

***CITY OF NORWALK  
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 NORWALK***  
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***FINANCIAL SECTION***

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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), 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, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Norwalk, 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 Norwalk, California, as of June 30, 2018 and 2017, and MMLRF of the City of Norwalk, 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 Norwalk, 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 November 6, 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  
November 6, 2018

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

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 2,394	\$ 1,600
Total assets	\$ 2,394	\$ 1,600
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,394	\$ 1,600
Total liabilities	2,394	1,600
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ 2,394	\$ 1,600

The accompanying notes are an integral part of 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

	2018	2017
<b>REVENUES</b>		
Proposition A	\$ 1,964,040	\$ 1,955,496
Interest income	-	1,145
Total revenues	1,964,040	1,956,641
 <b>EXPENDITURES</b>		
Various projects	1,964,040	1,956,641
Total expenditures	1,964,040	1,956,641
 Excess of revenues over expenditures	-	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of 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, 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)	
110-01	Fixed Route Operating Assistance	\$ 1,563,287	\$ 1,578,720	\$ (15,433)	\$ 1,660,621
120-02	Dial-A-Ride Operating Assistance	285,625	301,412	(15,787)	254,913
160-01	Buspad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	41,374	41,374	-	-
170-01	Bus Stop Maintenance	1,000	1,000	-	-
180-04	Maintenance Service Equipment	33,841	22,098	11,743	29,474
180-18	Procurement of Automated Dispatch System & AVL Equipment (ITS-Comm. Equip)	14,050	12,983	1,067	9,881
180-19	Purchase of Miscellaneous Support	12,400	6,453	5,947	1,752
300-19	Facility Project	10,759	-	10,759	-
	Total expenditures	\$ <u>1,962,336</u>	\$ <u>1,964,040</u>	\$ <u>(1,704)</u>	\$ <u>1,956,641</u>

See accompanying independent auditor's report.

**CITY OF NORWALK**  
**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
1995/96	Coin Conveyor	\$ 1,533	\$ -	\$ -	\$ 1,533
1999/00	Office Equipment Furniture	1,214	-	-	1,214
1999/00	Purchase of Rolling Stock	168,303	-	-	168,303
2001/02	Office Equipment Furniture	56,891	-	-	56,891
2001/02	Facility Project	190,000	-	-	190,000
2002/03	Purchase of Rolling Stock	69,420	-	-	69,420
2002/03	Facility Project	72,123	-	-	72,123
2002/03	Bus Stop Amenities	7,812	-	-	7,812
2004/05	Tools & equipment	2,107	-	-	2,107
2004/05	Bus Stop Improvement (7709)	3,637	-	-	3,637
2005/06	Office Equipment	5,615	-	-	5,615
2005/06	Specialized Auto	335,507	-	-	335,507
2006/07	Bus Stop Improvement (7709)	81,575	-	-	81,575
2008/09	Universal Fare System	124,770	-	-	124,770
2010/11	Specialized Auto	53,466	-	-	53,466
2010/11	Fall Arrest System	3,667	-	-	3,667
2010/11	Bus Repair and Parts	1,040	-	-	1,040
2010/11	Miscellaneous Equipment	1,077	-	-	1,077
2012/13	Floor Scrubber	1,987	-	-	1,987
2012/13	Cummins Engine	3,249	-	-	3,249
2013/14	Copier, Ricoh	2,076	-	-	2,076
2013/14	Copier, Ricoh	1,675	-	-	1,675
2013/14	Copier, Ricoh	1,675	-	-	1,675
2013/14	Air Compressor	1,998	-	-	1,998
2013/14	Ford Fusion #7028	4,491	-	-	4,491
2013/14	Ford Fusion #7029	4,491	-	-	4,491
2013/14	Ford Fusion #7030	4,491	-	-	4,491
2015/16	Transportation Ctr (7760)	29,673	-	-	29,673
2017/18	Bus Stop Improvements (7189)	-	41,374	-	41,374
Total \$		<u>1,235,563</u>	<u>\$ 41,374</u>	<u>\$ -</u>	<u>\$ 1,276,937</u>

See accompanying independent auditor's report.

