

***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, 2017 AND 2016***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF NORWALK***  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	12
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	13
Statements of Revenues, Expenditures and Changes in Fund Balance	14
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	15
Schedule of Capital Assets	17
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	18
Statements of Revenues, Expenditures and Changes in Fund Balance	19
Supplementary Information:	
Schedule of Transportation Development Act	20
Notes to Financial Statements	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	25
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report On Compliance	27
Compliance Matrix	29
Schedule of Findings and Recommendations	32
<b>EXIT CONFERENCE</b>	35

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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 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) of the City of Norwalk, California (City) as of and for the years ended June 30, 2017 and 2016, 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, and TDAA3F of the City of Norwalk, California, as of June 30, 2017 and 2016, 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, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Norwalk, California, as of June 30, 2017 and 2016, and the changes in financial position thereof 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norwalk, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. 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 financial statements.

The supplementary 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 financial statements or to the 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 the financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated October 30, 2017 on our consideration of the City of Norwalk's internal control over 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 financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over 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 financial reporting and compliance.

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

Los Angeles, California  
October 30, 2017

**CITY OF NORWALK**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,600	\$ 32,237
Total assets	\$ <u>1,600</u>	\$ <u>32,237</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,600	\$ 32,237
Total liabilities	<u>1,600</u>	<u>32,237</u>
 <b>Fund Balance</b>		
Restricted	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 \$ <u>1,600</u>	 \$ <u>32,237</u>

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

**CITY OF NORWALK**

**PROPOSITION A LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,**

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Proposition A	\$ 1,955,496	\$ 1,924,698
Interest Income	1,145	-
Total revenues	<u>1,956,641</u>	<u>1,924,698</u>
 <b>EXPENDITURES</b>		
Various projects	<u>1,956,641</u>	<u>1,924,698</u>
Total expenditures	<u>1,956,641</u>	<u>1,924,698</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>

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 LACMTA APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017		Variance Favorable (Unfavorable)	2016 Actual
		Metro Budget	Actual		
110-01	Fixed Route Operating Assistance	\$ 1,667,622	\$ 1,660,621	\$ 7,001	\$ 1,613,584
120-02	Dial-A-Ride Operating Assistance	233,168	254,913	(21,745)	235,974
160-01	Buspad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	43,203	-	43,203	-
160-02	Buspad from Bus stop at Alondra Boulevard and Elmcroft Avenue (Northside)	44,480	-	44,480	3,976
170-01	Bus Stop Maintenance	1,000	-	1,000	-
180-04	Maintenance Service Equipment	38,000	29,474	8,526	23,042
180-18	Procurement of Automated Dispatch System and AVL Equipment (ITS-Communication Equipment)	10,334	9,881	453	9,366
180-19	Ourchase of Miscellaneous Support Equipment	3,322	1,752	1,570	9,083
300-19	Facility Project	-	-	-	29,673
	Total expenditures	\$ 2,041,129	\$ 1,956,641	\$ 84,488	\$ 1,924,698

See accompanying independent auditor's report.



**CITY OF NORWALK**

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

Date Acquired	Description	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
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 and 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
	Total	\$ 1,235,563	\$ -	\$ -	\$ 1,235,563

See accompanying independent auditor's report.

**CITY OF NORWALK**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 5,883,351	\$ 5,348,761
Prepaid Items	14,500	-
Other Receivable	<u>59,915</u>	<u>70,989</u>
Total assets	<u>\$ 5,957,766</u>	<u>\$ 5,419,750</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 116,731	\$ 602,566
Accrued expense	16,090	10,148
Retention payable	<u>3,150</u>	<u>49,183</u>
Total liabilities	<u>135,971</u>	<u>661,897</u>
 <b>Fund Balance</b>		
Restricted	<u>5,821,795</u>	<u>4,757,853</u>
Total fund balance	<u>5,821,795</u>	<u>4,757,853</u>
 Total liabilities and fund balance	 <u>\$ 5,957,766</u>	 <u>\$ 5,419,750</u>

