



MetroTM

**City of Lynwood
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Transportation Development Act Article 3 Fund**

As of and for the Years Ended June 30, 2018 and 2017

and

Measure M Local Return Fund

**For the Year ended June 30, 2018
with Report of Independent Auditors**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balance	5
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	6
Schedule of Capital Assets	7
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures and Changes in Fund Balance	9
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	10
Schedule of Capital Assets	11
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenditures and Changes in Fund Balance	13
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	14
Schedule of Capital Assets	15
Measure M Local Return Fund:	
Basic Financial Statements:	
Balance Sheet	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Supplementary Information:	
Schedule of Expenditures – Actual and LACMTA Approved Project Budget	18
Schedule of Capital Assets	19
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balance	21
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	22
Notes to Funds Financial Statements	23
Report of Independent Auditors 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>	29

COMPLIANCE SECTION

Report of Independent Auditors on Compliance	31
Compliance Matrix	33

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37
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EXIT CONFERENCE	40
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FINANCIAL SECTION

Report of Independent Auditors

**To the Honorable Members of the City Council of the
City of Lynwood, 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, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Lynwood, California (the City) which comprise the Funds' balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the accompanying financial statements of the City's Measure M Local Return Fund which comprise the Fund's balance sheet as of June 30, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 City'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 City'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 Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund as of June 30, 2018 and 2017 and the Measure M Local Return Fund as of June 30, 2018, of the City of Lynwood, California, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 12, the fiscal year 2017 financial statements of the Proposition A Local Return Fund were restated to correct the transfer in from General Fund that was made in error during fiscal year 2017. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Lynwood, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance 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 as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic 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' basic financial statements or to the Funds' basic 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' basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019 on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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 black ink that reads "Vaguez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
January 15, 2019**

**City of Lynwood
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2018	(as restated) 2017
ASSETS			
Cash and investments	\$	3,583,411	\$ 3,341,705
Interest receivable		5,590	4,152
Total assets	\$	3,589,001	\$ 3,345,857
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted		3,589,001	3,345,857
Total fund balance		3,589,001	3,345,857
Total liabilities and fund balance	\$	3,589,001	\$ 3,345,857

See notes to Funds financial statements.

City of Lynwood
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2018	(as restated) 2017
Revenues		
Proposition A	\$ 1,352,455	\$ 1,302,515
Proposition A Discretionary Incentive Program grant	130,191	-
Investment income	25,788	14,854
Total revenues	1,508,434	1,317,369
 Expenditures		
Various projects	1,265,290	1,773,979
Total expenditures	1,265,290	1,773,979
 Excess (deficiency) of revenues over expenditures	 243,144	 (456,610)
 Fund balance at beginning of year	 3,345,857	 3,802,467
 Fund balance at end of year	 \$ 3,589,001	 \$ 3,345,857

See notes to Funds financial statements.

City of Lynwood
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2018
(With Comparative Actuals for 2017)

Project Code	Project Name	2018		Variance Positive (Negative)	2017 Actual
		LACMTA Budget	Actual		
110-05	Fixed Bus Route	\$ 515,000	\$ 503,204	\$ 11,796	\$ 469,198
110-06	Lynwood Trolley Blue Line Interface	235,000	208,960	26,040	194,295
120-07	Dial-A-Ride	162,000	140,277	21,723	114,283
140-02	Recreational Transit	20,000	8,533	11,467	13,931
150-04	Bus Stop Clean Up	260,000	243,409 *	16,591	174,368
250-01	MTA Bus Pass Voucher Subsidy	25,000	6,800	18,200	5,346
270-60	Bus Shelter Improvement (Planning)	1	-	1	-
270-63	Fixed Route Transit Assessment and Preparation of Transit Procurement Documents	1	-	1	-
280-58	Lynwood Trolley Route Brochure	1	-	1	-
300-58	Bus Shelter Improvement	30,000	4,866	25,134	655,392
480-03	Administration and Monitoring	160,000	149,241 *	10,759	147,166
Total expenditures		\$ 1,407,003	\$ 1,265,290	\$ 141,713	\$ 1,773,979

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Lynwood
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2018

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
3/31/2017	Bus Shelters	\$ 89,940	\$ -	\$ -	\$ 89,940
3/31/2017	Bus Bench	11,988	-	-	11,988
3/31/2017	Trash Can with Door	11,988	-	-	11,988
	Total	\$ 113,916	\$ -	\$ -	\$ 113,916

See report of independent auditors.