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

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 4,685,938	\$ 5,883,351
Prepaid items	1,550	14,500
Other receivable	45,072	59,915
Total assets	\$ 4,732,560	\$ 5,957,766
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 162,798	\$ 116,731
Accrued expense	13,444	16,090
Retention payable	526	3,150
Total liabilities	176,768	135,971
 <b>Fund Balance</b>		
Restricted	4,555,792	5,821,795
Total fund balance	4,555,792	5,821,795
Total liabilities and fund balance	\$ 4,732,560	\$ 5,957,766

The accompanying notes are an integral part of 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

	2018	2017
<b>REVENUES</b>		
Proposition C	\$ 1,625,888	\$ 1,625,176
Interest income	79,788	44,981
Parking structure revenue (Note 8)	232,648	238,623
Code enforcement (Note 8)	5,052	6,272
Reimbursed revenue (Note 8)	126,508	59,997
Total revenues	2,069,884	1,975,049
<b>EXPENDITURES</b>		
Various projects	3,335,887	911,107
Total expenditures	3,335,887	911,107
 (Deficiency) excess of revenues (under) over expenditures	 (1,266,003)	 1,063,942
 Fund balance at beginning of year	 5,821,795	 4,757,853
 Fund balance at end of year	 \$ 4,555,792	 \$ 5,821,795

The accompanying notes are an integral part of 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, 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)	
120-02	Dial-A-Ride Operating Assistance	\$ 59,400	\$ 59,400	\$ -	\$ 84,000
160-01	Buspad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	641,596	327,492	314,104	2,379
160-02	Buspad from Bus Stop at Alondra Boulevard and Elmcroft Avenue (Northside)	345,350	10,956	334,394	20,855
160-03	Bus Stop at Imperial Highway and Jersey Avenue (Northside)	-	-	-	6,683
170-01	Bus Stop Maintenance	112,000	112,359	(359)	108,029
170-02	Stormwater Compliance	20,000	17,912	2,088	19,064
180-19	Purchase of Miscellaneous Support Equipment	1,300	1,625	(325)	900
200-02	Rolling Stock	28,985	28,420	565	11,681
210-01	Implementation of Intelligent Transportation Systems	70,000	-	70,000	-
250-01	Social Services Fare Subsidy	22,000	8,520	13,480	19,173
270-01	Gateway Cities Council of Governments Membership	21,500	21,500	-	14,500
270-02	Needs Assessment for ITS & RFP	21,500	-	21,500	-
270-04	Joint Power Authority (JPA) for the I-91/I-605 Corridor	20,000	20,000	-	20,000
270-05	Membership I-5 Consortium	-	-	-	6,000
300-20	Transportation Center Parking Permit Management	-	-	-	1,221
300-21	Shoemake Ave Rehabilitation from Rosecrans Ave to Firestone Blvd	20,000	21,939	(1,939)	15,354
310-08	Transportation Center Operations	507,336	506,002	1,334	432,395
310-09	Transportation Center Improvements: NTS/SFS Storage Facility Parcel B	253,244	21,654	231,590	221,849

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, 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)	
440-01	Materials Storage	\$ 295,000	\$ 135,765	\$ 159,235	\$ -
440-02	Rosecrans Ave (Pioneer To Studebaker)	900,977	7,215	893,762	-
440-44	Imperial Highway Rehabilitation - Phase I (7905)	100,000	1,665	98,335	-
440-45	Repave Civic Center Dr (from Norwalk Blvd to Transportation Center)	-	-	-	17,350
440-46	Alondra Blvd Rehabilitation (Pioneer to Shoemaker) **	-	-	-	(186,160)
440-47	Alondra Boulevard Rehabilitation from Gridley Road to Studebaker Avenue (Design)	1,003,102	2,909	1,000,193	12,800
440-48	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway (Design)	-	-	-	732
440-49	Shoemaker Avenue From Rosecrans Avenue to Foster Road (Design)	931,280	28,391	902,889	429
440-50	Rehabilitation of Fireston Boulevard	-	-	-	760
440-51	Pioneer Median Improvement	2,059,980	1,947,187	112,793	36,618
440-52	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway	40,000	-	40,000	-
450-02	Firestone Bridge Guard Rails (7196)	116,000	-	116,000	-
480-03	Direct Administration	51,926	54,976	(3,050)	44,495
<b>Total expenditures</b>		<b>\$ 7,642,476</b>	<b>\$ 3,335,887</b>	<b>\$ 4,306,589</b>	<b>\$ 911,107</b>

\*\* Historically, Project Code 440-46 was funded 88.53% by Caltrans funds and required 11.47% of local match, which the City used Proposition C funds to pay. During FY 2017, the City received a refund for 100% of the Proposition C funds expended on this project during FY 2016.

