

***CITY OF COVINA
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

AND MEASURE M LOCAL RETURN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF COVINA
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FINANCIAL SECTION



SIMPSON & SIMPSON

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Covina, California (the City) as of and for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Covina, California (the City) as of and for the year ended June 30, 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 an opinion 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of Covina, California, as of June 30, 2018 and 2017, and MMLRF of the City of Covina, California, as of June 30, 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 Covina, California, as of June 30, 2018 and 2017, 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 2, 2018, 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 2, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 2,527,935	\$ 2,139,920
Accounts receivable	10,196	9,952
Total assets	\$ 2,538,131	\$ 2,149,872
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 82,534	\$ 59,352
Accrued payroll and benefits	1,886	2,989
Total liabilities	84,420	62,341
 Fund Balance		
Restricted	2,453,711	2,087,531
Total fund balance	2,453,711	2,087,531
Total liabilities and fund balance	\$ 2,538,131	\$ 2,149,872

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

	2018	2017
REVENUES		
Proposition A	\$ 919,438	\$ 891,858
Proposition A Discretionary Incentive Grant (Note 8)	-	28,103
Project generated revenues (Note 9)	179,554	208,743
Interest income	26,788	16,495
Other revenue	-	438
Total revenues	1,125,780	1,145,637
EXPENDITURES		
Various projects	759,600	960,816
Total expenditures	759,600	960,816
Excess of revenues over expenditures	366,180	184,821
Fund balance at beginning of year	2,087,531	1,902,710
Fund balance at end of year	\$ 2,453,711	\$ 2,087,531

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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018		Variance	2017 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
130-01	Covina E and D Dial-A-Cab	\$ 549,591	\$ 382,577	\$ 167,014	\$ 343,620
140-07	Senior Center Excursions	8,000	4,057	3,943	6,880
140-08	Recreation Excursions	10,000	8,261	1,739	10,041
170-03	Bus Stop Maintenance Program	30,991	24,198	6,793	23,926
230-01	Metrolink Station and Parking Complex Surveillance Camera	-	-	-	5,617
230-02	Metrolink Station Security	108,525	84,317	24,208	84,249
230-03	Installation of CCTV at Metrolink Structure	-	-	-	146,942
240-02	Taxi Voucher	1,000	-	1,000	176
250-02	Bus Pass Subsidy Program	16,600	13,595	3,005	13,186
250-03	Metrolink Commuter Parking Subsidy	-	-	-	-
270-04	Consultant Services	50,000	-	50,000	55,730
270-06	Town Center Specific Plan Update	140,000	-	140,000	-
370-02	Metrolink Pedestrian Improvement Project	-	-	-	3,446
390-01	Metrolink Parking Structure and Station (Ongoing Maintenance)	147,922	104,203	43,719	133,381
390-02	Metrolink Parking Structure Maintenance Program	50,000	-	50,000	-
480-04	Transit Administraion	176,058	131,103	44,955	126,529
500-01	San Gabriel Valley COG	11,364	7,289	4,075	7,093
Total expenditures		\$ <u>1,300,051</u>	\$ <u>759,600</u>	\$ <u>540,451</u>	\$ <u>960,816</u>

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
1998	IMB Select Typewriter	\$ 916	-	-	\$ 916
1990	Polaroid ID Camera	843	-	-	843
1992	Wide Van	45,162	-	-	45,162
1999	Bus Stop Benches	4,092	-	-	4,092
1999	Land and Land Improvements	365,697	-	-	365,697
2005	Rail Station Bollards	6,245	-	-	6,245
2005	Rail Station Lightings Standards	4,727	-	-	4,727
2005	Dell Pentium Computer	2,550	-	-	2,550
2005	Desk Jet Computer	445	-	-	445
2005	Pacific Parking Pay and Display	5,759	-	-	5,759
2005	Vue-Way Signs	62	-	-	62
2005	Transit Center	69,457	-	-	69,457
2007	Bus Shelter	61,374	-	-	61,374
2010	16-Passenger Vehicle	59,743	-	-	59,743
2010	Bikestation	85,216	-	-	85,216
2014	2014 Braun Entervan	43,655	-	-	43,655
2014	2014 Braun Entervan	43,655	-	-	43,655
Total		\$ 799,598	\$ -	\$ -	\$ 799,598

See accompanying independent auditor's report.

