CITY OF 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, 2025 AND 2024

Simpson & Simpson, LLP
Certified Public Accountants

CITY OF COVINA

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FINANCIAL SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

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

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Covina, California (the City) which comprised the Funds' balance sheets as of June 30, 2025 and 2024, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the Funds' financial statements, as listed in the table of contents.

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, the Measure M Local Return Fund, and the Transportation Development Act Article 3 Fund of the City of Covina, California, as of June 30, 2025 and 2024, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Covina, California, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the Funds' 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 GAAS. 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 also issued our report dated November 26, 2025, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
November 26, 2025

CITY OF COVINA

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024
ASSETS		
Cash and investments	$ 2,900,978	$ 2,405,557
Accounts receivable	464	15,055
Lease receivable (Note 8)	247,906	178,614
Interest receivable	6,439	6,595
Prepaid expenses	8,856	-
Total assets	$ 3,164,643	$ 2,605,821
LIAI LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND AND FUND BALANCE		
Liabilities		
Accounts payable	$ 94,926	$ 98,145
Retention payable	-	7,500
Other payables	7,759	226
Total liabilities	102,685	105,871
Deferred inflow of resources (Note 8)	242,121	178,417
Total deferred inflow of resources	242,121	178,417
Fund Balance		
Restricted	2,819,837	2,321,533
Total fund balance	2,819,837	2,321,533
Total liabilities, deferred inflow of resources, and fund balance	$ 3,164,643	$ 2,605,821

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

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

	2025	2024
REVENUES		
Proposition A	$ 1,321,119	$ 1,337,725
Proposition A Discretionary Incentive Grant (Note 9)	47,605	48,454
Interest income	123,805	94,438
Project generated revenues (Note 10)	112,512	99,003
Other income (Note 11)	119,116	51,199
Total revenues	1,724,157	1,630,819
EXPENDITURES		
Various projects	1,225,853	1,264,223
Total expenditures	1,225,853	1,264,223
Excess of revenues over expenditures	498,304	366,596
Fund balance at beginning of year	2,321,533	1,954,937
Fund balance at end of year	$ 2,819,837	$ 2,321,533

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

CITY OF COVINA

PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

Project Code	Project Name	2025 Metro Budget	2025 Actual	2025 Variance Favorable (Unfavorable)	2024 Actual
105	FRIC/FRAC Program	$ 110,000	$ 118,192	$ (8,192)	$ -
107	Covina Dial-A-Ride Program (Covina Transit)	480,074	470,927	9,147	476,474
135	Bus Pass Subsidy Program	12,500	4,609	7,891	7,446
150	Metrolink Station Security	135,000	109,654	25,346	112,386
155	Recreation Excursions	27,000	27,000	-	17,554
170	Bus Stop Maintenance Program	77,000	76,545	455	64,124
170	Metrolink Parking Structure and Station (Ongoing Maintenance)	347,125	158,795	188,330	171,811
170	Transit Facility Improvements	100,000	-	100,000	-
180	Consultant Services	25,000	7,692	17,308	8,221
205	Azusa Avenue Bus Stop Improvement	-	-	-	22,250
205	Bus Stop Improvement Project - Citrus Avenue	-	-	-	150,000
205	Citywide Bus Shelter Installation Project	104,500	15,044	89,456	-
210	Covina Transit ZEV Procurement	150,000	-	150,000	-
220	Glendora Avenue / Grand Avenue Sustainable Multimodal Improvement Project	100,000	-	100,000	-
220	Metrolink Traffic Signal and Pedestrian Improvement Project	150,000	-	150,000	-
251	Quiet Zone Implementation Project (Construction)	500,000	-	500,000	-
280	Covina Quiet Zone Railroad Highway At-Grade Crossing Project	74,275	24,267	50,008	77,620
470	San Gabriel Valley COG	9,750	9,396	354	9,159
610	Transit Administration	385,000	203,732	181,268	147,178
	Total expenditures	$ 2,787,224	$ 1,225,853	$ 1,561,371	$ 1,264,223