**City of Lynwood
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2018	2017
ASSETS			
Cash and investments	\$	435,623	\$ 5,069,531
Interest receivable		7,304	5,870
Total assets	\$	442,927	\$ 5,075,401
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	-	\$ -
Total liabilities		-	-
Fund balance			
Restricted - Long Beach Boulevard Improvement Project		-	441,773
Restricted		442,927	4,633,628
Total fund balance		442,927	5,075,401
Total liabilities and fund balance	\$	442,927	\$ 5,075,401

See notes to Funds financial statements.

City of Lynwood
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

		Years ended June 30	
		2018	2017
Revenues			
Proposition C	\$	1,119,471	\$ 1,082,700
Investment income		37,117	21,283
Total revenues		1,156,588	1,103,983
 Expenditures			
Various projects		5,789,062	2,006,320
Total expenditures		5,789,062	2,006,320
Deficiency of revenues over expenditures		(4,632,474)	(902,337)
Fund balance at beginning of year		5,075,401	5,977,738
Fund balance at end of year	\$	442,927	\$ 5,075,401

See notes to Funds financial statements.

City of Lynwood
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2018
(With Comparative Actuals for 2017)

Project Code	Project Name	2018		Variance Positive (Negative)	2017 Actual
		LACMTA Budget	Actual		
270-53	Transportation Assessment (Gateway Cities)	\$ 8,663	\$ 8,247	\$ 416	\$ 8,663
270-56	I-710 Corridor Study	25,000	25,000	-	25,000
270-57	Josephine Street Improvements	1,700	-	1,700	-
270-58	Long Beach Improvement	52,000	49,115	2,885	6,000
270-59	Engineering and Traffic Survey/Traffic Counts	1	-	1	17,938
270-60	Bus Shelter Improvement (Planning)	1	-	1	-
270-61	Engineering Costs	1	-	1	-
270-62	Design for Traffic Signal at Long Beach Blvd and Louise St Intersection	22,000	16,412	5,588	-
270-63	Fixed Route Transit Assessment and Preparation of Transit Procurement Documents	1	-	1	-
280-58	Lynwood Trolley Route Brochure	1	-	1	-
380-57	Long Beach Blvd Improvement Project	1,747,000	1,170,292	576,708	692,781
380-58	Long Beach Blvd Improvement Project - Phase II	4,500,000	3,477,023	1,022,977	418,539
440-30	Imperial Hwy and Martin Luther King Blvd. (MLK) Intersection Improvements	330,000	49,635	280,365	8,500
440-37	Bullis Road Improvement Project	800,000	-	800,000	-
440-46	Traffic Signal Improvements	1,732,848	947,723	785,125	35,328
440-58	State St Improvement Project	800,000	-	800,000	176,988
440-61	Josephine Street Improvements	200,000	-	200,000	-
440-64	Fernwood and Bullis Traffic Signals Upgrade	-	-	-	82,857
440-68	Carlin Ave and Olanda St Intersection Upgrade	1	-	1	-
440-69	Long Beach Blvd Improvement Project - Phase I and II	1	-	1	519,108
440-70	Bullis Rd/Carlin Ave. and Bullis Rd./Cedar Ave. Subsidence (study)	1	-	1	-
470-01	Pavement Management System	15,000	14,264	736	14,618
480-03	Administration and Monitoring	25,000	31,351 *	(6,351)	-
Total expenditures		\$ 10,259,219	\$ 5,789,062	\$ 4,470,157	\$ 2,006,320

* See Compliance Matrix and Schedule of Findings and Questioned Costs.

See report of independent auditors.

City of Lynwood
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2018

Date Acquired	Description	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

**City of Lynwood
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2018	2017
ASSETS			
Cash and investments	\$	3,081,119	\$ 2,942,613
Interest receivable		4,429	3,218
Total assets	\$	<u>3,085,548</u>	<u>\$ 2,945,831</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	22,977	\$ -
Total liabilities		<u>22,977</u>	<u>-</u>
Fund balance			
Restricted		<u>3,062,571</u>	2,945,831
Total fund balance		<u>3,062,571</u>	<u>2,945,831</u>
Total liabilities and fund balance	\$	<u>3,085,548</u>	<u>\$ 2,945,831</u>

See notes to Funds financial statements.

