

***CITY OF WEST COVINA
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of West Covina, California (the City) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City of West Covina, California, as of June 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of West Covina, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' financial statements or to the Funds' financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 22, 2019, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 22, 2019

CITY OF WEST COVINA
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 10,214	\$ 86,738
Due from Metro (Note 8)	105,323	-
Interest receivable	-	29
Total assets	\$ 115,537	\$ 86,767
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	115,537	86,767
Total fund balance	115,537	86,767
Total liabilities and fund balance	\$ 115,537	\$ 86,767

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

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

	<u>2019</u>	<u>2018</u>
REVENUES		
Proposition A	\$ 2,164,464	\$ 2,012,184
Proposition A Discretionary Incentive Grant (Note 8)	105,323	103,655
Interest income	-	28
Total revenues	<u>2,269,787</u>	<u>2,115,867</u>
 EXPENDITURES		
Various projects	<u>2,241,017</u>	<u>2,139,868</u>
Total expenditures	<u>2,241,017</u>	<u>2,139,868</u>
 Excess (deficiency) of revenues over (under) expenditures	28,770	(24,001)
 Fund balance at beginning of year	<u>86,767</u>	<u>110,768</u>
 Fund balance at end of year	<u><u>\$ 115,537</u></u>	<u><u>\$ 86,767</u></u>

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

CITY OF WEST COVINA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
270-06	Transportation Planning SGVCOG	\$ 34,000	\$ 33,992	\$ 8	\$ 32,843
405-05	Fund Exchange with City of Hawaiian Gardens (Note 9)	-	-	-	100,000
405-07	Fund Exchange with Foothill Transit (Note 9)	2,200,000	2,200,000	-	2,000,000
480-02	Administration	7,025	7,025	-	7,025
Total expenditures		\$ 2,241,025	\$ 2,241,017	\$ 8	\$ 2,139,868

See accompanying independent auditor's report.

CITY OF WEST COVINA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
June 2016	El Dorado Elite Bus	\$ 106,297	\$ -	\$ -	\$ 106,297
June 2016	El Dorado Elite Bus	106,297	-	-	106,297
January 2017	Propane - Fueled Shuttle Bus	23,758	-	-	23,758
March 2017	Propane - Fueled Shuttle Bus	23,757	-	-	23,757
Total		\$ 260,109	\$ -	\$ -	\$ 260,109

See accompanying independent auditor's report.

CITY OF WEST COVINA
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 1,812,920	\$ 1,462,463
Interest receivable	<u> -</u>	<u> 448</u>
Total assets	<u><u>\$ 1,812,920</u></u>	<u><u>\$ 1,462,911</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 165,005	\$ 127,247
Accrued salaries and benefits	<u> 3,538</u>	<u> 4,080</u>
Total liabilities	<u>168,543</u>	<u>131,327</u>
 Fund Balance		
Restricted	<u>1,644,377</u>	<u>1,331,584</u>
Total fund balance	<u>1,644,377</u>	<u>1,331,584</u>
Total liabilities and fund balance	<u><u>\$ 1,812,920</u></u>	<u><u>\$ 1,462,911</u></u>

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

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

	<u>2019</u>	<u>2018</u>
REVENUES		
Proposition C	\$ 1,795,362	\$ 1,665,219
Interest income	<u>15,914</u>	<u>12,695</u>
Total revenues	<u>1,811,276</u>	<u>1,677,914</u>
 EXPENDITURES		
Various projects	<u>1,498,483</u>	<u>1,635,663</u>
Total expenditures	<u>1,498,483</u>	<u>1,635,663</u>
 Excess of revenues over expenditures	312,793	42,251
 Fund balance at beginning of year	<u>1,331,584</u>	<u>1,289,333</u>
 Fund balance at end of year	<u>\$ 1,644,377</u>	<u>\$ 1,331,584</u>