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments	\$ <u>2,991,828</u>	\$ <u>2,448,090</u>
Total assets	\$ <u><u>2,991,828</u></u>	\$ <u><u>2,448,090</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>177,868</u>	\$ <u>99,343</u>
Total liabilities	<u>177,868</u>	<u>99,343</u>
 Fund Balance		
Restricted	<u>2,813,960</u>	<u>2,348,747</u>
Total fund balance	<u>2,813,960</u>	<u>2,348,747</u>
Total liabilities and fund balance	\$ <u><u>2,991,828</u></u>	\$ <u><u>2,448,090</u></u>

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

	<u>2018</u>	<u>2017</u>
REVENUES		
Proposition C	\$ 762,083	\$ 740,300
Interest income	32,073	17,110
Other revenues (Note 10)	38,216	33,746
Total revenues	<u>832,372</u>	<u>791,156</u>
 EXPENDITURES		
Various projects	<u>367,159</u>	<u>227,808</u>
Total expenditures	<u>367,159</u>	<u>227,808</u>
Excess of revenues over expenditures	465,213	563,348
Fund balance at beginning of year	<u>2,348,747</u>	<u>1,785,399</u>
Fund balance at end of year	<u>\$ 2,813,960</u>	<u>\$ 2,348,747</u>

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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-02	Covina Transit Vehicle Replacement	\$ 160,000	\$ 157,512	\$ 2,488	\$ 77,440
150-01	Bus Stop Safety and Security Grant	143,000	-	143,000	-
270-06	Town Center Specific Plan Update	140,000	23,175	116,825	-
270-06	Downtown Covina Bicycle and Pedestrian Planning Study	-	-	-	29,799
370-04	Commuter Rail Capital Improvement Projects	-	-	-	130
380-01	Grand Avenue Rehabilitation	1,131,000	-	1,131,000	-
390-02	Metrolink Parking Structure Maintenance	50,000	-	50,000	-
430-05	Covina Bikeways Improvement Program	443,464	102,703	340,761	3,437
450-03	Workman Street and Hollenbeck Avenue Improvement Project	-	-	-	922
450-05	Grand Avenue Rehabilitation	1,096,890	50,082	1,046,808	116,080
450-06	Traffic Signal, Street Light Pole and Equipment Replacement Program	16,000	12,346	3,654	-
450-07	Realignment of Curb Cut at Barranca Avenue and Hurst Street	60,000	-	60,000	-
480-05	Transit Administration - Proposition C Projects	50,000	21,341	28,659	-
Total expenditures		\$ 3,290,354	\$ 367,159	\$ 2,923,195	\$ 227,808

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Sep-08	2008 Eldorado American Type IV	\$ 27,573	\$ -	\$ 27,573	\$ -
Sep-08	2008 Eldorado American Type IV	27,573	-	-	27,573
Sep-08	2009 Eldorado Curaway IA	27,573	-	-	27,573
Sep-08	2009 Eldorado Curaway IA	27,574	-	-	27,574
May-17	2017 Glaval Bus	77,440	-	-	77,440
June-18	2018 Glaval Bus	-	84,830	-	84,830
June-18	2018 Ford Wagon	-	72,682	-	72,682
Total		\$ 187,733	\$ 157,512	\$ 27,573	\$ 317,672

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 1,067,140	\$ 1,080,042
Cash and investments - Restricted (Note 11)	5,640,626	-
Total assets	\$ 6,707,766	\$ 1,080,042
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,301	\$ 12,773
Total liabilities	2,301	12,773
 Fund Balance		
Restricted	1,064,839	1,067,269
Restricted - Total Road Improvement Program (Note 11)	5,640,626	-
Total fund balance	6,705,465	1,067,269
Total liabilities and fund balance	\$ 6,707,766	\$ 1,080,042

