

***CITY OF NORWALK
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, 2016 AND 2015***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF NORWALK
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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Norwalk, 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) of the City of Norwalk, California (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of Norwalk, California, as of June 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the PALRF, PCLRF, MRLRF, and TDAA3F as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated December 10, 2015 expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Norwalk, California, as of June 30, 2016 and 2015, and the changes in financial position thereof 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norwalk, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. 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 financial statements.

The supplementary 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 financial statements or to the 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 the financial statements as a whole.



Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 10, 2016 on our consideration of the City of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

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

Los Angeles, California
December 10, 2016

CITY OF NORWALK

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 32,237	\$ 2,872
	<u> </u>	<u> </u>
Total assets	\$ <u>32,237</u>	\$ <u>2,872</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>32,237</u>	\$ <u>2,872</u>
Total liabilities	<u>32,237</u>	<u>2,872</u>
Fund Balance		
Restricted	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	\$ <u>32,237</u>	\$ <u>2,872</u>

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

CITY OF NORWALK

PROPOSITION A LOCAL RETURN FUND

STATEMENTS OF REVENUES, EXPENDITURES,

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Proposition A	\$ <u>1,924,698</u>	\$ <u>1,876,284</u>
Total revenues	<u>1,924,698</u>	<u>1,876,284</u>
 EXPENDITURES		
Various projects	<u>1,924,698</u>	<u>1,876,284</u>
Total expenditures	<u>1,924,698</u>	<u>1,876,284</u>
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	<u>-</u>	<u>-</u>
 Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

CITY OF NORWALK

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND LACMTA APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2,016				2,015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)		
110-01	Fixed Route Operating Assistance	\$ 1,619,443	\$ 1,613,584	\$ 5,859		\$ 1,486,053
120-02	Dial-A-Ride Operating Assistance	235,974	235,974	-		342,953
160-02	Buspad from Bus stop at Alondra Boulevard and Elmcroft Avenue (Northside)	45,350	3,976	41,374		
180-04	Maintenance Service Equipment	32,000	23,042	8,958		23,859
180-18	Procurement of Automated Dispatch System and AVL Equipment (ITS-Communication Equipment)	10,000	9,366	634		15,880
180-19	Ourchase of Miscellaneous Support Equipment	11,000	9,083	1,917		830
300-19	Facility Project	152,423	29,673	122,750		6,709
	Total expenditures	<u>\$ 2,106,190</u>	<u>\$ 1,924,698</u>	<u>\$ 181,492</u>		<u>\$ 1,876,284</u>

See accompanying independent auditor's report.

CITY OF NORWALK

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 2016	Additions	Deletions	Balance 2015
1995/96	Coin Conveyor	\$ 1,533	\$ -	\$ -	\$ 1,533
1999/00	Office Equipment Furniture	1,214	-	-	1,214
1999/00	Purchase Of Rolling Stock	168,303	-	-	168,303
2001/02	Office Equipment Furniture	56,891	-	-	56,891
2001/02	Facility Project	190,000	-	-	190,000
2002/03	Purchase Of Rolling Stock	69,420	-	-	69,420
2002/03	Facility Project	72,123	-	-	72,123
2002/03	Staff Vehicle and Relief Vehicle	15,416	-	15,416	-
2002/03	Bus Stop Amenities	7,812	-	-	7,812
2004/05	Tools and Equipment	2,107	-	-	2,107
2004/05	Bus Stop Improvement(7709)	3,637	-	-	3,637
2005/06	Office Equipment	5,615	-	-	5,615
2005/06	Specialized Auto	335,507	-	-	335,507
2006/07	Bus Stop Improvement(7709)	81,575	-	-	81,575
2008/09	Universal Fare System	124,770	-	-	124,770
2010/11	Specialized Auto	53,466	-	-	53,466
2010/11	Fall Arrest System	3,667	-	-	3,667
2010/11	Bus Repair and Parts	1,040	-	-	1,040
2010/11	Miscellaneous Equipment	1,077	-	-	1,077
2012/13	Floor Scrubber	1,987	-	-	1,987
2012/13	Cummins Engine	3,249	-	-	3,249
2013/14	Copier, Ricoh	2,076	-	-	2,076
2013/14	Copier, Ricoh	1,675	-	-	1,675
2013/14	Copier, Ricoh	1,675	-	-	1,675
2013/14	Air Compressor	1,998	-	-	1,998
2013/14	Ford Fusion #7028	4,491	-	-	4,491
2013/14	Ford Fusion #7029	4,491	-	-	4,491
2013/14	Ford Fusion #7030	4,491	-	-	4,491
Total		\$ 1,221,306	\$ -	\$ 15,416	\$ 1,205,890

See accompanying independent auditor's report.