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Proposition C	\$ 1,625,176	\$ 1,598,790
Interest income	44,981	53,429
Parking structure revenue	238,623	218,926
Code enforcement	6,272	8,592
Reimbursed revenue	59,997	80,182
Total revenues	<u>1,975,049</u>	<u>1,959,919</u>
<b>EXPENDITURES</b>		
Various projects	<u>911,107</u>	<u>2,617,566</u>
Total expenditures	<u>911,107</u>	<u>2,617,566</u>
(Deficiency) Excess of revenues over expenditures	1,063,942	(657,647)
Fund balance at beginning of year	<u>4,757,853</u>	<u>5,415,500</u>
Fund balance at end of year	<u>\$ 5,821,795</u>	<u>\$ 4,757,853</u>

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, 2017  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
120-02	Dial-A-Ride Operating Assistance	\$ 94,000	\$ 84,000	\$ 10,000	\$ 84,000
160-01	Bus Pad from Bus Stop at Imperial Highway and Jersey Avenue (Southside)	301,655	2,379	299,276	1,000
160-02	Bus Pad from Bus Stop at Alondra Boulevard and Elmcroft Avenue (Northside)	345,350	20,855	324,495	-
160-03	Bus Stop at Imperial Highway and Jersey Avenue (Northside)	345,350	6,683	338,667	1,096
170-01	Bus Stop Maintenance	108,500	108,029	471	106,433
170-02	Storm Water Compliance - Bus Stop Maintenance	19,200	19,064	136	18,782
180-19	Purchase of Miscellaneous Support Equipment	900	900	-	900
200-02	Rolling Stock	40,594	11,681	28,913	-
210-01	Implementation of Intelligent Transportation Systems	70,000	-	70,000	-
250-01	Social Services Fare Subsidy	27,800	19,173	8,627	20,935
270-01	Gateway Cities Council of Governments Membership	14,500	14,500	-	14,500
270-04	Joint Powers Authority (JPA) for I-91/I-605 Corridor	20,000	20,000	-	20,000
270-05	Membership I-5 Consortium	6,000	6,000	-	-
300-19	Facility Project	14,555	-	14,555	547,643
300-20	Transportation Center Parking Permit Management	1,550	1,221	329	1,028

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017		Variance	2016 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
300-21	Shoemake Ave Rehabilitation from Rosecrans Ave to Firestone Blvd	\$ 28,500	\$ 15,354	\$ 13,146	\$ -
310-08	Transportation Center Operations	465,507	432,395	33,112	362,026
310-09	Transportation Center Improvements:NTS/SFS Storage Facility Parcel B	285,335	221,849	63,486	12,280
440-02	Rosecrans Ave (Pioneer to Studebaker)	978	-	978	8,077
440-45	Repave Civic Center Dr (from Norwalk Blvd to Transportation Center)	682,315	17,350	664,965	721,254
440-46	Alondra Blvd Rehabilitation (Pioneer to Shoemaker) **	124,461	(186,160)	310,621	183,630
440-47	Alondra Boulevard Rehabilitation from Gridley Road to Studebaker Avenue (Design)	1,044,038	12,800	1,031,238	27,853
440-48	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway (Design)	234,662	732	233,930	-
440-49	Shoemaker Avenue From Rosecrans Avenue to Foster Road (Design)	931,574	429	931,145	9,650
440-50	Rehabilitation of Fireston Boulevard	173,258	760	172,498	326,742
440-51	Pioneer Median Improvement	1,200,981	36,618	1,164,363	99,653
440-52	Pioneer Boulevard from Rosecrans Avenue to Imperial Highway	40,000	-	40,000	-
450-01	Firestone Bridge Construction (7147)	349,265	-	349,265	84
450-02	Firestone Bridge Guard Rails (7196)	116,000	-	116,000	-
480-03	Direct Administration	50,000	44,495	5,505	50,000
	Total expenditures	\$ 7,136,828	\$ 911,107	\$ 6,225,721	\$ 2,617,566

