



MetroTM

**City of Norwalk
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2015 and 2014
with Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



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

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Funds Financial Statements	18
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
 COMPLIANCE SECTION	
Report of Independent Auditors on Compliance	24
Compliance Matrix	26
 EXIT CONFERENCE	29

FINANCIAL SECTION

Report of Independent Auditors

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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Norwalk, California (the City) which comprise the Funds' balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenditures and changes in fund balance for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Norwalk, California, as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Los Angeles, California
December 10, 2015**

**City of Norwalk
 Proposition A Local Return Fund
 Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	2,872	\$ 3,450
Total assets	\$	2,872	\$ 3,450
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	2,872	\$ 3,450
Total liabilities		2,872	\$ 3,450
Fund balance			
Restricted		-	-
Total fund balance		-	-
Total liabilities and fund balance	\$	2,872	\$ 3,450

See notes to financial statements.

City of Norwalk
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2015	2014
Revenues			
Proposition A		\$ 1,876,284	\$ 1,800,588
	Total revenues	1,876,284	1,800,588
Expenditures			
Various projects		1,876,284	1,800,588
	Total expenditures	1,876,284	1,800,588
Excess of revenues over expenditures		-	-
Fund balance at beginning of year		-	-
Fund balance at end of year		\$ -	\$ -

See notes to financial statements.

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

Project Code	Project Name	2015			2014 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
110-01	Fixed Route Operating Assistance	\$ 1,480,405	\$ 1,486,053	\$ (5,648)	\$ 1,414,728
120-02	Dial-A-Ride Operating Assistance	323,065	342,953	(19,888)	327,575
180-04	Maintenance Service Equipment	41,000	23,859	17,141	22,205
180-18	Procurement of Automated Dispatch System and AVL Equipment (ITS-Communication Equipment)	16,000	15,880	120	11,751
180-19	Purchase of Miscellaneous Support Equipment	2,000	830	1,170	8,034
180-20	Purchase of Support Vehicle	-	-	-	13,472
300-19	Facility Project	6,709	6,709	-	2,823
Total expenditures		\$ 1,869,179	\$ 1,876,284	\$ (7,105)	\$ 1,800,588

See report of independent auditors.

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

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
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	\$ -	\$ -	\$ 1,221,306

See report of independent auditors.

**City of Norwalk
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments	\$	5,364,436	\$ 4,863,988
Other receivable		102,022	34,366
Total assets	\$	5,466,458	\$ 4,898,354
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	30,005	\$ 26,721
Accrued expenses		20,953	6,172
Total liabilities		50,958	32,893
Fund balance			
Restricted		5,415,500	4,865,461
Total fund balance		5,415,500	4,865,461
Total liabilities and fund balance	\$	5,466,458	\$ 4,898,354

See notes to financial statements.

City of Norwalk
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Proposition C	\$ 1,559,160	\$ 1,496,088
Interest income	35,632	26,422
Parking structure revenue	205,347	214,708
Code enforcement	5,175	15,669
Miscellaneous revenue	-	244
Reimbursed revenue	86,824	55,497
Total revenues	1,892,138	1,808,628
Expenditures		
Various projects	1,342,099	830,771
Total expenditures	1,342,099	830,771
Excess of revenues over expenditures	550,039	977,857
Fund balance at beginning of year	4,865,461	3,887,604
Fund balance at end of year	\$ 5,415,500	\$ 4,865,461

See notes to financial statements.

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

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
110-01	Fixed Route Operating Assistance	\$ -	\$ -	\$ -	22,950
120-02	Dial-A-Ride Operating Assistance	92,000	92,000	-	54,156
160-01	Bus Pad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	199,910	15,285	184,625	512
160-02	Bus Pad from Bus Stop at Alondra Boulevard and Elmcroft Avenue (Northside)	359,910	16,318	343,592	512
160-03	Bus Stop at Imperial Highway and Jersey Avenue (Northside)	119,427	16,335	103,092	995
160-04	Bus Stop Capital Replacement	7,350	7,329	21	-
170-01	Bus Stop Maintenance	104,700	103,333	1,367	101,606
170-02	Storm Water Compliance - Bus Stop Maintenance	18,500	18,235	265	17,930
180-18	Procurement of Automated Dispatch System & AVL Equipment	6,656	625	6,031	12,724
180-19	Purchase of Miscellaneous Support Equipment	6,000	-	6,000	-
250-01	Social Services Fare Subsidy	20,707	23,372	(2,665)	9,070
270-01	Gateway Cities Council of Governments Membership	7,009	8,759	(1,750)	6,009
270-04	Joint Powers Authority (JPA) for I-91/I-605 Corridor	20,000	20,000	-	20,000
310-08	Transportation Center Operations	358,899	343,492 *	15,407	376,835
310-09	Transportation Center Improvements:NTS/SFS Storage Facility Parcel B	258,750	4,483	254,267	-
440-02	Rosecrans Ave (Pioneer to Studebaker)	75,694	67,011	8,683	1,934
440-45	Repave Civic Center Dr (from Norwalk Blvd to Transportation Center)	811,268	9,107	802,161	1,427
440-46	Alondra Blvd Rehabilitation (Pioneer to Shoemaker)	416,314	95,326	320,988	22,828
440-47	Alondra Boulevard Rehabilitation from Gridley Road to Studebaker Avenue (Design)	84,635	54,146	30,489	1,963
440-48	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway (Design)	59,814	9,845	49,969	57,547
440-49	Shoemaker Avenue From Rosecrans Avenue to Foster Road (Design)	59,682	37,096	22,586	1,916
450-01	Firestone Bridge Construction (7147)	350,000	350,002	(2)	-
450-02	Firestone Bridge Guard Rails (7196)	116,000	-	116,000	-
480-03	Direct Administration	50,000	50,000	-	50,000
500-01	Temporary Transit/Public Services City Yard	-	-	-	69,857
Total expenditures		\$ 3,603,225	\$ 1,342,099	\$ 2,261,126	\$ 830,771

