

***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, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF NORWALK
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor’s Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	14
Schedule of Capital Assets	16
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	17
Statements of Revenues, Expenditures and Change in Fund Balance	18
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	19
Schedule of Capital Assets	20
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	21
Statements of Revenues, Expenditures and Changes in Fund Balance	22
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	23
Notes to Financial Statements	24
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 <i>Government Auditing Standards</i>	30

CITY OF NORWALK
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance	32
Compliance Matrix	33
Schedule of Findings and Recommendations	38

EXIT CONFERENCE	40
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FINANCIAL SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 December 10, 2020, 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
December 10, 2020

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

	2020	2019
ASSETS		
Cash and investments	\$ 19,333	\$ 122,764
Total assets	\$ 19,333	\$ 122,764
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 9,268	\$ 3,299
Total liabilities	9,268	3,299
 Fund Balance		
Restricted	10,065	119,465
Total fund balance	10,065	119,465
Total liabilities and fund balance	\$ 19,333	\$ 122,764

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

	2020	2019
REVENUES		
Proposition A	\$ 2,082,813	\$ 2,118,550
Interest income	21,299	16,050
Total revenues	2,104,112	2,134,600
EXPENDITURES		
Various projects	2,213,512	2,015,135
Total expenditures	2,213,512	2,015,135
Excess (deficiency) of revenues over expenditures	(109,400)	119,465
Fund balance at beginning of year	119,465	-
Fund balance at end of year	\$ 10,065	\$ 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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Fixed Route Operating Assistance	\$ 1,377,044	\$ 1,721,305	\$ (344,261)	\$ 1,639,408
120-02	Dial-A-Ride Operating Assistance	288,936	252,043	36,893	327,033
170-01	Bus Stop Maintenance	37,873	-	37,873	1,200
180-04	Maintenance Service Equipment	41,600	36,891	4,709	28,540
180-18	Procurement of Automated Dispatch System & AVL Equipment (ITS-Comm. Equip)	13,000	11,342	1,658	12,208
180-19	Purchase of Miscellaneous Support Equipment	13,815	5,344	8,471	5,190
200-01	Vehicle Replacement - DAR Vans	45,000	-	45,000	-
200-02	Electric Buses	307,308	-	307,308	-
300-01	Transit Facility Improvements	35,000	-	35,000	-
310-09	Transportation Center Improvements: NTS/SFS Storage Facility Parcel B	188,008	186,587	1,421	1,556
	Total expenditures	\$ <u>2,347,584</u>	\$ <u>2,213,512</u>	\$ <u>134,072</u>	\$ <u>2,015,135</u>

See accompanying independent auditor's report.

CITY OF NORWALK
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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	-	93,815	241,692
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
2019/20	Bus/Mtce Equipment Auxillary Lot (7786)	-	188,143 *	-	188,143
Total \$		<u>1,276,937</u>	<u>\$ 188,143</u>	<u>\$ 165,311</u>	<u>\$ 1,299,769</u>

*Of which, \$1,556 was an addition to capital assets related to Project No. 310-09 Transportation Center Improvements: NTS/SFS Storage Facility Parcel B in FY 2019 that was not previously reported.

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 6,671,097	\$ 5,692,969
Prepaid items	40,950	17,040
Other receivable	37,565	20,540
Total assets	\$ 6,749,612	\$ 5,730,549
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 25,150	\$ 70,411
Accrued wages	14,009	12,270
Retention payable	39,109	21,090
Total liabilities	78,268	103,771
 Fund Balance		
Restricted	6,671,344	5,626,778
Total fund balance	6,671,344	5,626,778
Total liabilities and fund balance	\$ 6,749,612	\$ 5,730,549

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

	2020	2019
REVENUES		
Proposition C	\$ 1,727,698	\$ 1,757,278
Interest income	134,381	116,407
Parking structure revenue (Note 8)	261,701	305,227
Code enforcement (Note 8)	10,034	27,411
Reimbursed revenue (Note 8)	34,341	28,461
Total revenues	2,168,155	2,234,784
EXPENDITURES		
Various projects	1,123,589	1,163,798
Total expenditures	1,123,589	1,163,798
Excess of revenues over expenditures	1,044,566	1,070,986
Fund balance at beginning of year	5,626,778	4,555,792
Fund balance at end of year	\$ 6,671,344	* \$ 5,626,778

* \$198,521 out of \$6,671,344 PCLRF's fund balance lapsed at June 30, 2020. However, on September 16, 2020, as a result of the COVID-19 pandemic, Metro Board of Directors granted a one-time, one-year extension for use of the lapsed funds.

