

***CITY OF LANCASTER
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
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 8 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF LANCASTER
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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Lancaster, 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), Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) of the City of Lancaster, California (City) as of and for the year ended June 30, 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 opinions on these financial statements based on our audit. We conducted our audit 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F of the City of Lancaster, California, as of June 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F as of and for the year ended June 30, 2015, before the financial statements of Measure R Local Return Fund were audited by other auditors, whose report, dated March 14, 2016, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F and do not purport to, and do not, present fairly the financial position of the City of Lancaster, California, as of June 30, 2016 and 2015, 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 Lancaster, California's PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F 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 November 11, 2016, on our consideration of the City of Lancaster'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, 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 black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
November 11, 2016

CITY OF LANCASTER
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 3,545,199	\$ 3,145,967
Interest receivable	<u>6,337</u>	<u>4,271</u>
Total assets	\$ <u><u>3,551,536</u></u>	\$ <u><u>3,150,238</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 9,743	\$ 1,602.00
Wages payable	<u>744</u>	<u>315</u>
Total liabilities	<u>10,487</u>	<u>1,917</u>
 Fund Balance		
Restricted	<u>3,541,049</u>	<u>3,148,321</u>
Total fund balance	<u>3,541,049</u>	<u>3,148,321</u>
 Total liabilities and fund balance	\$ <u><u>3,551,536</u></u>	\$ <u><u>3,150,238</u></u>

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

CITY OF LANCASTER

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition A	\$ 2,885,838	\$ 2,805,417
Interest income	9,887	16,617
Unrealized gain	7,822	-
Total revenues	<u>2,903,547</u>	<u>2,822,034</u>
EXPENDITURES		
Various projects	<u>2,510,819</u>	<u>2,724,288</u>
Total expenditures	<u>2,510,819</u>	<u>2,724,288</u>
Excess of revenues over expenditures	392,728	97,746
Fund balance at beginning of year	<u>3,148,321</u>	<u>3,050,575</u>
Fund balance at end of year	<u><u>\$ 3,541,049</u></u>	<u><u>\$ 3,148,321</u></u>

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

CITY OF LANCASTER

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
110-01	AVTA Transit Services	\$ 1,721,995	\$ 1,615,460	\$ 106,535	\$ 1,530,123
140-01	Recreational Transit Services	17,000	14,775	2,225	15,167
150-03	Phase 1 Bus Stop Improvements	615,417	640,272	(24,855)	269,862
105-04	Phase 2 Bus Stop Improvements	-	-	-	-
170-02	Bus Shelter/Bench Maintenance	65,000	22,041	42,959	20,468
170-03	Care and Maintenance of AVTA Transfer Center	40,055	42,753	(2,698)	37,377
210-01	Traffic Surveys	1	-	1	-
230-01	Park & Ride Security Program	98,795	82,165	16,630	70,225
360-01	Metrolink Station Repairs	18,355	18,355	-	-
405-01	Exchange Prop A Funds with City of Duarte	-	-	-	700,000
480-03	Transportation Program Administration	74,795	38,553	36,242	50,581
480-05	General Fund Overhead Allocation	36,445	36,445	-	30,485
Total expenditures		<u>\$ 2,687,858</u>	<u>\$ 2,510,819</u>	<u>\$ 177,039</u>	<u>\$ 2,724,288</u>

See accompanying independent auditor's report.

CITY OF LANCASTER

PROPOSITION A LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
6/4/2012	Pressure Washer Trailer	\$ 10,874	\$ -	\$ -	\$ 10,874
	Total	\$ 10,874	\$ -	\$ -	\$ 10,874

See accompanying independent auditor's report.

