

***CITY OF LAKEWOOD  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND***

***FOR THE FISCAL YEARS ENDED  
JUNE 30, 2018 AND 2017***

***AND MEASURE M LOCAL RETURN FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF LAKEWOOD***  
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***CITY OF LAKEWOOD***  
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***FINANCIAL SECTION***

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Lakewood, California (the City) as of and for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Lakewood, California (the City) as of and for the year ended June 30, 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 an opinion 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of Lakewood, California, as of June 30, 2018 and 2017, and MMLRF of the City of Lakewood, California, as of June 30, 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 Lakewood, California, as of June 30, 2018 and 2017, 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 October 19, 2018, 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 &amp; Simpson".

Los Angeles, California  
October 19, 2018

**CITY OF LAKEWOOD**  
**PROPOSITION A LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 756,236	\$ 725,635
Due from General Funds	-	2,903
Total assets	\$ 756,236	\$ 728,538
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 23,659	\$ 25,855
Accrued payroll and employee benefits	4,364	4,292
Total liabilities	28,023	30,147
 <b>Fund Balance</b>		
Restricted	728,213	698,391
Total fund balance	728,213	698,391
Total liabilities and fund balance	\$ 756,236	\$ 728,538

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

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

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Proposition A	\$ 1,463,740	\$ 1,489,003
Interest income	13,450	10,383
Other revenue (Note 8)	<u>5,000</u>	<u>2,903</u>
Total revenues	<u>1,482,190</u>	<u>1,502,289</u>
 <b>EXPENDITURES</b>		
Various projects	<u>1,452,368</u>	<u>1,523,142</u>
Total expenditures	<u>1,452,368</u>	<u>1,523,142</u>
 Excess (deficiency) of revenues over (under) expenditures	29,822	(20,853)
 Fund balance at beginning of year	<u>698,391</u>	<u>719,244</u>
 Fund balance at end of year	<u>\$ 728,213</u>	<u>\$ 698,391</u>

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



**CITY OF LAKEWOOD**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-61	Long Beach Transit Subsidy	\$ 231,296	\$ 178,612	\$ 52,684	\$ 167,256
200-95	Dash Paratransit Shuttle Bus Purchase FY 2017	-	-	-	180,531
200-97	Dash Paratransit Shuttle Bus Purchase FY 2018	180,000	170,166	9,834	-
270-23	Transportation Planning - Gateway Cities	14,718	14,718	-	14,718
270-29	Geographical Information System	51,723	15,855	35,868	35,656
280-30	CATV Programming	102,656	54,277	48,379	84,780
280-31	Public Information Campaign	30,763	15,958	14,805	25,729
300-83	DASH Office Expansion and Modernization	-	-	-	235
405-96	6th Fund Exchange - City of West Hollywood (Note 9)	-	-	-	1,000,000
405-98	7th Fund Exchange - City of West Hollywood (Note 9)	1,000,000	1,000,000	-	-
480-01	Direct Administration	17,060	2,782	14,278	14,237
	Total expenditures	\$ 1,628,216	\$ 1,452,368	\$ 175,848	\$ 1,523,142

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
3/2/2004	El Dorado Aerotech Class C Ford 350 #36 \$	50,726 \$	-	50,726 \$	-
3/2/2004	El Dorado Aerotech Class C Ford 350 #37	50,726	-	50,726	-
2/21/2007	El Dorado Aerotech Class C Ford 350 #38	61,329	-	-	61,329
2/21/2007	El Dorado Aerotech Class C Ford 350 #39	61,329	-	-	61,329
1/24/2014	Telephone System for DASH	7,374	-	-	7,374
3/21/2017	El Dorado Aerotech Class C Ford 350 #40	90,265	-	-	90,265
3/21/2017	El Dorado Aerotech Class C Ford 350 #41	90,265	-	-	90,265
2/15/2018	El Dorado Aerotech Class C Ford 350 #42	-	85,083	-	85,083
3/21/2018	El Dorado Aerotech Class C Ford 350 #43	-	85,083	-	85,083
Total		\$ 412,014	\$ 170,166	\$ 101,452	\$ 480,728