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019
		Metro Budget	Actual	Favorable (Unfavorable)	Actual
120-02	Dial-A-Ride Operating Assistance	\$ 122,017	\$ 122,017	\$ -	\$ 92,137
160-02	Buspad from Bus Stop at Alondra Boulevard and Elmcroft Avenue (Northside)	-	-	-	7,033
170-01	Bus Stop Maintenance	137,280	154,539	(17,259)	131,923
170-02	Stormwater Compliance	25,000	27,272	(2,272)	23,281
180-19	Purchase of Miscellaneous Support Equipment	6,050	4,627	1,423	1,125
180-20	Procurement of Fleet Fluid Management and Grants Administration Management	5,177	-	5,177	5,177
200-02	Electric Buses	250,000	-	250,000	-
210-01	Implementation of Intelligent Transportation Systems	70,000	70,000	-	-
230-01	CCTV System Maintenance & Inspection Services	11,700	-	11,700	5,850
250-01	Social Services Fare Subsidy	22,000	10,608	11,392	25,654
270-01	Gateway Cities Council of Governments Membership	20,500	20,500	-	20,500
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	329,225	174,334	154,891	35,020
310-08	Transportation Center Operations	546,154	385,605	160,549	405,200
310-09	Transportation Center Improvements: NTS/SFS Storage Facility Parcel B	179,765	83,399	96,366	126,025
310-10	Transportation Center Operations	-	-	-	5,452
440-01	Foster Road Rehabilitation from Studebaker Road to Pioneer Blvd (7904)	114,333	4,417	-	-
440-02	Rosecrans Ave (Pioneer To Studebaker)	892,652	-	892,652	1,110
440-44	Imperial Highway Rehabilitation - Phase I (7905)	94,015	592	93,423	8,160
440-47	Alondra Bouevard Rehabilitation from Gridley Road to Studebaker Avenue (Design)	995,329	425	994,904	2,325

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
440-49	Shoemaker Avenue From Rosecrans Avenue to Foster Road (Design)	\$ 883,900	\$ -	\$ 883,900	72,754
440-51	Pioneer Median Improvement	-	-	-	123,862
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)	990,000	-	990,000	-
450-02	Firestone Bridge Guard Rails (7196)	115,171	1,371	113,800	1,662
450-03	Firestone Widening and Rehabilitation	75,000	-	75,000	
480-03	Direct Administration	58,120	43,883	14,237	49,548
500-01	Micro Transit Pilot Program	100,000	-	100,000	-
	Total expenditures	\$ 6,103,388	\$ 1,123,589	\$ 4,979,799	\$ 1,163,798

See accompanying independent auditor's report.

CITY OF NORWALK
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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	327,502	-	-	327,502
2018/19	Median IMPR: Pioneer/Alond (440-51 Pioneer Median Improvement)	2,207,320	-	-	2,207,320
2019/20	Bus/Mtce Equipment Auxillary Lot	-	431,691 *	-	431,691
Total \$		<u>7,808,928</u>	<u>\$ 431,691</u>	<u>\$ -</u>	<u>\$ 8,240,619</u>

*Of which, \$360,292 was an addition to capital assets related to Project No. 310-09 Transportation Center Improvements: NTS/SFS Storage Facility Parcel B from FY 2015 to FY 2019 that was not previously reported.

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 3,472,865	\$ 3,253,024
Restricted cash and investments		
- 2019B Sales Tax Revenue Bonds (Note 9)	10,947,242	-
Total assets	\$ 14,420,107	\$ 3,253,024
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 14,752	\$ 241,992
Retention payable	18,492	16,012
Accounts payable - 2019B Sales Tax Revenue Bonds (Note 9)	143,956	-
Total liabilities	177,200	258,004
 Fund Balance		
Restricted	3,439,621	2,995,020
Restricted - 2019B Sales Tax Revenue Bonds (Note 9)	10,803,286	-
Total fund balance	14,242,907	2,995,020
Total liabilities and fund balance	\$ 14,420,107	\$ 3,253,024