CITY OF LANCASTER
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 6,620,671	\$ 5,708,516
Interest receivable	<u>11,414</u>	<u>7,750</u>
Total assets	\$ <u><u>6,632,085</u></u>	\$ <u><u>5,716,266</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>3,209</u>
Total liabilities	<u>-</u>	<u>3,209</u>
 Fund Balance		
Restricted	<u>6,632,085</u>	<u>5,713,057</u>
Total fund balance	<u>6,632,085</u>	<u>5,713,057</u>
 Total liabilities and fund balance	\$ <u><u>6,632,085</u></u>	\$ <u><u>5,716,266</u></u>

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

CITY OF LANCASTER

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Proposition C	\$ 2,358,983	\$ 2,295,578
Interest income	18,853	36,953
Unrealized gain	14,235	-
Total revenues	<u>2,392,071</u>	<u>2,332,531</u>
EXPENDITURES		
Various projects	<u>1,473,043</u>	<u>3,778,044</u>
Total expenditures	<u>1,473,043</u>	<u>3,778,044</u>
Excess (deficiency) of revenues over expenditures	919,028	(1,445,513)
Fund balance at beginning of year	<u>5,713,057</u>	<u>7,158,570</u>
Fund balance at end of year	<u><u>\$ 6,632,085</u></u>	<u><u>\$ 5,713,057</u></u>

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

CITY OF LANCASTER

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
210-01	Traffic Surveys	\$ 1	\$ -	\$ 1	\$ -
440-01	Ave H Restripe - 20th St W to Trevor	118,732	58,704	60,028	18,961
440-02	St Rehab/Repair - 20th W/Lanc Blvd to Ave J	1,637,027	83,183	1,553,844	104,772
450-05	10th Street West Gap Closure	2,262,770	176,579	2,086,191	41,977
450-09	Project Study Report	23,329	-	23,329	9,331
	Miller Elementary School Street & Sidewalk				
450-11	Improvements	1	-	1	84,337
450-13	Downtown Gateway	175,469	153,336	22,133	1,313,353
	Avenue I Streetscape Enhancements, 15th St				
450-16	W to 10th St W	632,045	56,609	575,436	63,158
450-17	15th Street West Streetscape Improvements	-	-	-	4,567
450-18	Lancaster Auto Mall	151,977	151,971	6	61,063
450-19	Endeavor School Pedestrian Improvements	190,923	184,978	5,945	577
450-20	Sidewalk Improvements at Railroad Crossings	247,392	12,778	234,614	2,608
	Intersection Improvements - 10th W & 30th				
450-21	W at Ave I	748,189	25,702	722,487	31,111
450-22	Avenue H Rehab	450,000	61,831	388,169	-
470-03	Professional Services - PMS	114,817	55,504	59,313	42,031
470-04	2012 Pavement Management Program	57,052	19,092	37,960	2,149
470-05	Cole Middle School and Tierra Bonita	176,034	58,664	117,370	8,785
470-06	2014 Pavement Management Program	311,169	306,609	4,560	1,702,109
470-07	2015 Pavement Management Program	146,605	47,080	99,525	284,110
	15/16 Pavement Management				
470-08	Program/Revive 25	1,600,000	17,422	1,582,578	-
500-02	Computer Software	2,700	3,001	(301)	3,045
	Total expenditures	\$ 9,046,232	\$ 1,473,043	\$ 7,573,189	\$ 3,778,044

See accompanying independent auditor's report.

CITY OF LANCASTER

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF LANCASTER

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 3,402,209	\$ 4,262,383
Due from LACMTA	725,422	234,226
Interest receivable	5,923	5,786
Due from other government (Note 7)	<u>1,795,153</u>	<u>-</u>
Total assets	<u><u>\$ 5,928,707</u></u>	<u><u>\$ 4,502,395</u></u>
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Deferred Inflow of Resources		
Unavailable revenue (Note 7)	\$ <u>1,795,153</u>	\$ <u>-</u>
Total deferred inflow of resources	<u>1,795,153</u>	<u>-</u>
 Fund Balance		
Restricted	<u>4,133,554</u>	<u>4,502,395</u>
Total fund balance	<u>4,133,554</u>	<u>4,502,395</u>
 Total liabilities and fund balance	<u><u>\$ 5,928,707</u></u>	<u><u>\$ 4,502,395</u></u>