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, 2017  
 (With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017		Variance	2016 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	

\*\* Historically, project code 440-46 was funded 88.53% by Caltrans funds and required 11.47% of local match, which the city used Prop C Funds to pay. During FY 2017, the City received a refund for 100% of the Prop C Funds expended on this project during FY 2016. Caltrans used the City's toll credits revenue to cover the match requirement for fiscal year 2016 and informed the City that they will be using these toll credits going forward. Since the fiscal year 2016 fund balance was correct as of June 30, 2016, the City elected to credit the refunded amount against the current year expense to bring the fund balance to actual and to ensure these funds would be available for re-allocation.

See accompanying independent auditor's report.

**CITY OF NORWALK**

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

Date Acquired	Description	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
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 (Z-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	Construction in Progress - Transit Facility	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
	<b>Total</b>	<b>\$ 3,561,691</b>	<b>\$ 1,272,515</b>	<b>\$ -</b>	<b>\$ 4,834,206</b>

See accompanying independent auditor's report.

**CITY OF NORWALK**

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,411,690	\$ 2,669,348
Total assets	<u>\$ 3,411,690</u>	<u>\$ 2,669,348</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 211,597	\$ 53,640
Retention Payable	13,859	-
Accrued expense	-	9,415
Total liabilities	<u>225,456</u>	<u>63,055</u>
<b>Fund Balance</b>		
Restricted	<u>3,186,234</u>	<u>2,606,293</u>
Total fund balance	<u>3,186,234</u>	<u>2,606,293</u>
Total liabilities and fund balance	<u>\$ 3,411,690</u>	<u>\$ 2,669,348</u>

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Measure R	\$ 1,216,818	\$ 1,198,089
Interest income	<u>24,851</u>	<u>25,067</u>
Total revenues	<u>1,241,669</u>	<u>1,223,156</u>
<b>EXPENDITURES</b>		
Various projects	<u>661,728</u>	<u>1,223,123</u>
Total expenditures	<u>661,728</u>	<u>1,223,123</u>
Excess of revenues over expenditures	579,941	33
Fund balance at beginning of year	<u>2,606,293</u>	<u>2,606,260</u>
Fund balance at end of year	<u>\$ 3,186,234</u>	<u>\$ 2,606,293</u>

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, 2017  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Alleys- Studebaker/Alondra/Rosecrans	\$ 20,567	\$ -	\$ 20,567	\$ 288,923
1.05	City Wide Curb and Gutter	7,211	-	7,211	579,279
1.05	Street Repair Maintenance & Repairs	50,000	48,912	1,088	42,076
2.03	City Wide Curb and Gutter	770,000	-	770,000	-
2.03	Imperial Storm Drain Replacement at Nordesta (7517)	545,000	-	545,000	-
2.03	Nordesta Storm Drain	125,000	1,850	123,150	-
2.03	HSIP - Signal/ Curb upgrade - Rosecrans (7228)	115,537	6,806	108,731	3,264
2.03	HSIP - Signal/ Curb upgrade - San Antonio/Norwalk (7230)	81,214	14,240	66,974	2,651
2.03	HSIP - Signal/ Curb upgrade - Studebaker (7229)	70,270	19,576	50,694	3,706
2.03	Traffic Maintenance	94,700	66,167	28,533	84,913
2.03	Traffic Signals Repair & Maintenance - Imp/M Salin (7231 B)	7,342	-	7,342	79,176
2.03	Traffic Signals Repair & Maintenance (7231 A)	277,000	203,006	73,994	-
3.05	Sidewalk Repair	240,000	232,983	7,017	26,083
3.20	Front Rd Side Panel (7197)	395,218	67,411	327,807	56,219
4.90	Bus Stop Repair & Maintenance	7,600	-	7,600	-
7.90	Pavement Management Plan	2,000	-	2,000	56,833

See accompanying independent auditor's report.