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

	2020	2019
REVENUES		
Measure R	\$ 1,293,920	\$ 1,318,337
Interest income	74,632	74,190
Interest income - 2019B Sales Tax Revenue Bonds (Note 9)	110,305	-
Total revenues	1,478,857	1,392,527
 EXPENDITURES		
Various projects	1,127,340	1,654,365
Total expenditures	1,127,340	1,654,365
 Excess (deficiency) of revenues over expenditures	351,517	(261,838)
 OTHER FINANCING SOURCES (USES)		
Proceeds from 2019B Sales Tax Revenue Bonds (Note 9)	11,077,206	-
Bond issuance costs and discount (Note 9)	(180,836)	-
Total other financing sources	10,896,370	-
 Excess (deficiency) of revenues over expenditures and other financing sources	11,247,887	(261,838)
 Fund balance at beginning of year	2,995,020	3,256,858
 Fund balance at end of year	\$ 14,242,907	\$ 2,995,020

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repair Maintenance & Repairs	\$ 50,000	\$ 50,543	\$ (543)	\$ -
1.05	Pavement Rehabilitation (7915)	466,000	170	465,830	58,867
1.05	Bond Series 2019B - Local Street Rehab (Note	861,718	862,218	(500)	-
1.20	Bike Master Plan (7855)	21,220	-	21,220	-
1.90	Drought Tolerant Plants (7849)	-	(34,802) *	34,802	78,251
1.90	Nordesta Storm Drain (7518)	574,307	5,425	568,882	35,183
1.90	Imperial Storm Drain Replace (7240)	75,400	-	75,400	-
2.03	HSIP - Signal/ Curb Upgrade - Studebaker	178,054	22,724	155,330	18,178
2.03	Traffic Signals Repair & Maintenance (7231A)	144,500	55,734	88,766	29,901
2.03	Traffic Maintenance	123,000	86,562	36,438	3,859
2.03	HSIP -Traffic Signal/Curb Upgrade - Studebaker/Rosecrans (7234)	123,626	14,897	108,729	1,850
2.03	HSIP -Traffic Signal/Curb Upgrade - Alondra/Piuma (7232)	258,714	15,290	243,424	3,145
2.03	HSIP - Signal/ Curb Upgrade - San Antonio/Norwalk (7230)	471,626	11,397	460,229	90,047
2.03	HSIP - Signal/ Curb Upgrade - Rosecrans (7228)	117,916	12,302	105,614	37,765
2.03	HSIP -Traffic Signal/Curb Upgrade - Firestone/Rosecrans (7233)	151,249	2,235	149,014	18,365
2.03	HSIP - Traffic Signal/Curb Upgrade -Norwalk (7238)	95,150	186	94,964	-
2.03	Traffic Signal - 166th & Clarkdale (7236)	321,680	1,303	320,377	6,937
2.03	HSIP - Signal/Curb Upgrade - Pioneer Blvd Phase 2 (7240)	13,350	186	13,164	-
2.03	HSIP - Signal/Curb Upgrade - Pioneer Blvd Phase 1 (7239)	27,000	186	26,814	-
2.03	HSIP - Signal/Curb Upgrade - Norwalk (7237)	34,200	186	34,014	-

See accompanying independent auditor's report.

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
3.05	Sidewalk Repair	\$ 249,900	\$ 250,974	\$ (1,074)	\$ 217,933
3.20	Front Rd Side Panel (7197)	-	(435,640) **	435,640	1,054,084
4.90	Bus Stop Repair & Maintenance	7,600	-	7,600	-
	<i>Subtotal expenditures funded by MRLRF</i>	<u>4,396,935</u>	<u>923,951</u>	<u>3,472,984</u>	<u>1,654,365</u>
1.05	Bond Financing - Local Street Rehab - Zone 32 (Note 9)	3,154,400	46,298	3,108,102	-
1.05	Bond Financing - Local Street Rehab - Zone 8 (Note 9)	2,996,600	-	2,996,600	-
1.05	Bond Financing - Local Street Rehab - Zone 27 (Note 9)	4,407,700	157,091	4,250,609	-
	<i>Subtotal expenditures funded by 2019B Sales Tax Revenue Bonds</i>	<u>10,558,700</u>	<u>203,389</u>	<u>10,355,311</u>	<u>-</u>
	Total expenditures	<u>\$ 14,955,635</u>	<u>\$ 1,127,340</u>	<u>\$ 13,828,295</u>	<u>\$ 1,654,365</u>

* In FY2019, Measure R was used as a local match for Environmental Enhancement and Mitigation Program Grant to pay for Drought Tolerant Plants Project on various city streets. In FY2020, due to the total project cost was below the original estimate, the local match requirement for the project was reduced. The City decided to refund a portion of the project cost paid by Measure R in the amount of \$34,802.