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

CITY OF WEST COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-03	West Covina Shuttle	\$ 308,651	\$ 247,864	\$ 60,787	\$ 252,131
110-05	West Covina Shuttle - Green Line Supplemental	322,590	315,420	7,170	275,861
130-01	Elderly and Disabled Dial-A-Ride	465,908	367,261	98,647	394,584
140-04	Recreation Event Transit	80,000	38,947	41,053	53,015
160-01	Bus Shelters	75,000	61,486	13,514	61,396
160-02	Bus Stop Enhancement Program	50,000	-	50,000	-
270-05	Transportation Planning	13,528	11,819	1,709	18,142
270-08	Design of Glendora Avenue	97,034	6,937	90,097	129,396
300-01	Paving the City Yard along Bus Travel Way	37,492	-	37,492	8,980
300-02	Cortez Park Paving along Bus Travel Way	104,000	-	104,000	-
440-16	SP17003 Street Rehabilitation - Cameron Avenue	125,236	1,088	124,148	8,314
440-17	SP18005 Major Street Rehabilitation - Azusa Avenue (I10 to N City Limits)	700,000	-	700,000	-
450-01	Francisquito/Sunset Left Turn	-	-	-	804
460-13	Traffic Controller and Cabinet Upgrades	-	-	-	24,809
470-06	Pavement Management System	264,293	219,593	44,700	257,985
480-01	Administration	196,036	228,068	(32,032)	150,246
Total expenditures		\$ <u>2,839,768</u>	\$ <u>1,498,483</u>	\$ <u>1,341,285</u>	\$ <u>1,635,663</u>

See accompanying independent auditor's report.

CITY OF WEST COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

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

See accompanying independent auditor's report.

CITY OF WEST COVINA
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 2,532,013	\$ 2,303,079
Interest receivable	-	703
Total assets	<u>\$ 2,532,013</u>	<u>\$ 2,303,782</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 25,059	\$ 16,017
Retention payable	-	4,532
Accrued salaries and benefits	771	1,052
Total liabilities	<u>25,830</u>	<u>21,601</u>
 Fund Balance		
Restricted	<u>2,506,183</u>	<u>2,282,181</u>
Total fund balance	<u>2,506,183</u>	<u>2,282,181</u>
Total liabilities and fund balance	<u>\$ 2,532,013</u>	<u>\$ 2,303,782</u>

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

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

	<u>2019</u>	<u>2018</u>
REVENUES		
Measure R	\$ 1,346,909	\$ 1,250,103
Interest income	22,151	18,555
Other income (Note 10)	9,785	27,121
Miscellaneous reimbursements	-	2,245
	<u>1,378,845</u>	<u>1,298,024</u>
Total revenues		
EXPENDITURES		
Various projects	<u>1,154,843</u>	<u>514,149</u>
	<u>1,154,843</u>	<u>514,149</u>
Total expenditures		
Excess of revenues over expenditures	224,002	783,875
Fund balance at beginning of year	<u>2,282,181</u>	<u>1,498,306</u>
Fund balance at end of year	<u><u>\$ 2,506,183</u></u>	<u><u>\$ 2,282,181</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF WEST COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
1.05	SP16002 Street Rehabilitation - Major Streets	\$ -	\$ -	\$ -	\$ 12,884
1.05	SP16047 Debt Service for Glendora Avenue Project	5,000,000	-	5,000,000	-
1.05	SP17028 Implementation of Green Streets Improvements	225,000	-	225,000	-
1.05	SP17029 Street Rehabilitation - Residential Streets	735,354	357,694	377,660	34,647
1.05	SP17039 Drought Tolerant Landscaping - Sunset Avenue Median	-	-	-	58,224
1.05	SP18005 Major Street Rehabilitation - Azusa	500,000	-	500,000	-
1.05	Replacement of Speed Limit Signs - E&T Survey	-	-	-	13,282
1.05	SP18030 Annual Concrete Repairs	100,000	8,296	91,704	-
1.05	S-3 - Median Drought Landscaping - Annual Program	200,000	-	200,000	-
1.05	S-10 - Major Street Rehabilitation (Azusa Ave - South of S. Garvey)	100,000	-	100,000	-
1.05	Street Sweeping	526,515	524,513	2,002	-
2.03	T-5 - Battery Replacement for Traffic Signal Backup System	30,000	15,756	14,244	-
2.03	SP18028 Battery Replacement for Traffic Signal Backup System	5,036	4,917	119	29,964
2.19	SP17030 Installation of Traffic Controllers	-	-	-	12,356
2.19	SP18029 Installation of Traffic Control Devices	30,000	-	30,000	-
3.05	S-13 - Citywide School Crosswalk Improvements	300,000	-	300,000	-
3.15	SP18031 Flashing Beacons	34,609	7,769	26,840	115,392
3.15	T-6 - Flashing Beacons	150,000	121	149,879	-
4.20	West Covina Shuttle (Fixed Route)	153,095	134,219	18,876	138,085
	Sub-total	\$ 8,089,609	\$ 1,053,285	\$ 7,036,324	\$ 414,834

See accompanying independent auditor's report.