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
1999	Land and Land Improvements	$ 365,697	$ -	$ -	$ 365,697
2005	Rail Station Bollards	6,245	-	-	6,245
2005	Transit Center	69,457	-	-	69,457
2010	Bikestation	85,216	-	-	85,216
2017	Metrolink Station Cameras	152,559	-	-	152,559
2019	Metrolink Parking Complex Cameras	18,562	-	-	18,562
2020	2019 Nor Cal Vans Transit 350 Wagon	58,546	-	-	58,546
2020	2019 Nor Cal Vans Transit 350 Wagon	58,851	-	-	58,851
2021	Metrolink Station Improvement	313,852	-	-	313,852
2021	Citywide Bus Stop	992,180	-	-	992,180
2021	City Hall Engineering Office Renovations	50,000	-	-	50,000
2022	Metrolink Parking Structure Interior Painting	82,901	-	-	82,901
2023	Bus Shelter Install- Grand Avenue	100,000	-	-	100,000
2024	Prop A Metrolink 5 New Paystations	58,642	-	-	58,642
2024	Bus Shelter Installation	150,000	-	-	150,000
2025	Metrolink Parking Fire Panel	-	17,250	-	17,250
2025	Bus Shelter Replacement	-	15,044	-	15,044
2025	Gem E6 Protective Cove and G2 Graphics Wrap	-	3,492	-	3,492
2025	Gem E6 ADA Installation, Protective Cove and ADA Graphics Wrap	-	16,171	-	16,171
2025	Gem E6 Protective Cove and G2 Graphics Wrap	-	3,492	-	3,492
	Total	$ 2,562,708	$ 55,449	$ -	$ 2,618,157

See accompanying independent auditor's report.

CITY OF COVINA

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024
ASSETS		
Cash and investments	$ 1,779,461	$ 1,151,258
Due from Metro	-	87,157
Total assets	$ 1,779,461	$ 1,238,415
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 168,403	$ 968
Retention payable	37,178	33,762
Total liabilities	205,581	34,730
Fund Balance		
Restricted	1,573,880	1,203,685
Total fund balance	1,573,880	1,203,685
Total liabilities and fund balance	$ 1,779,461	$ 1,238,415

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

CITY OF COVINA

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

	2025	2024
REVENUES		
Proposition C	$ 1,095,835	$ 1,109,612
Interest income	75,637	55,395
Total revenues	1,171,472	1,165,007
EXPENDITURES		
Various projects	801,277	1,533,246
Total expenditures	801,277	1,533,246
Excess (deficiency) of revenues over expenditures	370,195	(368,239)
Fund balance at beginning of year	1,203,685	1,571,924
Fund balance at end of year	$ 1,573,880	$ 1,203,685

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

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
301	Traffic Signal Installation Project - 4th Avenue and Badillo Street	$ 900,000	$ 439,088	$ 460,912	$ -
302	Traffic Signal Improvements - San Bernardino Road and Grand Avenue and Cypress Street and Citrus Avenue	69,358	-	69,358	30,642
705	Azusa Avenue Sidewalk Renovation Project	-	-	-	341,508
705	Barranca Avenue Street Rehabilitation	161,081	-	161,081	-
705	Rowland Avenue Street Rehabilitation	-	-	-	675,236
705	Sunflower Avenue Street Improvement	500,000	362,189	137,811	-
710	Citywide Median Modification/Beautification Project	-	-	-	161,182
710	Traffic Signal, Street Light Pole and Equipment Replacement Program	250,000	-	250,000	86,212
755	Arrow Highway Median Beautification Project	-	-	-	224,714
880	Covina Active Streets and Multimodal Connectivity Plan	-	-	-	13,752
	Total expenditures	$ 1,880,439	$ 801,277	$ 1,079,162	$ 1,533,246

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
May-17	2017 Glaval Bus	$ 77,440	$ -	$ -	$ 77,440
June-18	Ford E450 Bus	84,830	-	-	84,830
June-18	2018 Ford Wagon	72,682	-	-	72,682
	Total	$ 234,952	$ -	$ -	$ 234,952

See accompanying independent auditor's report.