** \$435,640 was related to capital project costs paid in FY2019 by both Measure R and Federal Active Transportation Program Grant funds. A portion of the capital project cost paid was refunded to MRLRF by the Federal Active Transportation Program Grant fund in FY2020 due to a reassessment of the capital project by the City's engineer.

See accompanying independent auditor's report.

CITY OF NORWALK
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 3,116,616	\$ 2,632,130
Restricted cash and investments		
- 2019A Sales Tax Revenue Bonds (Note 10)	12,398,171	-
Total assets	\$ 15,514,787	\$ 2,632,130
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 434	\$ -
Accounts payable - 2019A Sales Tax Revenue Bonds (Note 10)	4,764	-
Total liabilities	5,198	-
 Fund Balance		
Restricted	3,116,182	2,632,130
Restricted - 2019A Sales Tax Revenue Bonds (Note 10)	12,393,407	-
Total fund balance	15,509,589	2,632,130
Total liabilities and fund balance	\$ 15,514,787	\$ 2,632,130

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

	<u>2020</u>	<u>2019</u>
REVENUES		
Measure M	\$ 1,456,949	\$ 1,484,353
Interest income	68,527	37,972
Interest income - 2019A Sales Tax Revenue Bonds (Note 10)	124,419	-
Total revenues	<u>1,649,895</u>	<u>1,522,325</u>
EXPENDITURES		
Various projects	<u>1,063,247</u>	-
Total expenditures	<u>1,063,247</u>	-
Excess of revenues over expenditures	<u>586,648</u>	<u>1,522,325</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from 2019A Sales Tax Revenue Bonds (Note 10)	12,496,631	-
Bond issuance costs and discount (Note 10)	(205,820)	-
Total other financing sources	<u>12,290,811</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	12,877,459	1,522,325
Fund balance at beginning of year	<u>2,632,130</u>	<u>1,109,805</u>
Fund balance at end of year	<u>\$ 15,509,589</u>	<u>\$ 2,632,130</u>

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Citywide Storm Drain Replacement (7515)	\$ 100,000	\$ -	\$ 100,000	\$ -
1.05	Pavement Rehab Sproul St to Esmond Ave (7917)	175,000	218	174,782	-
1.05	Pavement Rehab 162nd to Clarkdale Ave (7918)	360,000	482	359,518	-
1.05	Pavement Rehab - Phase II (7920)	2,721,545	-	2,721,545	-
1.05	Local Street Rehab (7923)	102,000	9,158	92,842	-
1.05	Bonds Service 2019A - Local Street Rehab (Note	973,666	974,166	(500)	-
3.90	Active Transportation Plan - Alondra/Studebaker (7922)	2,000	75	1,925	-
7.90	Engineering services	127,973	57,325	70,648	-
7.90	Traffic master plan	200,000	-	200,000	-
	<i>Subtotal expenditures funded by MMLRF</i>	<u>4,762,184</u>	<u>1,041,424</u>	<u>3,720,760</u>	<u>-</u>
1.05	Bond Funding - Local Street Rehab - Zone 3 (Note 10)	4,896,400	-	4,896,400	-
1.05	Bond Funding -Local Street Rehab - Zones 2 and 9 (Note 10)	765,400	-	765,400	-
1.05	Bond Funding - Local Street Rehab - Zone 19 (Note 10)	3,644,200	-	3,644,200	-
1.05	Bond Funding - Local Street Rehab - Zone 24 (Note 10)	2,444,100	21,823	2,422,277	-
	<i>Subtotal expenditures funded by 2019A Sales Tax Revenue Bonds</i>	<u>11,750,100</u>	<u>21,823</u>	<u>11,728,277</u>	<u>-</u>
	Total expenditures	<u>\$ 16,512,284</u>	<u>\$ 1,063,247</u>	<u>\$ 15,449,037</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF NORWALK
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

BALANCE SHEETS

June 30

	2020	2019
ASSETS		
Due from Metro	\$ 63,720	\$ 100,000
Total assets	\$ 63,720	\$ 100,000
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 63,720	\$ 100,000
Due to General Fund	61,390	-
Total liabilities	125,110	100,000
 Fund Balance		
Unassigned	(61,390)	-
Total fund balance	(61,390)	-
Total liabilities and fund balance	\$ 63,720	\$ 100,000

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

	2020	2019
REVENUES		
TDA 3	\$ 71,600	\$ 100,000
Total revenues	71,600	100,000
 EXPENDITURES		
Annual sidewalk program	132,990	100,000
Total expenditures	132,990	100,000
 Deficiency of revenues over expenditures	(61,390)	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ (61,390)	\$ -

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, 2020

<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	2019-20	\$ 71,600	\$ 132,990	\$ (61,390)	Ongoing
Total		<u>\$ 71,600</u>	<u>\$ 132,990</u>		
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ (61,390)</u>	

See accompanying independent auditor's report.