City of Lynwood
Measure R Local Return Fund

Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2018	2017
Revenues		
Measure R	\$ 840,235	\$ 810,497
Investment income	22,902	12,711
Total revenues	863,137	823,208
 Expenditures		
Various projects	746,397	886,478
Total expenditures	746,397	886,478
 Excess (deficiency) of revenues over expenditures	 116,740	 (63,270)
 Fund balance at beginning of year	 2,945,831	 3,009,101
 Fund balance at end of year	 \$ 3,062,571	 \$ 2,945,831

See notes to Funds financial statements.

City of Lynwood
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and LACMTA Approved Project Budget
Year ended June 30, 2018
(With Comparative Actuals for 2017)

Project Code	Project Name	2018			2017 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Duncan Avenue Improvements (Design and Construction)	\$ 550,000	\$ 7,049	\$ 542,951	\$ -
1.05	Louise Avenue Improvements	643,000	-	643,000	5,666
1.05	Pavement Marking Improvements	50,000	-	50,000	-
1.05	Wright Road Improvements	25,000	900	24,100	1,594
1.05	(New Bonds) Wright Road Improvements (Duncan Ave to Fernwood)	1,333,981	-	1,333,981	-
1.05	Various Street Improvements	500,000	21,874	478,126	15,000
1.05	(New Bonds) Beechwood Avenue, Louise Street, and Nevada Street Improvement	520,000	-	520,000	-
1.05	Birch Street, Lugo Avenue, Platt Avenue Street Improvement	615,000	6,028	608,972	-
1.05	(New Bonds) Olanda Street (Atlantic Ave to Carlin Ave) (Construction)	274,318	-	274,318	-
1.05	Olanda Avenue Improvements (Design)	20,000	-	20,000	-
1.05	Street Improvements	130,000	-	130,000	377,239
1.05	(Existing Bonds) Street Improvements	425,000	-	425,000	-
1.05	Long Beach Blvd Phase I	600,000	-	600,000	-
1.05	Long Beach Blvd Phase II	315,000	-	315,000	-
1.90	Measure R Bond Debt Service Payment	391,006	390,982	24	393,606
3.05	ATP Cycle II Lynwood Community Linkage (Design)	292,000	238,091	53,909	-
3.90	Pedestrian Improvements Around Various Schools (HSIP)	20,000	3,570	16,430	93,373
3.90	Sidewalk Improvement Project - Hulme Avenue and Other Locations	73,000	34,902	38,098	-
7.90	Planning	160,000	24,501	135,499	-
7.90	Review Traffic Roundabout at Los Flores Blvd and State Street and Traffic Near Lincoln Elementary	30,000	18,500	11,500	-
8.10	Administration of Measure R Funds	250,000	-	250,000	-
Total expenditures		\$ 7,217,305	\$ 746,397	\$ 6,470,908	\$ 886,478

See report of independent auditors.

City of Lynwood
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2018

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
2012	Retro-Reflectometer	\$ 13,618	\$ -	\$ -	\$ 13,618
	Total	\$ 13,618	\$ -	\$ -	\$ 13,618

See report of independent auditors.

City of Lynwood
Measure M Local Return Fund
Balance Sheet
June 30, 2018

ASSETS

Cash and investments	\$	761,489
Interest receivable		812
	Total assets	<u>\$ 762,301</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$	<u>-</u>
	Total liabilities	<u>-</u>
 Fund balance		
Restricted		762,301
	Total fund balance	<u>762,301</u>
	Total liabilities and fund balance	<u>\$ 762,301</u>

See notes to Funds financial statements.

City of Lynwood
Measure M Local Return Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2018

Revenues	
Measure M	\$ 761,446
Investment income	855
Total revenues	<u>762,301</u>
 Expenditures	
Various projects	-
Total expenditures	<u>-</u>
Excess of revenues over expenditures	762,301
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	<u>\$ 762,301</u>

See notes to Funds financial statements.

City of Lynwood
 Measure M Local Return Fund
 Supplementary Information
 Schedule of Expenditures – Actual and LACMTA Approved Project Budget
 Year ended June 30, 2018

Project Code	Project Name	LACMTA Budget	Actual	Variance Positive (Negative)
	None	\$ -	\$ -	\$ -
	Total expenditures	\$ -	\$ -	\$ -

See report of independent auditors.

City of Lynwood
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year ended June 30, 2018

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

City of Lynwood
 Transportation Development Act Article 3 Fund
 Pursuant to Public Utilities Code Section 99234
 Balance Sheets

		June 30	
		2018	2017
ASSETS			
Cash and investments	\$	963	\$ 1,125
Interest receivable		76	30
Total assets	\$	1,039	\$ 1,155
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to LACMTA	\$	1,155	\$ -
Total liabilities		1,155	-
Fund balance (deficit)			
Restricted		(116)	1,155
Total fund balance (deficit)		(116)	1,155
Total liabilities and fund balance (deficit)	\$	1,039	\$ 1,155

See notes to Funds financial statements.