* See Compliance Matrix.

See report of independent auditors.

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

Date Acquired	Description	Balance July 1, 2014	Additions	Deletions	Balance June 30, 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	-	-	5,173
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	\$ -	\$ -	\$ 2,967,475

See report of independent auditors.

**City of Norwalk
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2015	2014
ASSETS			
Cash and investments		\$ 2,756,131	\$ 1,967,329
	Total assets	\$ 2,756,131	\$ 1,967,329
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ 149,714	\$ 39,014
Accrued expenses		157	1,322
	Total liabilities	149,871	40,336
Fund balance			
Restricted		2,606,260	1,926,993
	Total fund balance	2,606,260	1,926,993
	Total liabilities and fund balance	\$ 2,756,131	\$ 1,967,329

See notes to financial statements.

City of Norwalk
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2015	2014
Revenues		
Measure R	\$ 1,167,512	\$ 1,114,618
Interest income	15,289	9,044
Total revenues	1,182,801	1,123,662
Expenditures		
Various projects	503,534	414,191
Total expenditures	503,534	414,191
Excess of revenues over expenditures	679,267	709,471
Fund balance at beginning of year	1,926,993	1,217,522
Fund balance at end of year	\$ 2,606,260	\$ 1,926,993

See notes to financial statements.

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

Project Code	Project Name	2015		Variance Positive (Negative)	2014 Actual
		LACMTA Budget	Actual		
1.05	Street Repair Maintenance and Repairs	\$ 49,000	\$ 37,944	\$ 11,056	\$ 47,373
1.05	Alleys - Studebaker/Alondra/ Rosecrans (7194)	350,000	40,510	309,490	-
1.20	Rosecrans/Crossdale Crosswalk	-	-	-	22,293
1.90	Traffic Engineering Study	-	-	-	5,000
1.90	City Wide Curb and Gutter	710,000	3,510	706,490	24,000
2.03	Traffic Signals Repair and Maintenance - Imperial/Avenida Manuel Salinas (7231)	72,000	64,658	7,342	-
2.03	Traffic Maintenance	83,000	78,259	4,741	61,217
2.03	HSIP - Signal/Curb Upgrade - San Antonio/Norwalk (7230)	90,000	6,134	83,866	-
2.03	HSIP - Signal/Curb Upgrade - Studebaker (7229)	80,400	6,424	73,976	-
2.03	HSIP - Signal/Curb Upgrade - Rosecrans (7228)	126,900	8,099	118,801	-
2.03	Traffic Signals Repair and Maintenance (7231)	148,900	82,237	66,663	59,317
2.29	HSIP - Grant Writing Service	-	-	-	44,279
3.05	Sidewalk Repair	125,000	136,140	(11,140)	143,112
3.20	Front Road Side Panel (7197)	50,000	27,380	22,620	-
4.90	Bus Stop Repair and Maintenance	7,600	-	7,600	7,600
7.90	Pavement Management Plan	70,000	12,239	57,761	-
Total expenditures		\$ 1,962,800	\$ 503,534	\$ 1,459,266	\$ 414,191

See report of independent auditors.

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

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

See report of independent auditors.

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

		June 30	
		2015	2014
ASSETS			
Due from LACMTA		\$ 63,800	\$ 49,047
	Total assets	\$ 63,800	\$ 49,047
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Cash overdraft		\$ -	\$ 49,047
Accounts payable		63,880	-
	Total liabilities	63,880	49,047
Deferred inflows of resources			
Unavailable revenues		10,800	-
	Total deferred inflows of resources	10,800	-
Fund balance			
Unassigned		(10,880)	-
	Total fund balance	(10,880)	-
	Total liabilities, deferred inflows of resources and fund balance	\$ 63,800	\$ 49,047

See notes to financial statements.

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

	Years ended June 30	
	2015	2014
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 53,000	\$ 49,047
Total revenues	53,000	49,047
Expenditures		
Construction/Maintenance	63,880	40,548
Total expenditures	63,880	40,548
Excess of revenues over expenditures	(10,880)	8,499
Unassigned fund balance at beginning of year	-	(8,499)
Unassigned fund balance at end of year	\$ (10,880)	\$ -

See notes to financial statements.