CITY OF WEST COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
4.35	Dial-A-Ride - Lyft	\$ 100,000	\$ -	\$ 100,000	\$ -
7.90	SP17031 Update Traffic and Engineering Studies	-	-	-	4,671
7.90	T-16 - Traffic Calming Improvements - Vine Avenue - Design	75,000	-	75,000	-
7.90	Systematic Safety Analysis Report	5,418	3,507	1,911	3,829
8.10	Administration	90,002	98,051	(8,049)	90,815
Total expenditures		\$ 8,360,029	\$ 1,154,843	\$ 7,205,186	\$ 514,149

See accompanying independent auditor's report.

CITY OF WEST COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

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

See accompanying independent auditor's report.

CITY OF WEST COVINA
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
		as restated
ASSETS		
Cash and investments	\$ 2,527,056	\$ 1,072,022
Interest receivable	-	329
Total assets	\$ 2,527,056	\$ 1,072,351
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable (Note 11)	\$ 4,097	\$ 11,406
Wages payable	460	-
Total liabilities	4,557	11,406
Fund Balance		
Restricted	2,522,499	1,060,945
Total fund balance	2,522,499	1,060,945
Total liabilities and fund balance	\$ 2,527,056	1,072,351

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

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

	2019	2018 as restated
REVENUES		
Measure M	\$ 1,516,926	\$ 1,132,879
Interest income	17,684	2,798
Total revenues	1,534,610	1,135,677
EXPENDITURES		
Various projects	73,056	74,732
Total expenditures	73,056	74,732
Excess of revenues over expenditures	1,461,554	1,060,945
Fund balance at beginning of year, as restated	1,060,945	-
Fund balance at end of year	\$ 2,522,499	\$ 1,060,945

The accompanying notes are an integral part of the financial statements

CITY OF WEST COVINA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual as restated
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	18032 - Residential Street Rehabilitation	\$ 999,484	\$ 2,685	\$ 996,799	\$ 63,326
1.05	S-9 Residential Street Rehabilitation - Annual Program	800,000	1,282	798,718	-
1.05	18033 - Purchase of Aerial Boom 1 Ton Truck	23,030	23,030	-	-
2.01	18040 - Traffic Signal at Cameron/Barranca	250,000	5,533	244,467	4,852
2.01	18041 - Traffic Signal at Cameron/Citrus	250,000	11,040	238,960	1,611
3.05	S-12 Sidewalk Improvement at Merced Elementary School	200,000	-	200,000	-
3.05	S-5- Bicycle and Pedestrian Improvement	200,000	22,473	177,527	-
6.40	Go Human Event	7,000	2,190	4,810	-
8.10	ATP Cycle 4 Grant Application - Consultant	10,000	4,823	5,177	4,943
8.10	Administration	41,000	-	41,000	-
Total expenditures		<u>\$ 2,780,514</u>	<u>\$ 73,056</u>	<u>\$ 2,707,458</u>	<u>74,732</u>

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

CITY OF WEST COVINA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
BALANCE SHEETS
June 30

	<u>2019</u>	<u>2018</u>
ASSETS		
Due from Metro	\$ 140,925	\$ -
Total assets	<u>\$ 140,925</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 122,072	\$ 12,383
Due to General Fund	72,885	59,242
Retention payable	<u>6,424</u>	<u>-</u>
Total liabilities	<u>201,381</u>	<u>71,625</u>
 Fund Balance		
Restricted	<u>(60,456)</u>	<u>(71,625)</u>
Total fund balance	<u>(60,456)</u>	<u>(71,625)</u>
Total liabilities and fund balance	<u>\$ 140,925</u>	<u>\$ -</u>

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

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

	<u>2019</u>	<u>2018</u>
REVENUES		
TDA 3	\$ 140,925	\$ 84,318
Total revenues	<u>140,925</u>	<u>84,318</u>
 EXPENDITURES		
Various projects	<u>129,756</u>	<u>116,330</u>
Total expenditures	<u>129,756</u>	<u>116,330</u>
 Excess (deficiency) of revenues over (under) expenditures	11,169	(32,012)
 Fund balance at beginning of year	<u>(71,625)</u>	<u>(39,613)</u>
 Fund balance at end of year	\$ <u><u>(60,456)</u></u>	\$ <u><u>(71,625)</u></u>

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

CITY OF WEST COVINA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Sidewalk Construction and Repairs at Various Locations, Citywide	2018-19	\$ 140,925	\$ 129,756	\$ 11,169	Complete
		<u>\$ 140,925</u>	<u>\$ 129,756</u>	11,169	
Fund balance at beginning of year				<u>(71,625)</u>	
Fund balance at end of year				<u>\$ (60,456)</u>	

See accompanying independent auditor's report.