CITY OF NORWALK

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 5,348,761	\$ 5,364,436
Other receivable	<u>70,989</u>	<u>102,022</u>
Total assets	<u>\$ 5,419,750</u>	<u>\$ 5,466,458</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 602,566	\$ 30,005
Accrued expense	10,148	20,953
Retention payable	<u>49,183</u>	<u>-</u>
Total liabilities	<u>661,897</u>	<u>50,958</u>
Fund Balance		
Restricted	<u>4,757,853</u>	<u>5,415,500</u>
Total fund balance	<u>4,757,853</u>	<u>5,415,500</u>
Total liabilities and fund balance	<u>\$ 5,419,750</u>	<u>\$ 5,466,458</u>

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

CITY OF NORWALK

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Proposition C	\$ 1,598,790	\$ 1,559,160
Interest income	53,429	35,632
Parking structure revenue	218,926	205,347
Code enforcement	8,592	5,175
Reimbursed revenue	<u>80,182</u>	<u>86,824</u>
Total revenues	<u>1,959,919</u>	<u>1,892,138</u>
EXPENDITURES		
Various projects	<u>2,617,566</u>	<u>1,342,099</u>
Total expenditures	<u>2,617,566</u>	<u>1,342,099</u>
(Deficiency) Excess of revenues over expenditures	(657,647)	550,039
Fund balance at beginning of year	<u>5,415,500</u>	<u>4,865,461</u>
Fund balance at end of year	\$ <u><u>4,757,853</u></u>	\$ <u><u>5,415,500</u></u>

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

CITY OF NORWALK

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
110-01	Fixed Route Operating Assistance	\$ -	\$ -	\$ -	-
120-02	Dial-A-Ride Operating Assistance	84,000	84,000	-	92,000
160-01	Bus Pad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	349,961	1,000	348,961	15,285
160-02	Bus Pad from Bus Stop at Alondra Boulevard and Elmcroft Avenue (Northside)	-	-	-	16,318
160-03	Bus Stop at Imperial Highway and Jersey Avenue (Northside)	309,448	1,096	308,352	16,335
160-04	Bus Stop Capital Replacement	-	-	-	7,329
170-01	Bus Stop Maintenance	106,600	106,433	167	103,333
170-02	Storm Water Compliance - Bus Stop Maintenance	18,800	18,782	18	18,235
180-18	Procurement of Automated Dispatch System & AVL Equipment	-	-	-	625
180-19	Purchase of Miscellaneous Support Equipment	900	900	-	-
200-01	Capital Acquisition of (2) Dial-A-Ride Vans	45,000	-	45,000	-
210-01	Implementation of Intelligent Transportation System	110,000	-	110,000	-
250-01	Social Services Fare Subsidy	27,800	20,935	6,865	23,372
270-01	Gateway Cities Council of Governments Membership	14,500	14,500	-	8,759
270-04	Joint Powers Authority (JPA) for I-91/I-605 Corridor	20,000	20,000	-	20,000
300-19	Facility Project	552,787	547,643	5,144	-
300-20	Transportation Center Parking Permit Management	1,550	1,028	522	-
310-08	Transportation Center Operations	431,210	362,026	69,184	343,492
310-09	Transportation Center Improvements:NTS/SFS Storage Facility Parcel B	258,750	12,280	246,470	4,483
440-02	Rosecrans Ave (Pioneer to Studebaker)	17,216	8,077	9,139	67,011
440-45	Repave Civic Center Dr (from Norwalk Blvd to Transportation Center)	801,566	721,254	80,312	9,107
440-46	Alondra Blvd Rehabilitation (Pioneer to Shoemaker)	333,631	183,630	150,001	95,326
440-47	Alondra Boulevard Rehabilitation from Gridley Road to Studebaker Avenue (Design)	1,234,067	27,853	1,206,214	54,146
440-48	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway (Design)	58,550	-	58,550	9,845
440-49	Shoemaker Avenue From Rosecrans Avenue to Foster Road (Design)	833,728	9,650	824,078	37,096
440-50	Rehabilitation of Fireston Boulevard	500,000	326,742	173,258	-
440-51	Pioneer Median Improvement	1,300,000	99,653	1,200,347	-
450-01	Firestone Bridge Construction (7147)	350,000	84	349,916	350,002
450-02	Firestone Bridge Guard Rails (7196)	116,000	-	116,000	-
480-03	Direct Administration	50,000	50,000	-	50,000
	Total expenditures	\$ 7,926,064	\$ 2,617,566	\$ 5,308,498	\$ 1,342,099

