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**City of Walnut
Annual Financial Report of its**

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

**As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors**

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FINANCIAL SECTION

Report of Independent Auditors

**To the Honorable Members of the City Council of the
City of Walnut, 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Walnut, California (the City) which comprise the Funds' balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances 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 audit 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 City'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 City'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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Walnut, California as of June 30, 2019 and 2018, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Walnut, California and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019 and 2018, 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 12, 2019 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

Vasquez & Company LLP

**Glendale, California
December 12, 2019**

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

		June 30	
		2019	2018
ASSETS			
Cash and investments	\$	1,838,104	\$ 1,565,091
Total assets	\$	1,838,104	\$ 1,565,091
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	67,151	\$ 64,444
Accrued payroll and employee benefits		373	3,433
Total liabilities		67,524	67,877
 Fund balance			
Restricted		1,770,580	1,497,214
Total fund balance		1,770,580	1,497,214
Total liabilities and fund balance	\$	1,838,104	\$ 1,565,091

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition A	\$ 604,973	\$ 562,433
Interest income	42,000	8,053
Unrealized gain (loss) on investments	8,449	(5,541)
Total revenues	655,422	564,945
Expenditures		
Various projects	382,056	336,440
Total expenditures	382,056	336,440
Excess of revenues over expenditures	273,366	228,505
Fund balance at beginning of year	1,497,214	1,268,709
Fund balance at end of year	\$ 1,770,580	\$ 1,497,214

See notes to Funds financial statements.

City of Walnut
 Proposition A Local Return Fund
 Supplementary Information
 Schedule of Expenditures – Actual and LACMTA Approved Project Budget
 Year ended June 30, 2019
 (With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
120-02	Dial-A-Cab	\$ 233,350	\$ 204,926	\$ 28,424	\$ 194,329
140-08	Recreation Excursions	40,500	38,746	1,754	-
160-02	Bus Bench Replacement	13,695	11,850	1,845	13,490
160-04	Solar Light at Bus Stop	6,800	3,843	2,957	-
250-02	Metrolink Subsidies	62,830	48,000	14,830	54,708
270-01	Council of Governments	4,530	4,530	-	4,530
290-02	Park and Ride Lot Maintenance	11,805	10,303	1,502	14,363
290-03	Park and Ride Upgrade	90,900	-	90,900	-
480-06	Administration	92,620	59,858	32,762	55,020
	Total expenditures	\$ 557,030	\$ 382,056	\$ 174,974	\$ 336,440

See report of independent auditors.

City of Walnut
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
06/30/1993	Bus Shelters (10)	\$ 57,619	\$ -	\$ -	\$ 57,619
06/30/2001	Bus Shelter	12,410	-	-	12,410
11/26/2003	La Puente Parking Lot	337,270	-	-	337,270
01/26/2005	Bus Benches (4)	7,179	-	2,393	4,786
06/30/2007	Fencing	57,136	-	-	57,136
02/11/2015	Photo ID System	3,645	-	-	3,645
Total		\$ 475,259	\$ -	\$ 2,393	\$ 472,866

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments		\$ <u>433,782</u>	\$ 393,900
Total assets		\$ <u>433,782</u>	\$ <u>393,900</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ <u>4,417</u>	\$ 4,530
Total liabilities		<u>4,417</u>	<u>4,530</u>
 Fund balance			
Restricted		<u>429,365</u>	<u>389,370</u>
Total fund balance		<u>429,365</u>	<u>389,370</u>
Total liabilities and fund balance		\$ <u>433,782</u>	\$ <u>393,900</u>

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Proposition C	\$ 501,808	\$ 464,877
Interest income	13,791	3,910
Unrealized gain (loss) on investments	3,678	(2,599)
Total revenues	519,277	466,188
 Expenditures		
Various projects	479,282	1,158,255
Total expenditures	479,282	1,158,255
 Excess (deficiency) of revenues over expenditures	 39,995	 (692,067)
 Fund balance at beginning of year	 389,370	 1,081,437
 Fund balance at end of year	 \$ 429,365	 \$ 389,370

See notes to Funds financial statements.

City of Walnut
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
140-08	Recreation Excursions	\$ -	\$ -	\$ -	\$ 34,653
270-02	Transportation Planning	2,500	2,500	-	-
440-04	Amar Road Street Resurfacing Project	-	-	-	1,012,639
440-07	Area 4 Resurfacing	565,500	476,782	88,718	-
440-08	La Puente Road Resurfacing Project - Park and Ride Upgrades	167,540	-	167,540	-
450-05	Slurry Seal Area 6 Streets	-	-	-	66,963
480-06	Administration	-	-	-	44,000
Total expenditures		\$ 735,540	\$ 479,282	\$ 256,258	\$ 1,158,255

See report of independent auditors.