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

	2018	2017
REVENUES		
Measure R	\$ 571,216	\$ 554,964
Interest income	12,464	7,566
Certificates of Participation (COPs) Proceeds (Note 11)	5,598,153	-
Interest income on COPs (Note 11)	42,473	-
Total revenues	6,224,306	562,530
EXPENDITURES		
Various projects	586,110	359,209
Total expenditures	586,110	359,209
Excess of revenues over expenditures	5,638,196	203,321
Fund balance at beginning of year	1,067,269	863,948
Fund balance at end of year	\$ 6,705,465	\$ 1,067,269

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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Citywide Street Reconstruction Plan - TRIP	\$ 5,100,000	\$ -	\$ 5,100,000	\$ -
1.05	Citywide Street Reconstruction Plan - Bond Payment (Note 11)	400,000	366,765	33,235	-
1.05	Street Repair and Maintenance	215,000	-	215,000	188,171
1.05	Grand Avenue Rehabilitation, Arrow Highway to San Bernardino Road	331,060	2,715	328,345	12,888
1.05	Regulatory Sign Replacement Program	262,550	48,785	213,765	10,000
1.05	Citywide Concrete Repair Program	100,000	167,845	(67,845)	148,150
	Total expenditures	\$ 6,408,610	\$ 586,110	\$ 5,822,500	\$ 359,209

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
BALANCE SHEET
June 30

		2018
ASSETS		
Cash and investments	\$	516,639
Total assets	\$	516,639
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	-
Total liabilities		-
 Fund Balance		
Restricted		516,639
Total fund balance		516,639
Total liabilities and fund balance	\$	516,639

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

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

	2018
REVENUES	
Measure M	\$ 517,653
Interest income	4,251
Total revenues	521,904
 EXPENDITURES	
Various projects	5,265
Total expenditures	5,265
Excess of revenues over expenditures	516,639
Fund balance at beginning of year	-
Fund balance at end of year	\$ 516,639

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, 2018

Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)
1.05	Bridge Maintenance	\$ 150,000	\$ 5,265	\$ 144,735
1.05	Pothole and Concrete Repair	<u>226,292</u>	<u>-</u>	<u>226,292</u>
	Total expenditures	<u>\$ 376,292</u>	<u>\$ 5,265</u>	<u>\$ 371,027</u>

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
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

	2018	2017
ASSETS		
Cash and investments	\$ -	\$ 22,000
Due from Metro	2,497	-
Total assets	\$ 2,497	\$ 22,000
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 123	\$ -
Due to General Funds	2,337	302
Total liabilities	2,460	302
 Fund Balance		
Restricted	37 *	21,698
Total fund balance	37	21,698
Total liabilities and fund balance	\$ 2,497	\$ 22,000

* Since the unspent fund balance of \$37 is a receivable from Metro as of June 30, 2018, the City is not required to return the ending fund balance of \$37 to Metro to be placed on reserve for the City.

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

	<u>2018</u>	<u>2017</u>
REVENUES		
TDA 3	\$ 2,497	\$ 22,000
Interest income	5	53
Total revenues	<u>2,502</u>	<u>22,053</u>
EXPENDITURES		
Various projects	<u>24,163</u>	<u>355</u>
Total expenditures	<u>24,163</u>	<u>355</u>
(Deficiency) excess of revenues (under) over expenditures	(21,661)	21,698
Fund balance at beginning of year	<u>21,698</u>	<u>-</u>
Fund balance at end of year *	<u><u>\$ 37</u></u>	<u><u>\$ 21,698</u></u>

* Since the unspent fund balance of \$37 is a receivable from Metro as of June 30, 2018, the City is not required to return the ending fund balance of \$37 to Metro to be placed on reserve for the City.