See accompanying independent auditor's report.

**CITY OF NORWALK**  
**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
2002/03	Bus Stop Amenities	\$ 66,883	\$ -	\$ -	\$ 66,883
2002/03	Rosecrans Ave and Shoemaker	201,364	-	-	201,364
2002/03	Imperial Highway Rehabilitation	4,393	-	-	4,393
2003/04	Rosecrans Ave (I-5 to Shoemaker)	2,373	-	-	2,373
2003/04	Rosecrans Ave (Pioneer to Bloomfield)	353,430	-	-	353,430
2003/04	Pioneer Blvd (Allard to Lakeland)	153,641	-	-	153,641
2003/04	Signal Upgrade (Imperial & Curtis)	39,957	-	-	39,957
2003/04	Signal Upgrade (Norwalk & Rosecrans)	28,952	-	-	28,952
2003/04	Shoemaker (Rosecrans to Foster)	165,586	-	-	165,586
2003/04	Foster (Shoemaker to Bloomfield)	115,587	-	-	115,587
2006/07	New Traffic Signal: Pioneer at Lindale	69,043	-	-	69,043
2007/08	Bus Stop Project (7709)	927,006	-	-	927,006
2007/08	Foster and Norwalk Street Improvement	418,033	-	-	418,033
2007/08	Studebaker Road (from Cecilia Street to Imperial Highway) Rehabilitation - 7141	252,431	-	-	252,431
2007/08	New Traffic Signal: Rosecrans	25,673	-	-	25,673
2007/08	Transit Facility Improvement (7760)	599,389	-	-	599,389
2011/12	Repaving of Firestone Boulevard Bridge	126,763	-	-	126,763
2012/13	Transit Center - Mechanics Bay Lighting	11,187	-	-	11,187
2016/17	Firestone Bridge: SG River	350,086	-	-	350,086
2016/17	Alondra Blvd Rehabilitation	158,207	-	-	158,207
2016/17	Repave Civic Center Drive - Norwalk Blvd to Yard	764,222	-	-	764,222
2017/18	Jersey Avenue and Imperial Highway Bus Stop Improvement	-	371,776	-	371,776
2017/18	Rehabilitation of Pioneer Boulevard from Rosecrans Avenue to Imperial Highway	-	68,124	-	68,124
2017/18	Rehabilitation of Firestone Boulevard from the San Gabriel River to the I-605 Freeway	-	327,502	-	327,502
Total \$		<u>4,834,206</u>	<u>\$ 767,402</u>	<u>\$ -</u>	<u>\$ 5,601,608</u>

See accompanying independent auditor's report.

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

	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 3,371,045	\$ 3,411,690
Total assets	\$ 3,371,045	\$ 3,411,690
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 108,087	\$ 211,597
Retention payable	6,100	13,859
Total liabilities	114,187	225,456
 <b>Fund Balance</b>		
Restricted	3,256,858	3,186,234
Total fund balance	3,256,858	3,186,234
Total liabilities and fund balance	\$ 3,371,045	\$ 3,411,690

The accompanying notes are an integral part of 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

	2018	2017
<b>REVENUES</b>		
Measure R	\$ 1,220,193	\$ 1,216,818
Interest income	48,758	24,851
Total revenues	1,268,951	1,241,669
 <b>EXPENDITURES</b>		
Various projects	1,198,327	661,728
Total expenditures	1,198,327	661,728
 Excess of revenues over expenditures	70,624	579,941
 Fund balance at beginning of year	3,186,234	2,606,293
 Fund balance at end of year	\$ 3,256,858	\$ 3,186,234