CITY OF COVINA

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

June 30

		2025		2024
ASSETS				
Cash and investments	$	783	$	810,750
Due from Metro		-		65,560
Total assets	$	783	$	876,310
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$	20,768	$	10,676
Total liabilities		20,768		10,676
Fund Balance				
Unassigned		(19,985)		-
Restricted		-		865,634
Total fund balance		(19,985)		865,634
Total liabilities and fund balance	$	783	$	876,310

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

CITY OF COVINA

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

	2025	2024
REVENUES		
Measure R	$ 821,724	$ 831,949
Interest income	13,985	33,635
Total revenues	835,709	865,584
EXPENDITURES		
Various projects	1,721,328	471,629
Total expenditures	1,721,328	471,629
Excess (deficiency) of revenues over expenditures	(885,619)	393,955
Fund balance at beginning of year	865,634	471,679
Fund balance at end of year	$ (19,985)	$ 865,634

The accompanying notes are an integral part of the financial statements

CITY OF COVINA

MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
302	Traffic Signal Upgrade Project - Citrus Avenue and Puente Avenue	$ 250,000	$ 179,553	$ 70,447	$ -
304	Traffic Signal Maintenance	100,000	100,000	-	99,752
705	Citywide Street Reconstruction Plan - Bond Payment and Fees (Note 12)	370,688	370,077	611	371,877
705	Covina Heights Water Main Replacement and Paving	841,698	841,698	-	-
705	Street Residential Resurfacing Project	230,000	230,000	-	-
	Total expenditures	$ 1,792,386	$ 1,721,328	$ 71,058	$ 471,629

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description		Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	None		$ -	$ -	$ -	$ -
		Total	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

CITY OF COVINA

MEASURE M LOCAL RETURN FUND

BALANCE SHEETS

June 30

		2025		2024
ASSETS				
Cash and investments	$	72,611	$	227,652
Due from Metro		-		74,328
Total assets	$	72,611	$	301,980
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$	7,231	$	14,447
Retention payable		27,791		27,522
Tax payable		176		369
Total liabilities		35,198		42,338
Fund Balance				
Restricted		37,413		259,642
Total fund balance		37,413		259,642
Total liabilities and fund balance	$	72,611	$	301,980

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

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

	2025	2024
REVENUES		
Measure M	$ 930,986	$ 939,447
Interest income	12,046	17,933
Total revenues	943,032	957,380
EXPENDITURES		
Various projects	1,165,261	1,112,157
Total expenditures	1,165,261	1,112,157
Deficiency of revenues over expenditures	(222,229)	(154,777)
Fund balance at beginning of year	259,642	414,419
Fund balance at end of year	$ 37,413	$ 259,642

The accompanying notes are an integral part of the financial statements

CITY OF COVINA

MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
390	Citywide Traffic Calming Improvements	$ 100,000	$ 100,000	$ -	$ -
390	Citywide Traffic Calming Improvements	100,000	69,554	30,446	98,902
705	Bridge Maintenance	-	-	-	42,494
705	Cienega Avenue Resurfacing Project	237,841	139,058	98,783	-
705	Pothole and Concrete Repair	360,000	302,194	57,806	318,514
705	Street Residential Resurfacing Project	556,000	554,455	1,545	610,972
715	Workman Avenue Street Rehabilitation Project	-	-	-	4,080
755	Citywide Median Beautification Project	-	-	-	37,195
	Total expenditures	$ 1,353,841	$ 1,165,261	$ 188,580	$ 1,112,157

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

CITY OF COVINA

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

BALANCE SHEETS

June 30

		2025		2024
ASSETS				
Cash and investments	$	-	$	-
Total assets	$	-	$	-
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$	-	$	-
Total liabilities		-		-
Fund Balance				
Restricted		-		-
Total fund balance		-		-
Total liabilities and fund balance	$	-	$	-

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

CITY OF COVINA

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30

	2025	2024
REVENUES		
TDA 3	$ -	$ 37,574
Interest income	-	298
Total revenues	-	37,872
EXPENDITURES		
Hollenbeck Park Urban Revitalization Project	-	37,872
Total expenditures	-	37,872
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	$ -	$ -

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

CITY OF 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, 2025

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
None	2024-25	$ -	$ -	$ -	
Total		$ -	$ -	-	
Fund balance at beginning of year				-	
Fund balance at end of year				$ -	

See accompanying independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with 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 2025 Annual Comprehensive 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, 2025 and 2024:

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

- Unassigned – The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes.

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

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 (the Code), funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

NOTE 7 – CASH AND INVESTMENTS

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

NOTE 8 – LEASE RECEIVABLE AND DEFERRED INFLOW OF RESOURCES - PALRF

As of the fiscal year 2021-22, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources.