CITY OF WEST COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

TDAA3F is a Special Revenue Fund that accounts for the City’s share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F report the following fund balance classification as of June 30, 2019:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

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

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

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs. See accompanying Compliance Matrix.

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 – CASH AND INVESTMENTS

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

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

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS - PALRF

The City entered into various Memorandum of Understanding (MOU) agreements with Metro to receive Proposition A Discretionary Incentive Grants for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2019 and 2018 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2019	2018
July 31, 2018	7/1/18 – 6/30/22	FY 2015-16	\$ 105,323	\$ 105,323	\$ -
July 31, 2017	7/1/17 – 6/30/19	FY 2014-15	\$ 103,655	-	103,655
			Total	\$ 105,323	\$ 103,655

The Proposition A Discretionary Incentive Grants were recorded under PALRF. The discretionary incentive grant for fiscal year 2019 was not received and was recorded as a receivable as of June 30, 2019.

NOTE 9 – PROPOSITION A FUND EXCHANGES - PALRF

In fiscal year 2018-19, the City entered into an agreement on July 1, 2018 with Foothill Transit to exchange \$1 of Proposition A Local Return Funds for every \$.75 (or 75 cents) of General Fund. Accordingly, the City received \$1,650,000 of Foothill Transit’s General Fund on August 30, 2018 and assigned \$2,200,000 of its Proposition A Local Return Funds to Foothill Transit on August 30, 2018.

In fiscal year 2017-18, the City entered into an agreement on July 1, 2017 with the City of Hawaiian Gardens to exchange \$1 of Proposition A Local Return Funds for every \$.75 (or 75 cents) of General Fund. Accordingly, the City received \$75,000 of the City of Hawaiian Gardens General Fund on August 3, 2017 and assigned \$100,000 of its Proposition A Local Return Funds to the City of Hawaiian Gardens on July 20, 2017.

In fiscal year 2017-18, the City entered into an agreement on July 1, 2017 with Foothill Transit to exchange \$1 of Proposition A Local Return Funds for every \$.75 (or 75 cents) of General Fund. Accordingly, the City received \$1,500,000 of Foothill Transit’s General Fund on July 18, 2017 and assigned \$2,000,000 of its Proposition A Local Return Funds to Foothill Transit on July 17, 2017.

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

NOTE 10 – OTHER INCOME - MRLRF

In fiscal year ended June 30, 2019, the other income for MRLRF were funds received from the State of California Department of Transportation in the amount of \$9,785 for the reimbursement of the expenditures incurred for the SP17029 Street Rehabilitation - Residential Streets, Project Code 1.05.

In fiscal year ended June 30, 2018, the other income for MRLRF were funds received from the State of California Department of Transportation in the amount of \$27,121. The amount received was for the reimbursement of the expenditures incurred for the SP13110 Street Rehabilitation - Amar Road, Project Code 1.05.

NOTE 11 – RESTATEMENT OF MMLRF’S 2018 FINANCIAL STATEMENTS

The 2018 financial statements of MMLRF were restated to report certain expenditures for the City’s various projects, related to prior fiscal year that were not previously recorded.

	Accounts Payable	Expenditures	Fund Balance
Balance, as previously reported	\$ -	\$ 63,326	\$ 1,072,351
Adjustment	11,406	11,406	(11,406)
Balance, as restated	<u>\$ 11,406</u>	<u>\$ 74,732</u>	<u>\$ 1,060,945</u>

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	2019	2018
FY 2013-14 allocation	\$ -	\$ 8,025
FY 2014-15 allocation	-	70,774
FY 2015-16 allocation	63,183	5,519
FY 2016-17 allocation	71,820	-
FY 2017-18 allocation	5,922	-
Total payment requested	<u>\$ 140,925</u>	<u>\$ 84,318</u>

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

NOTE 13 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2019 and 2018, the City has funds on reserve as follows:

		2019		2018
FY 2015-16 allocation	\$	-	\$	63,183
FY 2016-17 allocation		-		71,820
FY 2017-18 allocation		64,325		70,247
FY 2018-19 allocation		73,081		-
Available reserve balance	\$	137,406	\$	205,250

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 22, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of West Covina, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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

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





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
November 22, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of West Covina, California and the
Los Angeles County Metropolitan Transit 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, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

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

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2019-001, 2019-002 and 2019-003. Our opinion on each local return program and Transportation Development Act Article 3 program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 22, 2019

CITY OF WEST COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.		X		None	See Finding No. 2019-001 in the Schedule of Findings and Recommendations.
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Fund exchanges were approved by Metro.	X			None	
16.	Recreational transit form was submitted on time.		X		None	See Finding No. 2019-002 in the Schedule of Findings and Recommendations.

