit service area are eligible for Local Return funding.		X  X	None  \$1,217	<p><i>Finding #2015-002</i></p> <p>The City has not submitted to LACMTA a signed certification that the City has conducted and maintains a Pavement Management System (PMS), which is required to be reviewed and updated every 3 years. The last certification submitted to LACMTA has an assessment date of August 1, 2011.</p> <p>The City should submit to LACMTA a signed certification that it has a PMS for eligibility of its new or ongoing street maintenance or bikeway projects and keep it on file.</p> <p><i>Management Response</i></p> <p>The City is currently in the process of reviewing and updating the Pavement Management System (PMS). The City is anticipating this to be completed and a signed certification submitted by the end of fiscal year 2015-16.</p>

**City of West Covina  
Compliance Matrix  
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>A. Proposition A and Proposition C Local Return Funds (Continued)</b>				
Only recreational trips within the eligible recreation transit service area are eligible for Local Return funding. (Continued)		X	\$1,217	<p><i>Finding #2015-003</i></p> <p><u>PCLRF</u></p> <p>The cost of a recreational trip to Solvang by the West Covina Senior Center was claimed under Project code 140-04, Recreation Event Transit. Only the portion of the cost of a recreational trip that is within the eligible recreation transit service area is eligible for Local Return Project.</p> <p>Under the Local Return Guidelines, travel within the area of Los Angeles, Orange and Ventura Counties, and portions of Kern, Riverside and San Bernardino Counties are eligible expenditures. Trip segments to areas shown on the proportionately eligible areas of the map must be funded through other sources. Trips to locations not within either the eligible or proportionately eligible area are not eligible.</p> <p>The City will be required to reimburse the PCLRF account for the amount corresponding to the cost outside the eligible recreation transit service area.</p> <p>We recommend for the City to establish procedures to ensure that only trips to eligible recreation transit service area are claimed under the local return fund to be in compliance with the Guidelines.</p> <p><i>Management Response</i></p> <p>The City will establish procedures to ensure that only trips within the eligible recreation transit service area are claimed under the local return fund to be in compliance with the Guidelines.</p>



**City of West Covina  
Compliance Matrix  
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>B. Measure R Local Return Fund</b>				
1. Funds were expended for transportation purposes.	X		None	
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X		None	
3. Signed Assurances and Understandings on file.	X		None	
4. Separate Measure R Local Return Account was established.	X		None	
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	
6. Funds were expended with LACMTA's approval.	X		None	
7. Expenditure Plan (Form One) was submitted on time.	X		None	
8. Expenditure Report (Form Two) was submitted on time.	X		None	
9. Timely use of funds.	X		None	
10. Administrative expenses are within the 20% cap.	X		None	
11. Fund exchanges were approved by LACMTA.				Not applicable
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.				Not applicable
13. Recreational transit form was submitted on time.				Not applicable
<b>C. Transportation Development Act Article 3 Fund</b>				
1. Timely use of funds.	X		None	
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	

**EXIT CONFERENCE**

An exit conference was held on March 21, 2016 with City of West Covina representatives. Those in attendance were:

Vasquez and Company LLP representative:  
Marialyn Salvador – Audit Manager

City of West Covina representatives:  
Christa Buhagiar – Finance Director  
Nicole Lugotoff – Accounting Manager  
Kelly McDonald – Management Analyst II

Matters discussed:

The audit disclosed issues of noncompliance with the Guidelines.

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

Nicole Lugotoff – Accounting Manager  
Kelly McDonald – Management Analyst II



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801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777