The accompanying notes are an integral part of 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, 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	Street Repair Maintenance & Repairs	\$ 50,000	\$ 40,903	\$ 9,097	\$ 48,912
1.05	Pavement Rehabilitation (7915)	546,000	3,940	542,060	-
1.90	Drought Tolerant Plants (7849)	78,251	-	78,251	-
1.90	Nordesta Storm Drain (7518)	670,000	72,980	597,020	1,850
2.03	HSIP - Signal/ Curb Upgrade - Studebaker (7229)	69,018	24,784	44,234	19,576
2.03	Traffic Signals Repair & Maintenance (7231 A)	86,500	60,442	26,058	203,006
2.03	Traffic Maintenance	97,000	90,585	6,415	66,167
2.03	HSIP -Traffic Signal/Curb Upgrade - Studebaker/Rosecrans (7234)	77,326	1,110	76,216	259
2.03	HSIP -Traffic Signal/Curb Upgrade - Alondra/Piuma (7231)	82,043	1,424	80,619	287
2.03	HSIP - Signal/ Curb Upgrade - San Antonio/Norwalk (7230)	78,564	10,298	68,266	14,240
2.03	HSIP - Signal/ Curb Upgrade - Rosecrans (7228)	112,438	17,456	94,982	6,806
2.03	HSIP -Traffic Signal/Curb Upgrade - Firestone/ Rosecrans (7233)	67,326	1,110	66,216	231
3.05	Sidewalk Repair	249,900	257,444	(7,544)	232,983
3.20	Front Rd Side Panel (7197)	1,938,564	615,851	1,322,713	67,411
4.90	Bus Stop Repair & Maintenance	7,600	-	7,600	-
Total expenditures		\$ <u>4,210,530</u>	\$ <u>1,198,327</u>	\$ <u>3,012,203</u>	\$ <u>661,728</u>

See accompanying independent auditor's report.

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

		2018
<b>ASSETS</b>		
Cash and investments	\$	1,109,805
Total assets	\$	1,109,805
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$	-
Total liabilities		-
 <b>Fund Balance</b>		
Restricted		1,109,805
Total fund balance		1,109,805
Total liabilities and fund balance	\$	1,109,805

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

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

	2018
<b>REVENUES</b>	
Measure M	\$ 1,105,774
Interest income	4,031
Total revenues	1,109,805
 <b>EXPENDITURES</b>	
Various projects	-
Total expenditures	-
 Excess of revenues over expenditures	 1,109,805
 Fund balance at beginning of year	 -
 Fund balance at end of year	 \$ 1,109,805

The accompanying notes are an integral part of 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, 2018

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

	2018	2017
<b>ASSETS</b>		
Due from Metro	\$ 33,600	\$ -
Total assets	\$ 33,600	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to General Fund	\$ 33,600	\$ -
Total liabilities	33,600	-
 <b>Fund Balance</b>		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ 33,600	\$ -

The accompanying notes are an integral part of 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

	2018	2017
<b>REVENUES</b>		
TDA 3	\$ 33,600	\$ 57,481
Total revenues	33,600	57,481
<b>EXPENDITURES</b>		
Annual sidewalk program	33,600	54,015
Total expenditures	33,600	54,015
Excess of revenues over expenditures	-	3,466
Fund balance at beginning of year	-	(3,466)
Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of 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, 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>					
Annual sidewalk program	2017-18	\$ 33,600	\$ 33,600	\$ -	Completed
Total		<u>\$ 33,600</u>	<u>\$ 33,600</u>	-	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF NORWALK**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 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 revenues, expenditures and change in fund balance for special revenue funds generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

*Budgets and Budgetary Accounting*

The budgeted amounts presented in this report for comparison to the actual amounts are 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, 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 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 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments 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 classification as of June 30, 2018:

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

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

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

**CITY OF NORWALK**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 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 and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

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

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

Parking structure revenue under the PCLRF of \$232,648 and \$238,623 was from fees charged for use of the City’s parking structure for the years ended June 30, 2018, and 2017, respectively.

Code enforcement revenue under the PCLRF of \$5,052 and \$6,272 was from parking citations issued by the City for the years ended June 30, 2018, and 2017, respectively.

Reimbursed revenue under PCLRF of \$126,508 and \$59,997 was from the City of Santa Fe Springs for the City’s transit center operations for the years ended June 30, 2018 and 2017, respectively.

**NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

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

	2018	2017
FY 2013-14 allocation	\$ 25,637	\$ 57,481
FY 2014-15 allocation	7,963	-
Total payment requested	\$ 33,600	\$ 57,481

**NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2018, and 2017, the City has funds on reserve as follows:

	2018	2017
FY 2013-14 allocation	\$ -	\$ 25,637
FY 2014-15 allocation	62,049	70,012
FY 2015-16 allocation	67,939	67,939
FY 2016-17 allocation	71,002	71,002
FY 2017-18 allocation	68,567	-
Available reserve balance	\$ 269,557	\$ 234,590

**NOTE 11 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through November 6, 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.



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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 6, 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 black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
November 6, 2018



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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON

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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, 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, except as noted on the Compliance Matrix and the Schedule of Findings and Recommendation, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2018.



## Other Matters

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. 2018-001. 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 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  
November 6, 2018

**CITY OF NORWALK**  
**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		\$2,616	See Finding #2018-001 on the Schedule of Findings and Recommendations.
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	There was no recreational transit in FY 17/18.

**CITY OF NORWALK**  
**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>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	There were no administrative expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
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 NORWALK**  
**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>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.			X	None	There were no expenditures in FY 2017/18.
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	There were no expenditures in FY 2017/18.
3.	Signed Assurances and Understandings 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	There were no expenditures in FY 2017/18.
7.	Expenditure Plan (Form One) was submitted on time.			X	None	Expenditure Plan (Form One) was not required in FY 2017/18.
8.	Expenditure Report (Form Two) was submitted on time.			X	None	Expenditure Report (Form Two) was not required in FY 2017/18.
9.	Timely use of funds	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.	X			None	
13.	Recreational transit form was submitted timely.			X	None	Recreational transit form was not required for Measure M in FY 2017/18.

**CITY OF NORWALK**  
**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>D. Transportation Development Act Article 3 Fund</b>						
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, 2018

**PCLRF: Finding No. 2018-001**

<b>Compliance Requirement</b>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, Los Angeles County Metropolitan Transportation Authority (LACMTA) Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this nontimesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the estimates produce reasonable approximations of the activity performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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**CITY OF NORWALK**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2018

**PCLRF: Finding No. 2018-001 (Continued)**

<b>Condition</b>	The salaries and benefits for four (4) employees totaling \$2,616 under Project 310-08 Transportation Center Operation for the period ended October 7, 2017, were based on percentages determined by the City departments to be attributable to the LACMTA projects. However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Proposition C Local Return projects.
<b>Cause</b>	<p>The City received the same finding during FY 2015-16 and FY 2016-17; as such, the City implemented internal control procedures to ensure that the salaries charged to approved Proposition C Local Return projects are properly supported.</p> <p>Internal control procedures were fully implemented as of January 1, 2018 and operated effectively during all periods tested after the internal control procedures were implemented.</p>
<b>Effect</b>	The City did not comply with LACMTA Guidelines until January 2018. As such, the payroll costs claimed under the Proposition C Local Return Funds projects prior to January 2018 may include expenditures which may not be an allowable Proposition C project, resulting in questioned cost.
<b>Recommendation</b>	As the City has already modified its time sheet reporting format and implemented internal controls to ensure compliance with guidelines, we recommend that the City implement a monitoring and review process to ensure that the internal controls in place operate effectively to ensure proper reporting of salaries charged to approved Proposition C Local Return projects.
<b>Management's Response</b>	Management will ensure that all staff time charged to Proposition C Local Return Projects are supported by timesheets or similar documentation.
<b>Finding Corrected During the Audit</b>	The City implemented internal control procedures to ensure that the salaries charged to approved Proposition C Local Return projects are properly supported effective January 1, 2018. As such, no follow-up is necessary on this matter.

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***EXIT CONFERENCE***

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**CITY OF NORWALK**  
PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, MEASURE M  
LOCAL RETURN FUNDS AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE  
June 30, 2018

An exit conference was held on December 3, 2018 with the City of Norwalk. Those in attendance were:

***Simpson & Simpson Representative:***

Tian Bian, Auditor

***City's Representative:***

Devon Jimenez, Controller

***Matters Discussed:***

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 5<sup>th</sup> 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, 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 Norwalk and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date