CITY OF WEST COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
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 form was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

CITY OF WEST COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See Finding No. 2019-003 in the Schedule of Findings and Recommendations.
7.	Expenditure Plan (Form M-One) was submitted on time.	X			None	
8.	Expenditure Report (Form M-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 Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

CITY OF WEST COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

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

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019

PCLRF: Finding No. 2019-001

Compliance Reference	<p>According to Proposition A and C Local Return Guidelines, Section II.C.7, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing “Street Repair and Maintenance: or “Bikeway” projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects or Form B (biannually) for ongoing projects to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.”</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA when the City incurred expenditures on projects with project codes 430, 440, 450, 460, and 470.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2019 since the City incurred PCLRF expenditures for its Project Code 440-16, SP17003 Street Rehabilitation - Cameron Avenue. However, the City did not submit the form. The last PMS Certification Form submitted was for fiscal year 2016 which was provided to LACMTA on June 30, 2016. The City is currently in the process of updating the certification which will be completed in January 2020.</p>
Cause	<p>Due to the City’s reorganization and turnover, the submission of PMS Certification lapsed.</p>
Effect	<p>The City’s PMS Certification Form was not submitted timely.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that if the City incurred expenditures for projects with codes 430, 440, 450, 460, and 470, a PMS Certification Form is properly certified and executed by the City’s Engineer or designated, registered Civil Engineer and submitted to LACMTA on the third year from the last submission date to be in compliance with the Guidelines.</p>
Management’s Response	<p>Due to the City’s reorganization and turnover, the PMS Certification lapsed. The City is in the process of updating the PMS Certification. A Request for Proposal was published on November 7, 2019 and closed on December 2, 2019. The contract is expected to be awarded in January 2020 and completed by May 2020.</p>

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

PCLRF: Finding No. 2019-002

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on October 29, 2019.
Cause	Due to the City’s reorganization and reassignment of duties, the new staff assigned to oversee the program was unaware of the program.
Effect	The City’s Listing of Recreational Transit Services was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City’s expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA’s approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	Due to the City’s reorganization and reassignment of duties, the new staff assigned to oversee the program was unaware of the deadline. The City has put measures in place to ensure the Recreational Transit Form will be submitted by the October 15th deadline from this point forward.
Finding Corrected During Audit	The City submitted the form to LACMTA on October 29, 2019. No follow-up is required.

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

MMLRF: Finding No. 2019-003

Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. If Local Return Funds have been expended prior to Metro’s approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 18033 - Purchase of Aerial Boom 1 Ton Truck in the amount of \$23,030. However, the project was subsequently approved on November 6, 2019.
Cause	The MMLRF Project Code 1.05, 18033 - Purchase of Aerial Boom 1 Ton Truck, was originally approved by LACMTA in fiscal year 2017-18, the City mistakenly did not carry over the unexpended balance of the previously approved project into fiscal year 2018-19.
Effect	The City did not comply with the Guidelines when expenditures for MMLRF project are incurred before LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with LACMTA’s approval and the Guidelines.
Management’s Response	MMLRF Project Code 1.05 - Purchase of Aerial 1 Ton Boom Truck, was originally approved by LACMTA in the previous year. However, the City did not, within the program year, request the subsequent approval needed to carry the unexpended balance forward due to administrative error. The City received retroactive LACMTA approval on November 6, 2019. In the future, the City will incorporate a second level of review of submittals and request a project listing from LACMTA at mid-year to identify and correct any discrepancies of the projects approved.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said expenditures on November 6, 2019. No follow-up is required.

EXIT CONFERENCE

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

An exit conference was held on December 11, 2019 with the City of West Covina. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Senior Auditor

City's Representatives:

Kelly McDonald, Community Services Manager
Robbeyn Bird, Interim Finance Director

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and three (3) non-compliance issues with Metro Guidelines.

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

Kelly McDonald, Community Services Manager
Robbeyn Bird, Interim Finance Director

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

RE: CITY OF WEST COVINA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2019 and 2018 for the City of West Covina and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date