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,405,914	\$ 2,905,411
Total assets	<u>\$ 3,405,914</u>	<u>\$ 2,905,411</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,035	\$ 3,951
Accrued payroll and benefits	<u>21,700</u>	<u>22,873</u>
Total liabilities	<u>23,735</u>	<u>26,824</u>
 <b>Fund Balance</b>		
Restricted	<u>3,382,179</u>	<u>2,878,587</u>
Total fund balance	<u>3,382,179</u>	<u>2,878,587</u>
Total liabilities and fund balance	<u>\$ 3,405,914</u>	<u>\$ 2,905,411</u>

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

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

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Proposition C	\$ 1,212,158	\$ 1,236,997
Interest income	48,756	29,108
Other revenue (Note 10)	-	37,065
Total revenues	<u>1,260,914</u>	<u>1,303,170</u>
 <b>EXPENDITURES</b>		
Various projects	<u>757,322</u>	<u>778,449</u>
Total expenditures	<u>757,322</u>	<u>778,449</u>
Excess of revenues over expenditures	503,592	524,721
Fund balance at beginning of year	<u>2,878,587</u>	<u>2,353,866</u>
Fund balance at end of year	<u>\$ 3,382,179</u>	<u>\$ 2,878,587</u>

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

**CITY OF LAKEWOOD**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
130-02	DASH Operations	\$ 713,469	\$ 671,986	\$ 41,483	\$ 667,627
140-04	Recreational Travel	4,600	3,661	939	3,996
440-84	Woodruff Avenue Pavement Rehabilitation	2,200,000	35,309	2,164,691	-
480-04	Direct Administration	97,352	46,366	50,986	106,826
	Total expenditures	<u>\$ 3,015,421</u>	<u>\$ 757,322</u>	<u>\$ 2,258,099</u>	<u>\$ 778,449</u>

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
5/28/2014	Dodge Braun Entervan-Grand Caravan \$ ADA Compliant, Fleet Unit #21	46,089 \$	-	-	46,089 \$
5/28/2014	Dodge Braun Entervan-Grand Caravan ADA Compliant, Fleet Unit #24	46,089	-	-	46,089
5/28/2014	Dodge Braun Entervan-Grand Caravan ADA Compliant, Fleet Unit #25	46,089	-	-	46,089
5/28/2014	Dodge Braun Entervan-Grand Caravan ADA Compliant, Fleet Unit #26	46,089	-	-	46,089
5/28/2014	Dodge Braun Entervan-Grand Caravan ADA Compliant, Fleet Unit #27	46,089	-	-	46,089
5/28/2014	Dodge Braun Entervan-Grand Caravan ADA Compliant, Fleet Unit #28	46,089	-	-	46,089
Total \$		<u>276,534</u>	<u>-</u>	<u>-</u>	<u>276,534</u>

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2018	2017 as restated
<b>ASSETS</b>		
Cash and investments	\$ <u>2,544,051</u>	\$ <u>1,808,461</u>
Total assets	\$ <u><u>2,544,051</u></u>	\$ <u><u>1,808,461</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>20,569</u>	\$ <u>24,532</u>
Total liabilities	<u>20,569</u>	<u>24,532</u>
 <b>Fund Balance</b>		
Restricted	<u>2,523,482</u>	<u>1,783,929</u>
Total fund balance	<u>2,523,482</u>	<u>1,783,929</u>
Total liabilities and fund balance	\$ <u><u>2,544,051</u></u>	\$ <u><u>1,808,461</u></u>

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

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

	2018	2017 as restated
<b>REVENUES</b>		
Measure R	\$ 909,373	\$ 926,540
Interest income	33,656	15,301
Total revenues	943,029	941,841
<b>EXPENDITURES</b>		
Various projects	209,673	53,686
Total expenditures	209,673	53,686
<b>OTHER FINANCING SOURCE</b>		
Transfer in - General Funds (Note 11)	6,197	-
Total other financing source	6,197	-
Excess of revenues over expenditures and other financing source	739,553	888,155
Fund balance at beginning of year, as restated	1,783,929	895,774
Fund balance at end of year	\$ 2,523,482	\$ 1,783,929