City of Lynwood
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2018	2017
Revenues		
Intergovernmental Allocations:		
Article 3	\$ 94,398	\$ 45,000
Investment loss	(116)	(165)
Total revenues	94,282	44,835
Expenditures		
Sidewalk Improvements	94,398	46,977
Total expenditures	94,398	46,977
Deficiency of revenues over expenditures	(116)	(2,142)
Other financing use		
Funds returned to LACMTA	(1,155)	-
Total other financing use	(1,155)	-
Change in fund balance	(1,271)	(2,142)
Fund balance at beginning of year	1,155	3,297
Fund balance (deficit) at end of year	\$ (116)	\$ 1,155

See notes to Funds financial statements.

City of Lynwood
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year ended June 30, 2018

Project Description	Program Year	Totals to Date		Unexpended	Project Status
		Allocations	Expenditures	Allocations	
Local Allocations:					
Sidewalk Improvements	2018	\$ 94,398	\$ 94,398	\$ -	Completed
Totals		\$ 94,398	\$ 94,398	-	
Investment loss				(116)	
Funds returned to LACMTA				(1,155)	
Change in fund balance				(1,271)	
Fund balance at beginning of year				1,155	
Fund balance at end of year				\$ (116)	

See report of independent auditors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF), the Measure M Local Return Fund (MMLRF) and the Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) of the City of Lynwood (the City) 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 the county-wide ½ cent Measure R 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 the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a 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. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present 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 based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 investments at fair value and recognizes unrealized gain (loss) on investments.

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

Fund Balance Reporting

Governmental Accounting Standards 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 the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2018 and 2017:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in 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 do not purport to, and do not present fairly the City's financial position as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F cash 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.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

NOTE 8 PROPOSITION A DISCRETIONARY INCENTIVE PROGRAM GRANT

The Proposition A Discretionary Incentive Grant represents additional funds received from LACMTA for participating in the Voluntary NTD Program. The amounts received for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
FY 2014/15 Voluntary NTD Reporting Program Year	\$ 66,178	\$ -
FY 2013/14 Voluntary NTD Reporting Program Year	\$ 64,013	\$ -
	\$ 130,191	\$ -

The Proposition A Discretionary Incentive Grants were recorded under PALRF.

NOTE 9 CAPITAL RESERVE

On June 9, 2013, LACMTA and the City entered into an agreement to establish a capital reserve account (Account) in the amount of \$1,747,000 for the Project Code 380-57, Long Beach Boulevard Improvement Project (the Project). In June 2016, LACMTA and the City amended the agreement to extend the term of the reserve agreement to June 30, 2019. In June 2017, the City requested LACMTA to further amend the agreement to increase the capital reserve amount to \$4,255,275 and extend the term to June 30, 2021.

The Account is to be funded with the Proposition C Local Return funds allocated to the City. All interest is to be accrued and placed in the Account for use exclusively for the Project.

NOTE 9 CAPITAL RESERVE (CONTINUED)

For the years ended June 30, 2018 and 2017, details of the capital reserve amounts for PCLRF are as follows:

	2018	2017
Capital reserve, beginning balance	\$ 441,773	\$ 1,553,093
Additional reserve during the fiscal year	4,205,542	-
Expenditures during the fiscal year	(4,647,315)	(1,111,320)
Capital reserve, ending balance	\$ -	\$ 441,773

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

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

	2018	2017
FY 2014/15 allocation	\$ 1,625	\$ 45,000
FY 2015/16 allocation	45,231	-
FY 2016/17 allocation	47,298	-
FY 2017/18 allocation	244	-
	\$ 94,398	\$ 45,000

NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 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, 2018 and 2017, the City has funds on reserve as follows:

	2018	2017
FY 2014/15 reserve	\$ -	\$ 1,625
FY 2015/16 reserve	-	45,231
FY 2016/17 reserve	-	47,298
FY 2017/18 allocation	46,977	-
	\$ 46,977	\$ 94,154

For FY 2017/18, any TDA Article 3 funds left on reserve for FY 2013/14 or prior, are subject to lapse if not claimed by the City by June 30, 2018. There were no funds that lapsed in FY 2017/18.