See accompanying independent auditor's report.

CITY OF NORWALK

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2016

Date Acquired	Description	Balance 2016	Additions	Deletions	Balance 2015
2002/03	Bus Stop Amenities	\$ 66,883	\$ -	\$ -	\$ 66,883
2002/03	Rosecrans Ave and Shoemaker	201,364	-	-	201,364
2002/03	Imperial Highway Rehabilitation	4,393	-	-	4,393
2003/04	Rosecrans Ave (Z-5 to Shoemaker)	2,373	-	-	2,373
2003/04	Rosecrans Ave (Pioneer to Bloomfield)	353,430	-	-	353,430
2003/04	Pioneer Blvd (Allard to Lakeland)	153,641	-	-	153,641
2003/04	Signal Upgrade (Imperial & Curtis)	39,957	-	-	39,957
2003/04	Signal Upgrade (Norwalk & Rosecrans)	28,952	-	-	28,952
2003/04	Shoemaker (Rosecrans to Foster)	165,586	-	-	165,586
2003/04	Foster (Shoemaker to Bloomfield)	115,587	-	-	115,587
2006/07	New Traffic Signal: Pioneer at Lindale	69,043	-	-	69,043
2007/08	Bus Stop Project (7709)	927,006	-	-	927,006
2007/08	Foster and Norwalk Street Improvement	418,033	-	-	418,033
2007/08	Studebaker Road (from Cecilia Street to Imperial Highway) Rehabilitation - 7141	252,431	-	-	252,431
2007/08	New Traffic Signal: Rosecrans	25,673	-	-	25,673
2007/08	Construction in Progress - Transit Facility	5,173	594,216	-	599,389
2011/12	Repaving of Firestone Boulevard Bridge - 7162	126,763	-	-	126,763
2012/13	Transit Center - Mechanics Bay Lighting	11,187	-	-	11,187
Total		\$ 2,967,475	\$ 594,216	\$ -	\$ 3,561,691

See accompanying independent auditor's report.

CITY OF NORWALK
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 2,669,348	\$ 2,756,131
Total assets	<u>\$ 2,669,348</u>	<u>\$ 2,756,131</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 53,640	\$ 149,714
Accrued expense	<u>9,415</u>	<u>157</u>
Total liabilities	<u>63,055</u>	<u>149,871</u>
 Fund Balance		
Restricted	<u>2,606,293</u>	<u>2,606,260</u>
Total fund balance	<u>2,606,293</u>	<u>2,606,260</u>
 Total liabilities and fund balance	<u>\$ 2,669,348</u>	<u>\$ 2,756,131</u>

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

CITY OF NORWALK

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Measure R	\$ 1,198,089	\$ 1,167,512
Interest income	<u>25,067</u>	<u>15,289</u>
Total revenues	<u>1,223,156</u>	<u>1,182,801</u>
EXPENDITURES		
Various projects	<u>1,223,123</u>	<u>503,534</u>
Total expenditures	<u>1,223,123</u>	<u>503,534</u>
Excess of revenues over expenditures	33	679,267
Fund balance at beginning of year	<u>2,606,260</u>	<u>1,926,993</u>
Fund balance at end of year	\$ <u><u>2,606,293</u></u>	\$ <u><u>2,606,260</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWALK

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2,016			2,015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repair Maintenance and Repairs	\$ 49,000	\$ 42,076	\$ 6,924	\$ 37,944
	Alleys - Studebaker/Alondra/	346,303	288,923	57,380	-
1.05	Rosecrans (7194)				
1.20	Rosecrans/Crossdale Crosswalk	-	-	-	40,510
1.90	City Wide Curb and Gutter	587,305	579,279	8,026	3,510
	Traffic Signals Repair and Maintenance	7,342	-	7,342	64,658
2.03	- Imperial/Avenida Manuel Salinas (7231)				
2.03	Traffic Maintenance	92,700	84,913	7,787	78,259
	HSIP - Signal/Curb Upgrade -	90,000	2,651	87,349	6,134
2.03	San Antonio/Norwalk (7230)				
2.03	HSIP - Signal/Curb Upgrade - Studebaker (7229)	80,400	3,706	76,694	6,424
2.03	HSIP - Signal/Curb Upgrade - Rosecrans (7228)	126,900	3,264	123,636	8,099
2.03	Traffic Signals Repair and Maintenance (7231)	133,000	79,176	53,824	82,237
2.29	HSIP - Grant Writing Service	-	-	-	-
3.05	Sidewalk Repair	135,000	26,083	108,917	136,140
3.20	Front Road Side Panel (7197)	166,300	56,219	110,081	27,380
4.90	Bus Stop Repair and Maintenance	7,600	-	7,600	-
7.90	Pavement Management Plan	75,000	56,833	18,167	12,239
1.05	City Wide Curb and Gutter (7909)	770,000	-	770,000	-
	Imperial Storm Drain Replacement at Nordesta	70,000	-	70,000	-
1.90	(7517)				
1.90	Nordesta Storm Drain	50,000	-	50,000	-
Total expenditures		<u>\$ 2,786,850</u>	<u>\$ 1,223,123</u>	<u>\$ 1,563,727</u>	<u>\$ 503,534</u>

See accompanying independent auditor's report.

CITY OF NORWALK

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF NORWALK

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

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Due from LACMTA	\$ <u>128,694</u>	\$ <u>63,800</u>
Total assets	\$ <u><u>128,694</u></u>	\$ <u><u>63,800</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 1,750	\$ 63,880
Due to other funds	<u>126,944</u>	<u>-</u>
Total liabilities	<u>128,694</u>	<u>63,880</u>
 DEFERRED INFLOW OF RESOURCES		
Unavailable revenues	<u>3,466</u>	<u>10,880</u>
Total deferred inflows of resources	3,466	10,880
 Fund Balance		
Unassigned	<u>(3,466)</u>	<u>(10,880)</u>
Total fund balance	<u>(3,466)</u>	<u>(10,880)</u>
 Total liabilities and fund balance	\$ <u><u>128,694</u></u>	\$ <u><u>63,880</u></u>

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

CITY OF NORWALK

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Intergovernmental Allocations:		
Article 3	\$ <u>125,228</u>	\$ <u>53,000</u>
Total revenues	<u>125,228</u>	<u>53,000</u>
EXPENDITURES		
Construction /Maintenance	<u>117,814</u>	<u>63,880</u>
Total expenditures	<u>117,814</u>	<u>63,880</u>
Excess (deficiency) of revenues over expenditures	7,414	(10,880)
Fund balance at beginning of year	(10,880)	-
Fund balance at end of year	\$ <u><u>(3,466)</u></u>	\$ <u><u>(10,880)</u></u>

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

CITY OF NORWALK

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTAL INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
City Wide Sidewalk	2015-16	\$ <u>125,228</u>	\$ <u>117,814</u>	\$ <u>7,414</u>	
Total		\$ <u><u>125,228</u></u>	\$ <u><u>117,814</u></u>	7,414	
Fund balance at beginning of year				<u>(10,880)</u>	
Fund balance at end of year				\$ <u><u>(3,466)</u></u>	

See accompanying independent auditor's report.