The accompanying notes are an integral part of the financial statements



**CITY OF LAKEWOOD**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Overlay 215th Street - East of Pioneer Boulevard (4/15/16 - 6/30/16)	\$ -	\$ -	\$ -	as restated 22,850
1.05	Pavement Management Update	70,000	69,855	145	-
1.20	Improvement of On-street Drainage on Paramount Boulevard	1,027,418	126,850	900,568	24,532
1.90	Street Improvements in Various Locations (7/1/12 - 12/31/13)	1,000,000	-	1,000,000	-
8.10	Direct Administration	35,204	12,968	22,236	6,304
	Total expenditures	<u>\$ 2,132,622</u>	<u>\$ 209,673</u>	<u>\$ 1,922,949</u>	<u>\$ 53,686</u>

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**MEASURE M LOCAL RETURN FUND**  
**BALANCE SHEET**  
June 30

		2018
<b>ASSETS</b>		
Cash and investments	\$	828,576
Total assets	\$	828,576
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$	-
Total liabilities		-
 <b>Fund Balance</b>		
Restricted		828,576
Total fund balance		828,576
Total liabilities and fund balance	\$	828,576

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

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

	2018
<b>REVENUES</b>	
Measure M	\$ 824,100
Interest income	4,476
Total revenues	828,576
 <b>EXPENDITURES</b>	
Various projects	-
Total expenditures	-
Excess of revenues over expenditures	828,576
Fund balance at beginning of year	-
Fund balance at end of year	\$ 828,576

The accompanying notes are an integral part of the financial statements

**CITY OF LAKEWOOD**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2018

Project Code	Project Name	2018		Variance Favorable (Unfavorable)
		Metro Budget	Actual	
None		\$ _____	\$ _____	\$ _____
	Total expenditures	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**  
**BALANCE SHEETS**  
**June 30**

	2018	2017
<b>ASSETS</b>		
Cash	\$ -	\$ 49,562
Due from Metro	4,259	4,506
Total assets	\$ 4,259	\$ 54,068
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ 54,068
Due to General Funds	4,259	-
Total liabilities	4,259	54,068
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ 4,259	\$ 54,068

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

**CITY OF LAKEWOOD**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
TDA 3	\$ 51,105	\$ 54,068
Total revenues	<u>51,105</u>	<u>54,068</u>
 <b>EXPENDITURES</b>		
Local Street and Sidewalk Rehabilitation	<u>51,105</u>	<u>54,068</u>
Total expenditures	<u>51,105</u>	<u>54,068</u>
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	<u>-</u>	<u>-</u>
 Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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



**CITY OF LAKEWOOD**  
 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
 SUPPLEMENTARY INFORMATION

SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
 ALLOCATION FOR SPECIFIC PROJECTS  
 For the Fiscal Year Ended June 30, 2018

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
Local Street and Sidewalk Rehabilitation	2017-18	\$ 51,105	\$ 51,105	\$ -	Complete
Total		<u>\$ 51,105</u>	<u>\$ 51,105</u>	<u>-</u>	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF LAKEWOOD**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2018 and 2017

**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.

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

*Basis of Accounting and Measurement focus*

PALRF, PCLRF, MRLRF, 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 present increase (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

*Budgets and Budgetary Accounting*

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

**CITY OF LAKEWOOD**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fair Value Measurement*

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

Refer to the City's 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

*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 the resources reported in governmental funds.

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

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

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 of 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, 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 LAKEWOOD**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2018 and 2017  
(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. The first revenue allocation was received in the current period. 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 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 – OTHER REVENUE - PALRF**

Other revenue of \$5,000 and \$2,903 in fiscal years 2018 and 2017, respectively, consisted of proceeds received from the sale of PALRF buses #36 and #37 on April 3, 2018 and buses #29 and #35 on April 29, 2017.

**CITY OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Continued)

**NOTE 9 – PROPOSITION A LOCAL RETURN FUND EXCHANGE**

In fiscal year 2018, the City entered into an agreement on March 13, 2018 with the City of West Hollywood to exchange \$1 of Proposition A local return funds for every \$.75 (or 75 cents) of General Fund. Accordingly, the City received \$750,000 of the City of West Hollywood’s General Funds on April 19, 2018 and assigned \$1,000,000 of its Proposition A Local Return Funds to the City of West Hollywood on April 12, 2018.