NOTE 12 RESTATEMENT OF 2017 PALRF FINANCIAL STATEMENTS

The 2017 PALRF financial statements were restated to correct a transfer from General Fund that was made in error during fiscal year 2017.

	Balance, as previously reported		Adjustment	Balance, as restated
	<u> </u>		<u> </u>	<u> </u>
Cash and investments	\$ 3,515,639	\$	(173,934)	\$ 3,341,705
Transfer in from General Fund	173,934		(173,934)	-
Fund balance	3,519,791		(173,934)	3,345,857

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 15, 2019, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.

**Report of Independent Auditors 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 Lynwood, California and the
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Lynwood, 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 January 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' 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 Funds' 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 audits 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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.

Glendale, California
January 15, 2019

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the City of Lynwood, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the 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

In our opinion, the City of Lynwood, California 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 with the requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2018-001. Our opinion 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 Questioned Costs. 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 with the requirements, 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 with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**Glendale, California
January 15, 2019**

**City of Lynwood
Compliance Matrix
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.	X				
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.		X		PALRF - \$316,683 PCLRF - \$31,351	See Finding #2018-001
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

See report of independent auditors on compliance.

**City of Lynwood
Compliance Matrix
Year ended June 30, 2018**

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

See report of independent auditors on compliance.

**City of Lynwood
Compliance Matrix
Year ended June 30, 2018**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.			X		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 funding shortfall.			X		There were no expenditures in FY 2017/18.
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.			X		There were no expenditures in FY 2017/18.
7. Expenditure Plan (Form M-One) was submitted timely.			X		There were no expenditures in FY 2017/18.
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.			X		There were no expenditures in FY 2017/18.
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

See report of independent auditors on compliance.

**City of Lynwood
Compliance Matrix
Year ended June 30, 2018**

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

See report of independent auditors on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PALRF and PCLRF: Finding #2018-001

<p>Compliance Reference</p>	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, "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". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).
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PALRF and PCLRF: Finding #2018-001 (Continued)

Condition	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <p><u>PALRF:</u> a) Project code 150-04, Bus Stop Clean Up, total amount of \$243,409; and b) Project code 480-03, Administration and Monitoring, total amount of \$73,274.</p> <p><u>PCLRF:</u> a) Project code 480-03, Administration and Monitoring, total amount of \$31,351.</p> <p>Salaries and benefits expenditures allocated to PALRF and PCLRF projects were not supported by actual time charges, documented time study, or overhead cost allocation plan. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>
Cause	<p>The City changed its payroll system during 2017. The system automatically allocates the amounts charged by each employee to these funds based on the budgeted percentages.</p>
Effect	<p>The salaries and benefits claimed under PALRF and PCLRF are not supported by actual time charges and documented time study and therefore, we question the total amount of expenditures reported under PALRF and PCLRF of \$316,683 and \$31,351, respectively.</p>
Recommendation	<p>We recommend that the City reimburse its PALRF and PCLRF accounts the amount of \$316,683 and \$31,351, respectively. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>

PALRF and PCLRF: Finding #2018-001 (Continued)

Management's Response	<p>The salaries and benefits costs are the actual amounts in the City's payroll register based on percentage assigned by Public Works Department for allocated hours and automatically set forth in ADP payroll system. The system automatically allocates the amounts charged by each employee to these funds based on the assigned percentages. We provided the signed daily log to the auditors to satisfy their audit procedures.</p> <p><u>Corrective Action Plan</u> The City will implement a new internal control procedure in which manual (hard copy) timesheets will be prepared on a bi-weekly basis indicating the project/activity worked on by the employees for the payroll period. The time sheets will be signed by the individual employee and approved by their supervisor. Bi-weekly payrolls will be reconciled against the time sheets to ensure accuracy on a monthly basis. This new internal control procedure will be implemented beginning with the first bi-weekly payroll of January 2019.</p>
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EXIT CONFERENCE

An exit conference was held on January 15, 2019 with the City of Lynwood representatives. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Salvador – Audit Senior Manager

City of Lynwood representatives:
John Downs – Finance Director
Lorry Hempe – Public Works Special Projects Manager
Ash Hassan – Accountant

Matters discussed:

Results of the audit disclosed an instance of noncompliance with the Local Return Guidelines.

A copy of this report was forwarded to the following City of Lynwood representatives for comments prior to the issuance of the final report:

John Downs – Finance Director
Lorry Hempe – Public Works Special Projects Manager
Ash Hassan – Accountant



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