The City entered into lease agreements with AT&T (formerly New Cingular Wireless PCS, LLC) in September 2013 and with Hang 10, LLC in September 2024. The lease revenue (other income) for the years ended June 30, 2025, and 2024, received from AT&T and Hang 10, LLC, were reported in the amounts of $119,116 and $51,199, respectively.

The lease met the GASB Statement No. 87 requirements and therefore, the City recognized the following as of June 30, 2025 and 2024:

	2025	2024
Lease receivable	$ 247,906	$ 178,614
Deferred inflow of resources	$ 242,121	$ 178,417

The City recognizes lease revenue when the payments for services rendered become measurable and available. In the fiscal years ended June 30, 2025 and 2024, the City recorded a deferred inflow of resources when the availability of the funds was not determined at the fiscal year end.

Likewise, the issuance of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify certain liabilities as deferred inflow of resources. A deferred inflow of resources is defined as those resources that are not available for spending in the current period. Since the rental income payments from AT&T and Hang 10, LLC were not available for spending in the fiscal years ended June 30, 2025 and 2024, the amounts were reported as deferred inflow of resources.

NOTE 9 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT - PALRF

The City entered into various Memorandum of Understanding (MOU) agreement with Metro to receive Proposition A Discretionary Incentive Grant for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2025 and 2024 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting		MOU Amount	Amount Received 2025	Amount Received 2024
May 1, 2023	5/1/23 – 6/30/26	FY 2020-21	$	48,454	$ -	$ 48,454
May 1, 2022	5/1/22 – 6/30/25	FY 2019-20	$	47,605	47,605	-
				Total	$ 47,605	$ 48,454

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 10 – PROJECT GENERATED REVENUES - PALRF

Project generated revenues for the years ended June 30, 2025 and 2024 consisted of the following:

	2025	2024
Metro parking permit revenues	$ 107,191	$ 94,190
Metro bus pass revenues	1,540	1,675
EV charging station	3,781	3,138
Total	$ 112,512	$ 99,003

NOTE 11 – OTHER INCOME - PALRF

PALRF's other income for the years ended June 30, 2025 and 2024 in the amounts of $119,116 and $51,199, respectively, are for the space rented to place a satellite antenna on the roof of the Metrolink parking structure for AT&T and for the space rented as a storage for Hang 10, LLC's inventory of new automobiles. The City entered into a parking lease agreement with Hang 10, LLC in September 2024. The term of the lease commenced on October 1, 2024 and expires in two (2) calendar years.

NOTE 12 – CITYWIDE STREET RECONSTRUCTION PLAN BOND PAYMENT AND FEES - MRLRF

On August 2, 2017, Stifel, Nicolaus & Company, Incorporated ("Stifel") issued the California Communities Transportation Revenue (installment sale) Certificates of Participation (COPs), Series 2017A in the amount of $5,625,000 with a premium of $254,307. The premium is amortized over the life of the COPs. The proceeds from the COPs are to finance the Citywide Street Reconstruction Plan Project, which will upgrade, reconstruct, and rehabilitate public streets within the City, through participation in the California Statewide Communities Development Authority Total Road Improvement Program (TRIP).

Principal and interest payments are due on each December 1st and June 1st, commencing on December 1, 2017 and maturing on June 1, 2039. The principal payments range from $175,000 to $355,000 and bear interest at rates ranging from 2.000% to 5.000%.

The entire bond proceeds of $5,625,000 were fully spent as of June 30, 2020. However, the MRLRF allocation revenues are used to pay the remaining debt service on the COPs.

The total bond payments for the years ended June 30, 2025 and 2024 consisted of the following:

		2025		2024
Principal	$	220,000	$	215,000
Interest		145,688		149,988
Administrative Costs		4,389		6,889
Total	$	370,077	$	371,877

The balance outstanding on the Series 2017A COPs on June 30, 2025 and 2024 is as follows:

Bonds payable at 6/30/23	$	4,475,000
Less: Principal payment		(215,000)
Bonds payable at 6/30/24		4,260,000
Less: Principal payment		(220,000)
Bonds payable at 6/30/25	$	4,040,000

NOTE 13 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2025 and 2024 consisted of the following:

		2025		2024
FY 2021-22 allocation	$	-	$	27,164
FY 2022-23 allocation		-		10,410
Total payment requested	$	-	$	37,574

NOTE 14 – 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, 2025 and 2024, the City has funds on reserve as follows:

	2025	2024
FY 2022-23 allocation	$ 35,568	$ 35,568
FY 2023-24 allocation	59,027	59,027
FY 2024-25 allocation	51,708	-
Available reserve balance	$ 146,303	$ 94,595

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2025 through November 26, 2025, the date the 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

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

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

To the Honorable Members of the City Council of the
City of Covina, California and the
Los Angeles County Metropolitan Transit 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Covina, California (the City), as of and for the year ended June 30, 2025, and the related notes to the Funds' financial statements, and have issued our report thereon dated November 26, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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.