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

Project Description	Program Year	Totals to Date			Project Status
		Allocations	Expenditures	Unexpended Allocations	
Local Allocations:					
City Wide Sidewalk	2015	\$ <u>53,000</u>	\$ <u>63,880</u>	\$ <u>(10,880)</u>	Ongoing
Totals		\$ <u><u>53,000</u></u>	\$ <u><u>63,880</u></u>	<u>(10,880)</u>	
Unassigned fund balance at beginning of year				-	
Unassigned fund balance at end of year				<u>\$ (10,880)</u>	

See report of independent auditors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

Transportation Development Act Article 3 Fund (TDAA3F) is pooled with other City monies in the Special Revenue Fund. The Special Revenue Fund accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting

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

Budgets and Budgetary Accounting

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

Unrealized Gain (Loss) on investments

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C funds cannot be traded.

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

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

NOTE 5 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 6 REIMBURSED REVENUE

Reimbursed revenue under PCLRF of \$86,824 and \$55,497 was from the City of Santa Fe Springs for the City's transit center operations for the years ended June 30, 2015 and 2014, respectively.

NOTE 7 CASH AND INVESTMENTS

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

Please refer to the City's Annual Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 8 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

		<u>2015</u>		<u>2014</u>
FY 2008/09 allocation	\$	-	\$	2,067
FY 2009/10 allocation		307		46,980
FY 2010/11 allocation		44,036		-
FY 2011/12 allocation		8,657		-
	\$	<u>53,000</u>	\$	<u>49,047</u>

NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2015 and 2014, the City has funds on reserve as follows:

		<u>2015</u>		<u>2014</u>
FY 2009/10 reserve	\$	-	\$	307
FY 2010/11 reserve		-		44,036
FY 2011/12 reserve		44,240		52,897
FY 2012/13 reserve		78,138		78,138
FY 2013/14 reserve		85,968		85,968
FY 2014/15 allocation		70,012		-
	\$	<u>278,358</u>	\$	<u>261,346</u>

NOTE 9 TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED (CONTINUED)

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

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 10, 2015, the date the financial statements were available to be issued, and concluded that no events have occurred that require disclosure in or adjustments to the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Norwalk, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

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

**Los Angeles, California
December 10, 2015**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Norwalk, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2015.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the City of Norwalk, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Compliance Matrix as Finding #2015-001, that we consider to be a significant deficiency.

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

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

A handwritten signature in black ink that reads "Vaguez & Company LLP".

**Los Angeles, California
December 10, 2015**

**City of Norwalk
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	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 approved before being incurred.	X		None	
3. Expenditures did not exceed 25% of LACMTA's approved budget.	X		None	
4. Administrative expenses are within the 20% cap.	X		None	
5. All on-going and carryover projects were reported on Form B.	X		None	
6. Annual Project Summary Report (Form B) was submitted on time.	X		None	
7. Annual Expenditure Report (Form C) was submitted on time.	X		None	
8. Cash or cash equivalents are maintained.	X		None	
9. Accounting procedures, record keeping and documentation are adequate.		X	\$60,856	<p><i>Finding #2015-001</i></p> <p><u>PCLRF</u></p> <p>The salaries and benefits totaling \$60,856 under Project 310-08, Transportation Center Operation, was based on percentages determined by the City departments to be attributable to the LACMTA projects. 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> <p>We recommend that the City revise its current labor reporting procedures to ensure that labor costs charged to LACMTA projects are adequately supported by timesheets or similar documentation.</p>

**City of Norwalk
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
A. Proposition A and Proposition C Local Return Funds (Continued)				
9. Accounting procedures, record keeping and documentation are adequate. (Continued)				<i>Management Response</i> Management will ensure that all staff time charged to Proposition C Local Return projects are supported by timesheets or similar documentation.
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 LACMTA's approval.				
7. Expenditure Plan (Form One) was submitted on time.	X		None	
8. Expenditure Report (Form Two) was submitted on time.	X		None	
9. Timely use of funds.	X		None	
10. Administrative expenses are within the 20% cap.	X		None	
11. Fund exchanges were approved by LACMTA.				Not applicable.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.				Not applicable.
13. Recreational transit form was submitted on time.				Not applicable.

**City of Norwalk
Compliance Matrix
Year ended June 30, 2015**

Compliance Requirements	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	

EXIT CONFERENCE

An exit conference was held on December 14, 2015 with a City of Norwalk representative. Those in attendance were:

Vasquez and Company LLP representatives:
Roger Martinez – Partner
Marialyn Salvador – Audit Manager

City of Norwalk 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 of Norwalk representative for comments prior to the issuance of the final report:

Devon Jimenez – Controller



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Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance provides its members with access to resources of RSM US LLP (formerly known as McGladrey LLP). McGladrey Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit <http://www.rsmus.com/aboutus> for more information regarding RSM US LLP and RSM International. McGladrey®, the McGladrey Alliance logo and the McGladrey Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.