**CITY OF NORWALK**

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	City Wide Curb and Gutter (7910)	\$ 250,000	\$ -	\$ 250,000	\$ -
1.05	Drought Tolerant Plants (7849)	70,000	-	70,000	-
1.05	Sidewalk Repair (7911)	100,000	-	100,000	-
2.03	HSIP - Traffic Signal/Crub Upgrade - Studebaker/Rosecrans (723)	13,000	259	12,741	-
2.03	HSIP - Traffic Signal/Crub Upgrade - Alondra/Pioma (7231)	129,800	287	129,513	-
2.03	HSIP - Traffic Signal/Crub Upgrade - Firestone/Rosecrans (7233)	15,700	231	15,469	-
7.90	Traffic Signal Master Plan	200,000	-	200,000	-
	Total expenditures	<u>\$ 3,587,159</u>	<u>\$ 661,728</u>	<u>\$ 2,925,431</u>	<u>\$ 1,223,123</u>

See accompanying independent auditor's report.

**CITY OF NORWALK**

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</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**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Due from LACMTA	\$ -	\$ 128,694
Total assets	\$ -	\$ 128,694
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ 1,750
Due to other funds	-	126,944
Total liabilities	-	128,694
<b>DEFERRED INFLOW OF RESOURCES</b>		
Unavailable revenues	-	3,466
Total deferred inflows of resources	-	3,466
<b>Fund Balance</b>		
Unassigned	-	(3,466)
Total fund balance	-	(3,466)
Total liabilities and fund balance	\$ -	\$ 128,694

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Intergovernmental Allocations:		
Article 3	\$ <u>57,481</u>	\$ <u>125,228</u>
Total revenues	<u>57,481</u>	<u>125,228</u>
<b>EXPENDITURES</b>		
Construction /Maintenance	<u>54,015</u>	<u>117,814</u>
Total expenditures	<u>54,015</u>	<u>117,814</u>
Excess (deficiency) of revenues over expenditures	3,466	7,414
Fund balance at beginning of year	<u>(3,466)</u>	<u>(10,880)</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>(3,466)</u></u>

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, 2017

<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>					
Construction /Maintenance	2016-17	\$ <u>57,481</u>	\$ <u>54,015</u>	\$ <u>3,466</u>	
	Total	\$ <u><u>57,481</u></u>	\$ <u><u>54,015</u></u>	3,466	
Fund balance at beginning of year				<u>(3,466)</u>	
Fund balance at end of year				\$ <u><u>-</u></u>	

See accompanying independent auditor's report.

**CITY OF NORWALK**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2017 and 2016

**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) 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.

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, 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 NORWALK**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2017 and 2016  
(Continued)

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

*Fair Value Measurement*

In accordance with 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 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the city's investments policy and fair value measurement.

*Fund Balance Reporting*

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

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- 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 use of the funds' remaining fund balance are restricted for projects approved by LACMTA

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, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R 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, 2017 and 2016  
(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.

**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.

**NOTE 5 – 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.

**NOTE 6 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF and TDAA3F 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 7 – REIMBURSED REVENUE (OTHER RECEIVABLE), CODE ENFORCEMENT REVENUE, AND PARKING STRUCTURE REVENUE**

Reimbursed revenue under PCLRF of \$59,997 and \$80,182 was from the City of Santa Fe Springs for the City’s transit center operations for the years ended June 30, 2017 and 2016, respectively.

Code enforcement revenue under the PCLRF of \$6,272 and \$8,952 was from parking citations issued by the City for the years ended June 30, 2017, and 2016, respectively.

Parking structure revenue under the PCLRF of \$238,623 and \$218,926 was from fees charged for use of the City’s parking structure for the years ended June 30, 2017, and 2016, respectively.

**CITY OF NORWALK**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2017 and 2016  
(Continued)

**NOTE 8- OTHER RECEIVABLE**

The other receivable balance in the PCLRF is composed of the reimbursed revenue earned on the shared transit center operations with the City of Santa Fe Spring during the fiscal year. The balance as of June 30, 2017 and 2016 was \$59,915 and \$79,989, respectively.