**City of Walnut
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
07/01/1998	Park Benches (11)	\$ 4,701	\$ -	\$ -	\$ 4,701
06/30/2001	Streets - Traffic Signals	247,635	-	-	247,635
08/25/2004	Bus Benches (1)	2,989	-	1,495	1,494
12/12/2005	Bus Bench	1,358	-	1,358	-
12/14/2005	Bus Benches (5)	13,578	-	6,789	6,789
01/10/2007	Streets - Pavement	372,611	-	-	372,611
04/09/2008	Bus Benches (6)	21,863	-	10,931	10,932
03/25/2009	Bus Benches (6)	13,826	-	3,456	10,370
03/24/2010	Bus Shelters (12)	16,522	-	-	16,522
06/13/2012	Bus Lighting (6)	7,873	-	-	7,873
06/13/2012	Streets - Temple Resurfacing	769,449	-	-	769,449
12/10/2014	Amar Road Street Rehabilitation Project	250,000	-	-	250,000
05/09/2018	Amar Road Street Resurfacing Project	1,125,000	-	-	1,125,000
05/02/2019	Flashing Solar Beacon	-	5,700	-	5,700
06/30/2019	Area 4 Pavement/Resurfacing	-	471,082	-	471,082
Total		<u>\$ 2,847,405</u>	<u>\$ 476,782</u>	<u>\$ 24,029</u>	<u>\$ 3,300,158</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Cash and investments		\$ 152,458	\$ 159,173
	Total assets	\$ 152,458	\$ 159,173
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable		\$ 10,929	\$ -
	Total liabilities	10,929	-
Fund balance			
Restricted		141,529	159,173
	Total fund balance	141,529	159,173
	Total liabilities and fund balance	\$ 152,458	\$ 159,173

See notes to Funds financial statements.

City of Walnut
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure R	\$ 376,464	\$ 349,421
Interest income	7,000	3,420
Unrealized gain (loss) on investments	2,892	(2,271)
Total revenues	386,356	350,570
Expenditures		
Various projects	404,000	1,255,000
Total expenditures	404,000	1,255,000
Deficiency of revenues over expenditures	(17,644)	(904,430)
Fund balance at beginning of year	159,173	1,063,603
Fund balance at end of year	\$ 141,529	\$ 159,173

See notes to Funds financial statements.

City of Walnut
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Amar Road Street Resurfacing Project	\$ -	\$ -	\$ -	\$ 1,255,000
1.05	Slurry Seal Area 4 Streets	164,000	164,000	-	-
1.05	Area 4 Resurfacing	200,000	200,000	-	-
1.05	La Puente Road Rehabilitation	350,000	-	350,000	-
7.90	Climate Action Plan	40,000	40,000	-	-
Total expenditures		\$ 754,000	\$ 404,000	\$ 350,000	\$ 1,255,000

See report of independent auditors.

City of Walnut
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
12/10/2014	Amar Road Street Rehabilitation	\$ 250,000	\$ -	\$ -	\$ 250,000
05/09/2018	Amar Road Street Resurfacing Project	1,300,000	-	-	1,300,000
06/30/2019	Area 4 Pavement/Resurfacing	-	200,000	-	200,000
Total		\$ 1,550,000	\$ 200,000	\$ -	\$ 1,750,000

See report of independent auditors.

**City of Walnut
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2019	2018
ASSETS			
Cash and investments		\$ <u>262,752</u>	\$ 58,716
	Total assets	\$ <u>262,752</u>	\$ <u>58,716</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ <u>10,330</u>	\$ 58,716
	Total liabilities	<u>10,330</u>	<u>58,716</u>
Fund balance			
Restricted		<u>252,422</u>	-
	Total fund balance	<u>252,422</u>	<u>-</u>
	Total liabilities and fund balance	\$ <u>262,752</u>	\$ <u>58,716</u>

See notes to Funds financial statements.

City of Walnut
Measure M Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2019	2018
Revenues		
Measure M	\$ 423,986	\$ 316,656
Interest income	3,355	228
Unrealized gain (loss) on investments	378	(163)
Total revenues	427,719	316,721
Expenditures		
Various projects	116,418	375,600
Total expenditures	116,418	375,600
Excess (deficiency) of revenues over expenditures	311,301	(58,879)
Other financing source (use)		
Operating transfer in	-	58,879
Operating transfer out	(58,879)	-
Total other funding source	(58,879)	58,879
Change in fund balance	252,422	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ 252,422	\$ -

See notes to Funds financial statements.

City of Walnut
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2019
(With Comparative Actuals for 2018)

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Amar Road Street Resurfacing Project	\$ -	\$ -	\$ -	375,600
1.05	Storm Drain Maintenance	65,000	44,539	20,461	-
1.05	Street Sweeping	72,710	71,879	831	-
Total expenditures		\$ 137,710	\$ 116,418	\$ 21,292	\$ 375,600

See report of independent auditors.

City of Walnut
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2019

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
05/09/2018	Amar Road Street Resurfacing Project	\$ 375,600	\$ -	\$ -	\$ 375,600
	Total	<u>\$ 375,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,600</u>

See report of independent auditors.

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

		June 30	
		2019	2018
ASSETS			
Due from LACMTA		\$ 21,490	\$ 20,060
	Total assets	\$ 21,490	\$ 20,060
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds		\$ 21,490	\$ 20,060
	Total liabilities	21,490	20,060
Fund balance			
Restricted		-	-
	Total fund balance	-	-
	Total liabilities and fund balance	\$ 21,490	\$ 20,060

See notes to Funds financial statements.

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

	Years ended June 30	
	2019	2018
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 21,490	\$ 20,060
Total revenues	21,490	20,060
Expenditures		
Equestrian/Walking Trail Improvement	21,490	20,060
Total expenditures	21,490	20,060
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	-	-
Fund balance at end of year	\$ -	\$ -

See notes to Funds financial statements.

City of Walnut
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2019

Project Description	Program Year	Totals to Date		Unexpended Allocations	Project Status
		Allocations	Expenditures		
Local Allocations:					
Equestrian/Walking Trail Improvement	2019	\$ 21,490	\$ 21,490	\$ -	Completed
	Totals	<u>\$ 21,490</u>	<u>\$ 21,490</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</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), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the 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 the county-wide ½ cent Measure R 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 the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a 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. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues 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 based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 investments at fair value and recognizes unrealized gain (loss) on investments.

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

Fund Balance Reporting

Governmental Accounting Standards 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 the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2019 and 2018:

- Restricted - Amounts that are constrained for specific purposes, 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 balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in 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 do not purport to, and do not present fairly the City's financial position as of June 30, 2019 and 2018, 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 LR funds cannot be traded.

LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS (CONTINUED)

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F cash 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.

Please refer to the City's 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 allocations for the years ended June 30, 2019 and 2018 consisted of the following:

		2019		2018
FY 2015/16 reserve	\$	-	\$	1,053
FY 2016/17 reserve		1,051		19,007
FY 2017/18 reserve		19,647		-
FY 2018/19 allocation		792		-
	\$	21,490	\$	20,060

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, 2019 and 2018, the City has funds on reserve as follows:

		<u>2019</u>		<u>2018</u>
FY 2016/17 reserve	\$	-	\$	1,051
FY 2017/18 reserve		-		19,647
FY 2018/19 allocation		19,645		-
	\$	<u>19,645</u>	\$	<u>20,698</u>

For FY 2018/19, any TDA Article 3 funds left on reserve for FY 2014/15 or prior, are subject to lapse if not claimed by the City by June 30, 2019. There were no funds that lapsed in FY 2018/19.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 12, 2019, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure 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 Walnut, 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, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Walnut, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Funds' financial statements, we considered the City's internal control over the Funds' 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 City'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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
December 12, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Walnut, 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 Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance with the Guidelines 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, 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

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



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 with the requirements, 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 with the requirements 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 black ink that reads "Vagney & Company LLP".

**Glendale, California
December 12, 2019**

**City of Walnut
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.	X				
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

See report of independent auditors on compliance.

**City of Walnut
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		No administrative expenses were charged to MRLRF.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Walnut
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		No administrative expenses were charged to MMLRF.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Walnut
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirements	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				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on December 12, 2019, with the City of Walnut representative. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

City of Walnut representative:
Jessica Cortez – Finance Officer

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issue.

A copy of this report was forwarded to the following City of Walnut representatives for comments prior to the issuance of the final report:

Jessica Cortez – Finance Officer
Karen Ogawa – Administrative Services Director



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