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, 2018

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Management of Covina Bikehub	2017-18	\$ -	\$ 19,605	\$ (19,605)	Ongoing
Bikehub Facility Supplies	2017-18	<u>2,497</u>	<u>4,558</u>	<u>(2,061)</u>	Ongoing
Total		<u>\$ 2,497</u>	<u>\$ 24,163</u>	<u>(21,666)</u>	
Interest income				5	
Fund balance at beginning of year				<u>21,698</u>	
Fund balance at end of year				<u>\$ 37</u> *	

* Since the unspent fund balance of \$37 is a receivable from Metro as of June 30, 2018, the City is not required to return the ending fund balance of \$37 to Metro to be placed on reserve for the City.

See accompanying independent auditor's report.

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017

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.

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

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, 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 COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(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 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments 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, 2018:

- 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 COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(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. The first revenue allocation was received in the current period. 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 COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANTS - PALRF

The City entered into a Memorandum of Understanding (MOU) agreement 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, 2018 and 2017 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2018	2017
September 14, 2015	7/1/14 – 6/30/16	FY 2012-13	\$ 28,103	\$ -	\$ 28,103
			Total	\$ -	\$ 28,103

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 9 – PROJECT GENERATED REVENUES - PALRF

Project generated revenues for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
LACMTA bus pass revenues	\$ 4,417	\$ 3,725
LACMTA parking permit revenues	175,137	205,018
Total	\$ 179,554	\$ 208,743

NOTE 10 – OTHER REVENUES – PCLRF

Other revenues for the years ended June 30, 2018 and June 30, 2017 consisted of the following:

	2018	2017
Rental income from Cingular Wireless	\$ 35,096	\$ 33,746
Sale of vehicle at auction	3,120	-
Total	\$ 38,216	\$ 33,746

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 11 – RESTRICTED CASH AND RESTRICTED FUND BALANCE – TOTAL ROAD IMPROVEMENT PROGRAM - 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 MRLRF allocation revenues are used to pay the debt service on the COPs and to finance the costs of the project that was approved by Metro on the letter dated July 1, 2017.

The COPs cash and fund balance for the year ended June 30, 2018 are as follows:

COPs Issued Amount	\$	5,625,000
Add: Net original issue premium		254,307
Less: COPs issuance costs		<u>(281,154)</u>
COPs Proceeds		5,598,153
Add: Interest income		<u>42,473</u>
COPs cash and fund balance at June 30, 2018	\$	<u><u>5,640,626</u></u>

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
FY 2015-16 allocation	\$ <u>2,497</u>	\$ <u>22,000</u>
Total payment requested	\$ <u><u>2,497</u></u>	\$ <u><u>22,000</u></u>

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(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, 2018 and 2017, the City has funds on reserve as follows:

		2018		2017
FY 2015-16 allocation	\$	5,852	\$	8,349
FY 2016-17 allocation		32,391		32,391
FY 2017-18 allocation		32,107		-
Available reserve balance	\$	70,350	\$	40,740

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through November 2, 2018, 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
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**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 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 Covina, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2018.

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 purple ink that reads "Simpson & Simpson".

Los Angeles, California
November 2, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report on Compliance

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

We have audited the compliance of the City of 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, 2018.

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, 2018.



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 2, 2018

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2018

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) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
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.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2018
(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 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 COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2018
(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 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	
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 COVINA
COMPLIANCE MATRIX
 Year Ended June 30, 2018
 (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 COVINA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2018

No findings were noted.

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, 2018

An exit conference was held on December 18, 2018 with the City of Covina. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Senior Auditor

City's Representative:

Anita Agramonte, Finance Director
Sharon Gallant, Environmental Services and Transportation Manager
Alan Sands, Accountant

Matters Discussed:

Results of the audit disclosed no significant control deficiencies or non-compliance 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:

Anita Agramonte, Finance Manager

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, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017, AND MEASURE M LOCAL RETURN FUND FOR THE FISCAL YEAR ENDED JUNE 30, 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, and Transportation Development Act Article 3 Fund for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund for the year ended June 30, 2018 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,

Name

Title

Date