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

CITY OF LANCASTER

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
REVENUES		
Measure R	\$ 1,796,381	\$ 1,745,661
Measure R Highway Program Grant	1,419,818	789,286
Interest income	11,032	16,986
Unrealized gain	11,968	-
Other income	5,986	1,357
Total revenues	3,245,185	2,553,290
EXPENDITURES		
Various projects	3,614,026	1,771,851
Total expenditures	3,614,026	1,771,851
Excess (deficiency) of revenues over expenditures	(368,841)	781,439
Fund balance at beginning of year	4,502,395	3,720,956
Fund balance at end of year	\$ 4,133,554	\$ 4,502,395

The accompanying notes are an integral part of the financial statements

CITY OF LANCASTER

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	2012 Pavement Management Program	\$ 163,192	\$ 42,948	\$ 120,244	\$ -
1.05	2014 Pavement Management Program	255,631	248,791	6,840	65,193
1.05	2015 Pavement Management Program	1,197,315	187,496	1,009,819	118,835
1.05	2014 Pavement Management Program	82,807	-	82,807	-
1.05	16/17 Pavement Management/Revive 25	200,000	43,589	156,411	-
1.10	Avenue K and SR 14 Interchange	4,521,169	348,156	4,173,013	411,884
1.10	Avenue M and SR 14 Interchange	3,637,559	1,332,641	2,304,918	465,868
1.10	Avenue G and SR 14 Interchange	2,799,257	511,904	2,287,353	278,222
1.10	Ave J/SR 14 Interchange	2,243,832	515,339	1,728,493	56,168
1.10	Avenue L and SR 14 Interchange	200,000	58,626	141,374	-
1.20	Downtown Gateway	5,595	5,595	-	12,818
1.20	15/16 Neighborhood Speed Humps	150,000	12,528	137,472	-
1.25	10th St W Gap Closures, Avenue L to Avenue M	398,404	-	398,404	-
1.25	Ave I St Improvements Challenger to Price	134,539	690	133,849	2,461
1.25	Ave I St Improvements Price to 35th St E	159,033	11,071	147,962	5,867
1.90	City-Wide Bridge Analysis & Inspection	-	-	-	29,471
1.90	Maintenance Yard Storage Building, Phase 2	136,338	136,337	1	9,055
1.90	Trevor Avenue Widening	850,000	24,722	825,278	-
3.05	20th St W Road Diet, Ave J-9 to Ave L	5,526	4,185	1,341	-
3.05	5th St E Corridor Improvements	70,000	-	70,000	-
3.20	Lancaster Auto Mall	100,000	100,000	-	-
3.90	Elementary School LED Stop Sign Program	47,483	29,408	18,075	52,622
	Avalanche Sweeper	-	-	-	263,387
	Total expenditures	\$ 17,357,680	\$ 3,614,026	\$ 13,743,654	\$ 1,771,851

See accompanying independent auditor's report.

CITY OF LANCASTER

MEASURE R LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
1/15/2013	Hydrostatic Spreader	\$ 162,127	\$ -	\$ -	\$ 162,127
1/15/2013	Pavement Preservation Broom	63,636	-	-	63,636
3/25/2013	Pneumatic Tire Compactor	87,745	-	-	87,745
3/25/2013	Pneumatic Tire Compactor	87,745	-	-	87,745
	Broce Model KR350 Broom with				
6/19/2014	Kubota Engine	56,758	-	-	56,758
7/14/2014	Avalanche Sweeper	263,387	-	-	263,387
	Total	<u>\$ 721,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,398</u>

See accompanying independent auditor's report.