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

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. The statement of revenues, 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, 2020 and 2019
(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 2020 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, 2020:

- 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).
- Unassigned - The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes.

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, 2020 and 2019
(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.

NOTE 8 – PARKING STRUCTURE REVENUE, CODE ENFORCEMENT REVENUE, AND REIMBURSED REVENUE

Parking structure revenue under the PCLRF of \$261,701 and \$305,227 was from fees charged for the use of City’s parking structure for the fiscal years ended June 30, 2020, and 2019, respectively.

Code enforcement revenue under the PCLRF of \$10,034 and \$27,411 was from parking citations issued by the City for the fiscal years ended June 30, 2020, and 2019, respectively.

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

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

Reimbursed revenue under PCLRF of \$34,341 and \$28,461 was from the City of Santa Fe Springs for the City’s transit center operations for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE 9 – 2019B SALES TAX REVENUE BONDS - MRLRF

In July 2019, the City issued 2019B Sales Tax Revenue Bonds in the amount of \$9,250,000 with bond premium of \$1,827,206. The proceeds of the bonds are anticipated to be used to finance the costs of acquisition, construction, rehabilitation, reconstruction, and resurfacing of the City’s public street facilities, and pay costs of issuance. The use of Measure R revenues to pay debt service on the bonds to finance the costs of the project was approved by Metro by the letter dated June 19, 2019.

The principal amounts due ranging from \$450,000 to \$830,000 on June 1 each year starting in 2020 through 2034; the bonds are subject to redemption prior to their maturity dates as a whole or in part on any date on or after June 1, 2030, at par plus accrued interest to the date fixed for redemption, without premium; interest rates vary from 4% to 5%. For fiscal year ended June 30, 2020, the amounts of principal and interest paid for the 2019B Sales Tax Revenue Bonds were \$495,000 and \$366,718, respectively. These debt service payments along with \$500 of administrative costs were reported under Project No. 1.05 - Bond Series 2019B - Local Street Rehab in MRLRF. The balance outstanding on the 2019B Sales Tax Bonds on June 30, 2020 was \$8,755,000

2019B Sales Tax Revenue Bonds’ cash and investments and fund balances at June 30, 2020 are as follows:

	MRLRF
Fund balance - 2019B Sales Tax Revenue Bonds at June 30, 2019	\$ -
Proceeds from issuance of 2019B Sales Tax Revenue Bonds	11,077,206
Less: Bond issuance costs and discount	(180,836)
Net proceeds from issuance of 2019B Sales Tax Revenue Bonds	10,896,370
Add: Interest income	110,305
Less: Bond Financing - Local Street Rehab - Zone 32	
Project Code 1.05 expenditures	(46,298)
Bond Financing - Local Street Rehab - Zone 27	
Project Code 1.05 expenditures	(157,091)
Fund balance - 2019B Sales Tax Revenue Bonds at June 30, 2020	10,803,286
Add: Accounts payable at June 30, 2020	143,956
Restricted cash and investments - 2019B Sales Tax Revenue Bonds at June 30, 2020	\$ 10,947,242

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 10 – 2019A SALES TAX REVENUE BONDS - MMLRF

In July 2019, the City issued 2019A Sales Tax Revenue Bonds in the amount of \$ \$10,435,000 with bond premium of \$2,061,631. The proceeds of the bonds are anticipated to be used to finance the costs of acquisition, construction, rehabilitation, reconstruction, and resurfacing of the City’s public street facilities, and pay costs of issuance. The use of Measure M revenues to pay debt service on the bonds to finance the costs of the project was approved by Metro by the letter dated June 19, 2019.

The principal amounts due ranging from \$505,000 to \$935,000 on June 1 each year starting in 2020 through 2034; the bonds are subject to redemption prior to their maturity dates as a whole or in part on any date on or after June 1, 2030, at par plus accrued interest to the date fixed for redemption, without premium; interest rates vary from 4% to 5%. For fiscal year ended June 30, 2020, the amounts of principal and interest paid for the 2019A Sales Tax Revenue Bonds were \$560,000 and \$413,666, respectively. These debt service payments along with \$500 of administrative costs were reported under Project No. 1.05 - Bonds Service 2019A - Local Street Rehab in MMLRF. The balance outstanding on the 2019A Sales Tax Bonds at June 30, 2020 was \$9,875,000.

The 2019A Sales Tax Revenue Bonds’ cash and investments and fund balances at June 30, 2020 are as follows:

		<u>MMLRF</u>
Fund balance - 2019A Sales Tax Revenue Bonds at June 30, 2019	\$	-
Proceeds from issuance of 2019A Sales Tax Revenue Bonds		12,496,631
Less: Bond issuance costs and discount		<u>(205,820)</u>
Net proceeds from issuance of 2019A Sales Tax Revenue Bonds		12,290,811
Add: Interest income		124,419
Less: Bond Funding - Local Street Rehab - Zone 24 Project Code 1.05 expenditures		<u>(21,823)</u>
Fund balance - 2019A Sales Tax Revenue Bonds at June 30, 2020		12,393,407
Add: Accounts payable at June 30, 2020		<u>4,764</u>
Restricted cash and investments – 2019A Sales Tax Revenue Bonds at June 30, 2020	\$	<u><u>12,398,171</u></u>

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2020 and 2019 consisted of the following:

		<u>2020</u>		<u>2019</u>
FY 2014-15 allocation	\$	-	\$	62,049
FY 2015-16 allocation		29,988		37,951
FY 2016-17 allocation		41,612		-
Total payment requested	\$	<u><u>71,600</u></u>	\$	<u><u>100,000</u></u>

CITY OF NORWALK
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 12 – 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, 2020, and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2015-16 allocation	\$ -	\$ 29,988
FY 2016-17 allocation	29,390	71,002
FY 2017-18 allocation	68,567	68,567
FY 2018-19 allocation	71,531	71,531
FY 2019-20 allocation	77,515	-
Available reserve balance	\$ 247,003	\$ 241,088

NOTE 13 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated subsequent events through December 10, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2020.

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". The signature is written in a cursive, flowing style.

Los Angeles, California
December 10, 2020

COMPLIANCE SECTION



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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Norwalk, California (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, 2020.

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, 2020.



Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding No. 2020-001. Our opinion on each local return and Transportation Development Act Article 3 program 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 Schedule of Findings and Recommendations. 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 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
December 10, 2020

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2020

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	See Finding No.2020-001 on the Schedule of Findings and Recommendations.
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	There was no recreational transit in FY 2019/20.

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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 FY19/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchange in FY19/20.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve fund in FY19/20.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2019/20.

CITY OF NORWALK
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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 FY19/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchange in FY19/20.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve fund in FY19/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2019/20.

CITY OF NORWALK
COMPLIANCE MATRIX
 Year Ended June 30, 2020
 (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, 2020
 (Continued)

PCLRF: Finding No. 2020-001

Finding	Entity
Compliance Requirement	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II.C.7, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance" or “Bikeway” projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA for project codes 430, 440 ,450, and 470.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2020 since the City incurred PCLRF expenditures for the following four projects: (1) 440-01 Foster Road Rehabilitation from Studebaker Road to Pioneer Blvd (7904); (2) 440-44 Imperial Highway Rehabilitation - Phase I (7905); (3) 440-47 Alondra Boulevard Rehabilitation from Gridley Road to Studebaker Avenue (Design); and (4) 450-02 Firestone Bridge Guard Rails (7196). However, the City did not submit PMS Certification Form during the fiscal year 2020. The last PMS Certification Form was expired on September 28, 2019.</p>
Cause	<p>It was due to an oversight.</p>
Effect	<p>The City did not comply with the Proposition A and Proposition C Local Return Guidelines.</p>

CITY OF NORWALK
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PCLRF: Finding No. 2020-001 (Continued)

Finding	Entity
Recommendation	We recommended that the City establish procedures to ensure that if the City incurs expenditures for projects with codes 430, 440, 450, or 470, a PMS Certification Form is properly certified and executed by the City's Engineer or designated registered Civil Engineer and submitted to LACMTA on the third year from the last submission date to be in compliance with the Guidelines.
Management's Response	The City hired an independent engineering firm to complete the PMS Certification. The City's PMP study is currently 90% complete. However, there have been delays in finalizing this study due to the COVID-19. The final report will be adopted by the City Council in early Spring 2021.

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, 2020

An exit conference was held on December 23, 2020 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 one (1) 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, 2020 AND 2019

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, 2020 and 2019 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