In fiscal year 2017, the City entered into an agreement on March 14, 2017 with the City of West Hollywood to exchange \$1 of Proposition A local return funds for every \$.75 (or 75 cents) of General Fund. Accordingly, the City received \$750,000 of the City of West Hollywood’s General Funds on May 4, 2017 and assigned \$1,000,000 of its Proposition A Local Return Funds to the City of West Hollywood on April 27, 2017.

**NOTE 10 – OTHER REVENUE - PCLRF**

Other revenue of \$37,065 for PCLRF consisted of funds received from the State of California to reimburse a portion of the expenditures incurred for the Del Amo Pavement Rehabilitation – Clark and Downey Project Code 440-89 in fiscal year 2016-17.

**NOTE 11 – OTHER FINANCING SOURCE - MRLRF**

The amount of \$6,197 represents a reimbursement from the General Fund to MRLRF related to the fiscal year ended June 30, 2017 Finding #2017-002 for the administrative salaries and benefits which were based on distribution percentages and were determined before the services were performed.

**NOTE 12 – RESTATEMENT OF MRLRF’S 2017 FINANCIAL STATEMENTS**

The 2017 financial statements of MRLRF were restated to report for certain expenditures for the Project Code 1.20, Improvement of On-street Drainage on Paramount Boulevard, that were not reported in fiscal year ended June 30, 2017.

		Accounts Payable		Expenditures		Fund Balance
Balance, as previously reported	\$	8,675	\$	37,829	\$	1,799,786
Adjustment		15,857		15,857		(15,857)
Balance, as restated	\$	24,532	\$	53,686	\$	1,783,929

**CITY OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Continued)

**NOTE 13 – TRANSPORTATION DEVELOPMENT ACT FUNDS REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2018 and 2017 consisted of the following:

	2018		2017
FY 2016-17 allocation	\$ <u>          -</u>	\$	<u>54,068</u>
FY 2017-18 allocation	<u>51,105</u>		<u>-</u>
Total	<u>\$ 51,105</u>	\$	<u>54,068</u>

**NOTE 14 – 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, 2018 and 2017, the City has no funds on reserve.

**NOTE 15 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through October 19, 2018, 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

**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 Lakewood, 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 Lakewood, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2018.

**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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
October 19, 2018



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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report on Compliance

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

### Report on Compliance

We have audited the compliance of the City of Lakewood, 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, 2018.

### *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 Guideline for the year ended June 30, 2018.



## 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 with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal controls over compliance that we consider to be material weaknesses.

*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 under the Guidelines 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 Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that 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 requirement of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California  
October 19, 2018

**CITY OF LAKEWOOD**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
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) 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	

**CITY OF LAKEWOOD**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2018  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
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 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	
11.	Fund exchanges were approved by Metro.			X	None	
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	

**CITY OF LAKEWOOD**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2018  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.			X		
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X		
3.	Signed Assurances and Understandings on file.	X				
4.	Separate Measure M Local Return Account was established.	X				
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6.	Funds were expended with Metro's approval.			X		
7.	Expenditure Plan (Form One) was submitted on time.			X		
8.	Expenditure Report (Form Two) was submitted on time.	X				
9.	Timely use of funds.			X		
10.	Administrative expenses are within the 20% cap.			X		
11.	Fund exchanges were approved by Metro.			X		
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		
13.	Recreational transit form was submitted timely.			X		

**CITY OF LAKEWOOD**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2018  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>						
1.	Timely use of funds.	X				
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				

***CITY OF LAKEWOOD***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2018

No findings were noted.



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***EXIT CONFERENCE***

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**CITY OF LAKEWOOD**

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

June 30, 2018

An exit conference was held on December 5, 2018 with the City of Lakewood. Those in attendance were:

***Simpson & Simpson Representative:***

Elizabeth Mendoza, Senior Auditor

***City's Representative:***

Claire Houck, Senior Accountant

Lovenel Reveldez, Assistant Director, Finance and Administrative Services

Jose Gomez, Director, Finance and Administrative Services

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies or non-compliance issues with Metro's 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:

Claire Houck, Senior Accountant

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> Street, Suite 3320  
Los Angeles, CA 90071

RE: CITY OF LAKEWOOD 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, 2018 AND 2017.

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, 2018 and 2017 for the City of Lakewood and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date