Simpson & Simpson

Los Angeles, California
November 26, 2025

COMPLIANCE SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

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

Independent Auditor's Report on Compliance and on Internal Control Over Compliance Required by the Guidelines

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

Report on Compliance

Opinion

We have audited the City of Covina, California's (the City) compliance 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, 2025.

In our opinion, the City of Covina, California, complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City's 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 Fund.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Finding and Recommendation as Finding No. 2025-001. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying Schedule of Finding and Recommendation. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 with the Guidelines 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 with 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Simpson & Simpson

Los Angeles, California
November 26, 2025

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2025

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Funds were expended with Metro's approval and were not substituted for property tax.	X			None	
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.	X			None	
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X			None	
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.			X	None	There was no reimbursement received on the expenditures incurred in FY 2024-25.
11.	Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no funds given, loaned, or exchanged in FY 2024-25.

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects or elements in FY 2024-25.
13.	A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X	None	No capital reserve fund established in FY 2024-25.
14.	Recreational transit form was submitted on time.	X			None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY 2024-25.
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.		X		None	See Finding No. 2025-001 on the Schedule of Finding and Recommendation.

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY 2024-25.
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There was no reimbursement by other grants or fund sources to the expenditures incurred in FY 2024-25.
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no funds given, loaned, or exchanged in FY 2024-25.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	No capital reserve fund established in FY 2024-25.

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
B. Measure R Local Return Fund						
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There were no recreational expenses incurred in FY 2024-25.
15.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2024-25.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenses in FY 2024-25.
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There was no reimbursement by other grants or fund sources to the expenditures incurred in FY 2024-25.
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no funds given, loaned, or exchanged in FY 2024-25.

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
C. Measure M Local Return Fund						
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	No capital reserve fund established in FY 2024-25.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There were no recreational expenses incurred in FY 2024-25.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY 2024-25.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2025
(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	There were no expenditures incurred in FY 2024-25.
3.	Claim Form (or electronic equivalent) was submitted on time.	X			None	

PALRF: Finding No. 2025-001

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance," and Section V: Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation..."
Condition	During our payroll testing, we noted that the City did not provide contemporaneous timesheets to support the hours charged to PALRF's Transit Administration Project Code 610 for the payroll periods tested: a) September 6, 2024 b) November 29, 2024 c) April 4, 2025 Instead, the City provided supplemental after-the-fact allocation records to demonstrate the hours worked on the program. While the supplemental information appears to reasonably support and substantiate that the hours charged were eligible, the documentation was signed and dated by the employees and supervisors in October 2025, several months to as much as a year after the work was performed.
Cause	The City lacked a process to ensure payroll allocation documentation was prepared and signed timely.
Effect	Because the supplemental after-the-fact allocation records were not prepared at or near the time of the payroll periods tested, they do not constitute contemporaneous support for the hours charged. Without contemporaneous documentation, there is an increased risk that the hours charged may not accurately reflect the work performed during the said payroll periods.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the supplemental documentation at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds' projects.
Management's Response	Starting fiscal year 2025-26, the City will complete a 30-day time study as a supplemental support to the employee's timesheet in order to establish a reasonable basis for the payroll costs charged to PALRF.

EXIT CONFERENCE

CITY OF 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, 2025

An exit conference was held on December 17, 2025 with the City of Covina. Those in attendance were:

Simpson & Simpson Representatives:

Dulce S. Kapuno, Audit Manager
Nat Malyanont, Auditor

City's Representatives:

Theresa Franke, Director of Finance
Alan Sands, Senior Accountant

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue 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:

Theresa Franke, Director of Finance
Alan Sands, Senior Accountant

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

RE: CITY OF 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, 2025 AND 2024

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, 2025 and 2024 for the City of Covina and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

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Name

____
Title

____
Date