CITY OF NORWALK

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2016 and 2015 (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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, 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 increase (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 NORWALK

NOTES TO FINANCIAL STATEMENTS **For the Fiscal Years Ended June 30, 2016 and 2015** **(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with 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 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the city's investments policy and fair value measurement.

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2016:

- 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 use of the funds' remaining fund balance are restricted for projects approved by LACMTA

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, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, and 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 NORWALK

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(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.

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.

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 6 – CASH AND INVESTMENTS

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

NOTE 7 – REIMBURSED REVENUE, CODE ENFORCEMENT REVENUE, AND PARKING STRUCTURE REVENUE

Reimbursed revenue under PCLRF of \$80,182 and \$86,824 was from the City of Santa Fe Springs for the City's transit center operations for the years ended June 30, 2016 and 2015, respectively.

Code enforcement revenue under the PCLRF of \$8,592 and \$5,175 was from parking citations issued by the City for the years ended June 30, 2016, and 2015, respectively.

Parking structure revenue under the PCLRF of \$218,926 and \$205,347 was from fees charged for use of the City's parking structure for the years ended June 30, 2016, and 2015, respectively.

CITY OF NORWALK

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(Continued)

NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2009-10 allocation	\$ -	\$ 307
FY 2010-11 allocation	-	44,036
FY 2011-12 allocation	44,240	8,657
FY 2012-13 allocation	78,138	-
FY 2013-14 allocation	2,850	-
Total payment requested	\$ <u>125,228</u>	\$ <u>25,265</u>

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2011-12 reserve	\$ -	\$ 44,240
FY 2012-13 reserve	-	78,138
FY 2013-14 reserve	83,118	85,968
FY 2014-15 reserve	70,012	70,012
FY 2015-16 allocation	67,939	-
Available reserve balance	\$ <u>221,069</u>	\$ <u>278,358</u>

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through December 10, 2016 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 Norwalk, 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Norwalk, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 City's local return funds and TDAA3F 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 any 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California
December 10, 2016

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 Norwalk, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Norwalk, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for the City's compliance with those 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 a local return 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

In our opinion, the City of Norwalk complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2016.





Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements, which is described in the accompanying Compliance Matrix. Our opinion is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California
December 15, 2016

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2016

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	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 were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.		X	\$2,892	See Finding 2016-01 on the Schedule of Findings and Recommendations
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2016
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X			
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	N/A		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2016
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
C. 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 NORWALK

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2016

PCLRF- Finding No. 2016-001

Finding	Entity
Compliance Requirement	<p>According to Proposition A & C Local Return Guidelines, Section II, “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, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p>(b) A Federal award and non-Federal award</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim</p>

CITY OF NORWALK

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2016

	accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances."
Condition	<p>The salaries and benefits totaling \$2,982 under Project 310-08 Transportation Center Operation, was based on percentages determined by the City departments to be attributable to the LACMTA projects.</p> <p>However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Proposition C Local Return projects.</p>
Cause	<p>The City received the same finding during FY 2014-15 and has subsequently implemented internal control procedures to ensure that the salaries charged to approve Proposition C Local Return projects are properly supported. However, the City did not have this internal control in place during the payroll periods included in our testing.</p>
Effect	<p>The City did not comply with MTA Guidelines. The payroll costs claimed under the Proposition C Local Return Funds projects may include expenditures which may not be an allowable Proposition C project, resulting in questioned</p>
Recommendation	<p>As the City has subsequently modified its time sheet reporting format and implemented internal controls to ensure compliance with guidelines, we recommend that the City implement a monitoring</p>

CITY OF NORWALK

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2016

	and review process to ensure that the internal controls in place operate effectively to ensure proper reporting of salaries charged to approved Proposition C Local Return projects.
Management's Response	Management will ensure that all staff time charged to Proposition C Local Return Projects are supported by timesheets or similar documentation.

EXIT CONFERENCE

CITY OF NORWALK

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

EXIT CONFERENCE

June 30, 2016

An exit conference was held on December 15, 2016 with the City of Norwalk. Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson: Audit Supervisor

Muhammad Riaz: Staff Auditor

City's Representative:

Devon Jimenez: Controller

Matters Discussed:

Results of the audit disclosed an issue of noncompliance with the 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: