

***CITY OF NORWALK
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF NORWALK
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FINANCIAL SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

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

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of 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), Measure M Local Return Fund (MMLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Norwalk, California (the City) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 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, MMLRF and TDAA3F of the City of Norwalk, California, as of June 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Norwalk, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 1, 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 to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 1, 2019

CITY OF NORWALK
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEET
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 122,764	\$ 2,394
Total assets	\$ 122,764	\$ 2,394
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,299	\$ 2,394
Total liabilities	3,299	2,394
 Fund Balance		
Restricted	119,465	-
Total fund balance	119,465	-
Total liabilities and fund balance	\$ 122,764	\$ 2,394

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

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

	2019	2018
REVENUES		
Proposition A	\$ 2,118,550	\$ 1,964,040
Interest income	16,050	-
Total revenues	2,134,600	1,964,040
 EXPENDITURES		
Various projects	2,015,135	1,964,040
Total expenditures	2,015,135	1,964,040
 Excess of revenues over expenditures	119,465	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ 119,465	\$ -

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

CITY OF NORWALK
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Fixed Route Operating Assistance	\$ 1,704,814	\$ 1,639,408	\$ 65,406	\$ 1,578,720
120-02	Dial-A-Ride Operating Assistance	261,626	327,033	(65,407)	301,412
160-01	Buspad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	-	-	-	41,374
170-01	Bus Stop Maintenance	10,485	1,200	9,285	1,000
180-04	Maintenance Service Equipment	39,149	28,540	10,609	22,098
180-18	Procurement of Automated Dispatch System & AVL Equipment (ITS-Comm Equip)	13,000	12,208	792	12,983
180-19	Purchase of Miscellaneous Support	5,600	5,190	410	6,453
180-20	Procurement of Fleet Fluid Management and Grants Administration Management	20,000	-	20,000	-
310-09	Transportation Center Improvements: NTS/SFS Storage Facility Parcel B	13,874	1,556	12,318	-
	Total expenditures	\$ 2,068,548	\$ 2,015,135	\$ 53,413	\$ 1,964,040

See accompanying independent auditor's report.

CITY OF NORWALK
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
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	Bus Stop Amenities	7,812	-	-	7,812
2004/05	Tools & 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
2015/16	Transportation Ctr (7760)	29,673	-	-	29,673
2017/18	Bus Stop Improvements (7189)	41,374	-	-	41,374
Total \$		<u>1,276,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,937</u>

See accompanying independent auditor's report.

CITY OF NORWALK
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEET
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 5,692,969	\$ 4,685,938
Prepaid items	17,040	1,550
Other receivable	20,540	45,072
Total assets	\$ 5,730,549	\$ 4,732,560
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 70,411	\$ 162,798
Accrued wages	12,270	13,444
Retention payable	21,090	526
Total liabilities	103,771	176,768
 Fund Balance		
Restricted	5,626,778	4,555,792
Total fund balance	5,626,778	4,555,792
Total liabilities and fund balance	\$ 5,730,549	\$ 4,732,560

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
Proposition C	\$ 1,757,278	\$ 1,625,888
Interest income	116,407	79,788
Parking structure revenue (Note 8)	305,227	232,648
Code enforcement (Note 8)	27,411	5,052
Reimbursed revenue (Note 8)	28,461	126,508
Total revenues	2,234,784	2,069,884
EXPENDITURES		
Various projects	1,163,798	3,335,887
Total expenditures	1,163,798	3,335,887
Excess (deficiency) of revenues over (under) expenditures	1,070,986	(1,266,003)
Fund balance at beginning of year	4,555,792	5,821,795
Fund balance at end of year	\$ 5,626,778	\$ 4,555,792

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-02	Dial-A-Ride Operating Assistance	\$ 92,137	\$ 92,137	\$ -	\$ 59,400
160-01	Buspad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	-	-	-	327,492
160-02	Buspad from Bus Stop at Alondra Boulevard and Elmcroft Avenue (Northside)	310,100	7,033	303,067	10,956
170-01	Bus Stop Maintenance	132,000	131,923	77	112,359
170-02	Stormwater Compliance	24,000	23,281	719	17,912
180-19	Purchase of Miscellaneous Support Equipment	900	1,125	(225)	1,625
180-20	Procurement of Fleet Fluid Management and Grants Administration Management	5,177	5,177	-	-
200-02	Rolling Stock	-	-	-	28,420
210-01	Implementation of Intelligent Transpiration Systems	70,000	-	70,000	
230-01	CCTV System Maintenance & Inspection Services	5,850	5,850	-	
250-01	Social Services Fare Subsidy	22,000	25,654	(3,654)	8,520
270-01	Gateway Cities Concuil of Governments Membership	20,500	20,500	-	21,500
270-04	Joint Power Authority (JPA) for the I-91/I-605 Corridor	20,000	20,000	-	20,000
290-01	Dial-A-Ride Operating Assistance	74,290	35,020	39,270	
300-21	Shoemake Ave Rehabilitation from Rosecrans Ave to Firestone Blvd	-	-	-	21,939
310-08	Transportation Center Operations	477,701	405,200	72,501	506,002
310-09	Transportation Center Improvements: NTS/SFS Storage Facility Parcel B	179,765	126,025	53,740	21,654

See accompanying independent auditor's report.

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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
310-10	Transportation Center Operations	\$ 10,759	\$ 5,452	\$ 5,307	\$ -
440-01	Materials Storage	-	-	-	135,765
440-02	Rosecrans Ave (Pioneer To Studebaker)	900,100	1,110	898,990	7,215
440-44	Imperial Highway Rehabilitation - Phase I (7905)	98,300	8,160	90,140	1,665
440-47	Alondra Bouevard Rehabilitation from Gridley Road to Studebaker Avenue (Design)	995,700	2,325	993,375	2,909
440-49	Shoemaker Avenue From Rosecrans Avenue to Foster Road (Design)	927,300	72,754	854,546	28,391
440-51	Pioneer Median Improvement	1,679,300	123,862	1,555,438	1,947,187
440-52	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway	40,000	-	40,000	-
440-53	Alondra Blvd. from Gridley Rd to Pioneer Blvd. (CIP No. 7921)	999,000	-	999,000	-
450-02	Firestone Bridge Guard Rails (7196)	116,000	1,662	114,338	-
480-03	Direct Administration	56,402	49,548	6,854	54,976
Total expenditures		\$ <u>7,257,281</u>	\$ <u>1,163,798</u>	\$ <u>6,093,483</u>	\$ <u>3,335,887</u>

See accompanying independent auditor's report.

CITY OF NORWALK
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
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 (I-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	Transit Facility Improvement (7760)	599,389	-	-	599,389
2011/12	Repaving of Firestone Boulevard Bridge	126,763	-	-	126,763
2012/13	Transit Center - Mechanics Bay Lighting	11,187	-	-	11,187
2016/17	Firestone Bridge: SG River	350,086	-	-	350,086
2016/17	Alondra Blvd Rehabilitation	158,207	-	-	158,207
2016/17	Repave Civic Center Drive - Norwalk Blvd to Yard	764,222	-	-	764,222
2017/18	Jersey Avenue and Imperial Highway Bus Stop Improvement	371,776	-	-	371,776
2017/18	Rehabilitation of Pioneer Boulevard from Rosecrans Avenue to Imperial Highway	68,124	-	-	68,124
2017/18	Rehabilitation of Firestone Boulevard from the San Gabriel River to the I-605 Freeway	327,502	-	-	327,502
2018/19	MEDIAN IMPR: PIONEER/ALOND (440-51 Pioneer Median Improvement)	-	2,207,320	-	2,207,320
	Total \$	<u>5,601,608</u>	<u>\$ 2,207,320</u>	<u>\$ -</u>	<u>\$ 7,808,928</u>

See accompanying independent auditor's report.

CITY OF NORWALK
MEASURE R LOCAL RETURN FUND
BALANCE SHEET
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 3,253,024	\$ 3,371,045
Total assets	\$ 3,253,024	\$ 3,371,045
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 241,992	\$ 108,087
Retention Payable	16,012	6,100
Total liabilities	258,004	114,187
 Fund Balance		
Restricted	2,995,020	3,256,858
Total fund balance	2,995,020	3,256,858
Total liabilities and fund balance	\$ 3,253,024	\$ 3,371,045

The accompanying notes are an integral part to 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>2019</u>	<u>2018</u>
REVENUES		
Measure R	\$ 1,318,337	\$ 1,220,193
Interest income	<u>74,190</u>	<u>48,758</u>
Total revenues	<u>1,392,527</u>	<u>1,268,951</u>
 EXPENDITURES		
Various projects	<u>1,654,365</u>	<u>1,198,327</u>
Total expenditures	<u>1,654,365</u>	<u>1,198,327</u>
 (Deficiency) excess of revenues (under) over expenditures	 (261,838)	 70,624
 Fund balance at beginning of year	 <u>3,256,858</u>	 <u>3,186,234</u>
 Fund balance at end of year	 <u>\$ 2,995,020</u>	 <u>\$ 3,256,858</u>

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repair Maintenance & Repairs	\$ 466,000	\$ -	\$ 466,000	\$ 40,903
1.05	Pavement Rehabilitation (7915)	50,000	58,867	(8,867)	3,940
1.90	Drought Tolerant Plants (7849)	78,300	78,251	49	-
1.90	Nordesta Storm Drain (7518)	612,900	35,183	577,717	72,980
1.90	Imperial Storm Drain Replace (7240)	75,400	-	75,400	-
2.03	HSIP - Signal/ Curb Upgrade - Studebaker (7229)	64,100	18,178	45,922	24,784
2.03	Traffic Signals Repair & Maintenance (7231 A)	46,500	29,901	16,599	60,442
2.03	Traffic Maintenance	248,400	3,859	244,541	90,585
2.03	HSIP -Traffic Signal/Curb Upgrade - Studebaker/Rosecrans (7234)	134,600	1,850	132,750	1,110
2.03	HSIP -Traffic Signal/Curb Upgrade - Alondra/Piuma (7231)	112,900	3,145	109,755	1,424
2.03	HSIP - Signal/ Curb Upgrade - San Antonio/Norwalk (7230)	123,000	90,047	32,953	10,298
2.03	HSIP - Signal/ Curb Upgrade - Rosecrans (7228)	82,500	37,765	44,735	17,456
2.03	HSIP -Traffic Signal/Curb Upgrade - Firestone/ Rosecrans (7233)	102,100	18,365	83,735	1,110
2.03	HSIP - Traffic Signal/Curb Upgrade - Norwalk (7238)	80,100	-	80,100	-
2.03	Traffic Signal - 166th & Clarkdale (7236)	327,200	6,937	320,263	-
3.05	Sidewalk Repair	258,000	217,933	40,067	257,444
3.20	Front Rd Side Panel (7197)	1,915,300	1,054,084	861,216	615,851
4.90	Bus Stop Repair & Maintenance	7,600	-	7,600	-
Total expenditures		\$ 4,784,900	\$ 1,654,365	\$ 3,130,535	\$ 1,198,327

See accompanying independent auditor's report.

CITY OF NORWALK
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ 2,632,130	\$ 1,109,805
Total assets	\$ 2,632,130	\$ 1,109,805
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	2,632,130	1,109,805
Total fund balance	2,632,130	1,109,805
Total liabilities and fund balance	\$ 2,632,130	\$ 1,109,805

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

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

	2019	2018
REVENUES		
Measure M	\$ 1,484,353	\$ 1,105,774
Interest income	37,972	4,031
Total revenues	1,522,325	1,109,805
 EXPENDITURES		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	1,522,325	1,109,805
 Fund balance at beginning of year	1,109,805	-
 Fund balance at end of year	\$ 2,632,130	\$ 1,109,805

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

CITY OF NORWALK
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Citywide Storm Drain Replacement (7516)	\$ 100,000	\$ -	\$ 100,000	\$ -
3.90	Active Transportation Plan - Alondra/Studebaker (7922)	2,000	-	2,000	-
7.90	Engineering Services	120,172	-	120,172	-
7.90	Traffic Master Plan	200,000	-	200,000	-
	Total expenditures	\$ 422,172	\$ -	\$ 422,172	\$ -

See accompanying independent auditor's report.

CITY OF NORWALK
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

BALANCE SHEET

June 30

	2019	2018
ASSETS		
Due from Metro	\$ <u>100,000</u>	\$ <u>33,600</u>
Total assets	\$ <u>100,000</u>	\$ <u>33,600</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>100,000</u>	\$ <u>33,600</u>
Total liabilities	<u>100,000</u>	<u>33,600</u>
 Fund Balance		
Restricted	<u> </u>	<u> -</u>
Total fund balance	<u> -</u>	<u> -</u>
Total liabilities and fund balance	\$ <u>100,000</u>	\$ <u>33,600</u>

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
TDA 3	\$ 100,000	\$ 33,600
Total revenues	100,000	33,600
 EXPENDITURES		
Annual sidewalk program	100,000	33,600
Total expenditures	100,000	33,600
 Excess of revenues under expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

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

CITY OF NORWALK
 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
 ALLOCATION FOR SPECIFIC PROJECTS
 For the Fiscal Year Ended June 30, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Annual sidewalk program	2019	\$ 100,000	\$ 100,000	\$ -	Ongoing
Total		<u>\$ 100,000</u>	<u>\$ 100,000</u>		
Fund balance at beginning of year				-	
Fund balance at end of year				<u>-\$ -</u>	

See accompanying independent auditor's report.

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

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

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

Basis of Accounting and Measurement Focus

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

Special Revenue Funds are reported on 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 presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

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

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

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

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

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

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

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines 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, 2019 and 2018
(Continued)

NOTE 3 - PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 – CASH AND INVESTMENTS

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

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 8 – PARKING STRUCTURE REVENUE, CODE ENFORCEMENT REVENUE, AND REIMBURSED REVENUE (OTHER RECEIVABLE),

Parking structure revenue under the PCLRF of \$305,227 and \$232,648 was from fees charged for use of the City’s parking structure for the years ended June 30, 2019, and 2018, respectively.

Code enforcement revenue under the PCLRF of \$27,411 and \$5,052 was from parking citations issued by the City for the years ended June 30, 2019, and 2018, respectively.

Reimbursed revenue under PCLRF of \$28,461 and \$126,508 was from the City of Santa Fe Springs for the City’s transit center operations for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
FY 2013-14 allocation	\$ -	\$ 25,637
FY 2014-15 allocation	62,049	7,963
FY 2015-16 allocation	37,951	-
Total payment requested	\$ 100,000	\$ 33,600

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2019, and 2018, the City has funds on reserve as follows:

	2019	2018
FY 2014-15 allocation	\$ -	\$ 62,049
FY 2015-16 allocation	29,988	67,939
FY 2016-17 allocation	71,002	71,002
FY 2017-18 allocation	68,567	68,567
FY 2018-19 allocation	71,531	-
Available reserve balance	\$ 241,088	\$ 269,557

NOTE 11 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 1, 2019, 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
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

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

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

To the Honorable Members of the City Council of the
City of 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, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Norwalk, 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 November 1, 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 financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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



Compliance and Other Matters

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

Purpose of this Report

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

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

Los Angeles, California
November 1, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

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

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

Independent Auditor's Report On Compliance

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 (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

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



Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 1, 2019

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	X			None	
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.			X	None	Recreational transit form was not required for Prop A and Prop C fund in FY18/19

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund 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 was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenditures in FY18/19
11.	Fund exchanges were approved by Metro.			X	None	There were no administrative expenditures in FY18/19
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.	X			None	
13.	Recreational transit form was submitted on time.			X	None	Recreational transit form was not required for Measure R in FY18/19

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form 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	There were no administrative expenditures in FY18/19
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.	X			None	
13.	Recreational transit form was submitted timely.			X	None	Recreational transit form was not required for Measure M in FY18/19.

CITY OF NORWALK
COMPLIANCE MATRIX
 Year Ended June 30, 2019
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

CITY OF NORWALK
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

No findings were noted.

EXIT CONFERENCE

CITY OF NORWALK
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2019

An exit conference was held on November 18, 2019 with the City of Norwalk. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Devon Jimenez, Controller

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and no non-compliance issue with Metro Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Devon Jimenez, Controller

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

RE: CITY OF NORWALK ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund for the years ended June 30, 2019 and 2018 for the City of Norwalk and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date