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

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2011-12 allocation	\$ -	\$ 44,240
FY 2012-13 allocation	-	78,138
FY 2013-14 allocation	57,481	2,850
Total payment requested	\$ <u>57,481</u>	\$ <u>125,228</u>

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

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by LACMTA. As of June 30, 2017 and 2016, the City has funds on reserve as follows:

	2017	2016
FY 2013-14 reserve	\$ 25,637	\$ 83,118
FY 2014-15 reserve	70,012	70,012
FY 2015-16 reserve	67,939	67,939
FY 2016-17 allocation	71,002	-
Available reserve balance	\$ <u>234,590</u>	\$ <u>221,069</u>

**NOTE 11 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through October 30, 2017 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 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Norwalk, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F 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 any 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.



## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 30 , 2017

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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 Norwalk, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of Norwalk, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R 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 (Guidelines) for the year ended June 30, 2017.

### *Management's Responsibility*

Management is responsible for the City's compliance with those 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 a local return program and the Transportation Development Act Article 3 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

In our opinion, the City of Norwalk complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2017.



### ***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. 2017-001. Our opinion on each local return 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 Compliance Matrix. 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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 30, 2017



**CITY OF NORWALK**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017

Compliance Requirement		In		Questioned Costs	If no, provide details and management
		Yes	No		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	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 were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.		X	\$455	See Finding #2017-001 on the Schedule of Findings and Recommendations
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

*CITY OF NORWALK*  
 COMPLIANCE MATRIX  
 Year Ended June 30, 2017  
 (Continued)

Compliance Requirement		In		Questioned Costs	If no, provide details and management
		Yes	No		
<b>B. Measure R Local Return Fund</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X			
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

**CITY OF NORWALK**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2016  
 (Continued)

	Compliance Requirement	In		Questioned Costs	If no, provide details and management
		Yes	No		
<b>C. 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, 2017

PCLRF: Finding #2017-001

<b>Finding</b>	<b>Entity</b>
<p>Compliance Requirement</p>	<p>According to Proposition A &amp; 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...” In addition, 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 non-timesheet 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 or 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;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) 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</p>

**CITY OF NORWALK**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2017

	<p>accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually 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>
<p>Condition</p>	<p>The salaries and benefits for one employee totaling \$454 under Project 310-08 Transportation Center Operation for the period ended March 11, 2017, was based on percentages determined by the City departments to be attributable to the LACMTA projects.</p> <p>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.</p>
<p>Cause</p>	<p>The City received the same finding during FY 2015-16; as such, the city implemented internal control procedures to ensure that the salaries charged to approved Proposition C Local Return projects are properly supported. Internal Controls were implemented as of July 1, 2016 and operated effectively during all periods tested except for this one instance where the staff did not complete the timesheet in accordance with the new procedures implemented. As such, this was an isolated incident.</p>
<p>Effect</p>	<p>The City did not comply with MTA Guidelines. The payroll costs claimed under the Proposition C Local Return Funds projects may include expenditures which may not be an allowable Proposition C project, resulting in questioned cost.</p>

**CITY OF NORWALK**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2017

Recommendation	As the City has 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.
Management's Response	Management will ensure that all staff time charged to Proposition C Local Return Projects are supported by timesheets or similar documentation.
Finding Corrected During the Audit	The internal controls implemented at the start of fiscal year 2017 operated effectively in all periods tested except the instance noted. 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, AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE

June 30, 2017

An exit conference was held on October 30, 2017 with the City of Norwalk. Those in attendance were:

**Simpson & Simpson Representative:**

Joseph Simpson: Audit Manager

Tianren Bian: Staff Auditor

**City's Representative:**

Devon Jimenez: Controller

***Matters Discussed:***

Results of the audit disclosed an issue of noncompliance with the 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:



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, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 for the City of Norwalk and agree with the contents of the report except s indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date