CITY OF LANCASTER

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investment	\$ 2,988	\$ -
Interest receivable	<u>5</u>	<u>-</u>
Total assets	<u>\$ 2,993</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ <u>-</u>	\$ <u>44,362</u>
Total liabilities	<u>-</u>	<u>44,362</u>
Fund Balance		
Reserved	<u>2,993</u>	<u>(44,362)</u>
Total fund balance	<u>2,993</u>	<u>(44,362)</u>
Total liabilities and fund balance	<u>\$ 2,993</u>	<u>\$ -</u>

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

CITY OF LANCASTER

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Payment from prior year reserve	\$ 209,424	\$ 5,806
Interest income	<u>2</u>	<u>526</u>
Total revenues	<u>209,426</u>	<u>6,332</u>
EXPENDITURES		
Construction/Maintenance	<u>162,071</u>	<u>184,953</u>
Total expenditures	<u>162,071</u>	<u>184,953</u>
Excess (deficiency) of revenues over expenditures	47,355	(178,621)
Fund balance at beginning of year	<u>(44,362)</u>	<u>134,259</u>
Fund balance at end of year	\$ <u><u>2,993</u></u>	\$ <u><u>(44,362)</u></u>

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

CITY OF LANCASTER

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Ave K-8 Bike Facility Improvement	2016	\$ 28,948	\$ 28,917	\$ 31	Ongoing
Endeavor School Pedestrian Improvement	2016	<u>180,476</u>	<u>133,154</u>	<u>47,322</u>	Ongoing
Total		<u><u>\$ 209,424</u></u>	<u><u>\$ 162,071</u></u>	47,353	
Unexpended interest accumulated to date				2	
Fund balance at beginning of year				<u>(44,362)</u>	
Fund balance at end of year				<u><u>\$ 2,993</u></u>	*

* The fund balance of \$2,993 was encumbered as of June 30, 2016.

See accompanying independent auditor's report.

CITY OF LANCASTER

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

BALANCE SHEETS

JUNE 30

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investment	\$ -	\$ 4,080,604
Due from LACMTA	1,825,000	-
Interest receivable	<u>3,542</u>	<u>5,566</u>
Total assets	<u>\$ 1,828,542</u>	<u>\$ 4,086,170</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ <u>1,492,948</u>	\$ <u>-</u>
Total liabilities	<u>1,492,948</u>	<u>-</u>
Fund Balance		
Reserved	<u>335,594</u>	<u>4,086,170</u>
Total fund balance	<u>335,594</u>	<u>4,086,170</u>
Total liabilities and fund balance	<u>\$ 1,828,542</u>	<u>\$ 4,086,170</u>

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

CITY OF LANCASTER

TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
REVENUES		
Drawdown FY 2015-16 Allocation	\$ 1,825,000	\$ 9,115,079
Project reimbursements	101,818	70,512
Interest income	4,927	7,200
Unrealized gain	<u>12,620</u>	<u>-</u>
Total revenues	<u>1,944,365</u>	<u>9,192,791</u>
EXPENDITURES		
Various expenditures	<u>5,694,941</u>	<u>5,275,775</u>
Total expenditures	<u>5,694,941</u>	<u>5,275,775</u>
Excess (deficiency) of revenues over expenditures	(3,750,576)	3,917,016
Fund balance at beginning of year	<u>4,086,170</u>	<u>169,154</u>
Fund balance at end of year	\$ <u><u>335,594</u></u>	\$ <u><u>4,086,170</u></u>

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

CITY OF LANCASTER

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2016

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
2012 Pavement Management Program	2012	\$ 3,523	\$ 3,523	\$ -	Completed
2014 Pavement Management Program	2014	59,648	59,648	-	Completed
St Rehab/Repair - Lancaster Blvd/30th W	2016	43,194	43,194	-	Completed
2015 Pavement Management Program	2015	169,868	169,868	-	Completed
15/16 Pavement Management Program	2016	791,730	557,947	233,783	Ongoing
Pavement Marking Program, Ph III	2016	350,428	350,428	-	Completed
Corridors Project	2016	48,175	48,175	-	Completed
10th St W Gap Closure Ave L/Ave M	2016	-	-	-	Completed
Ave J-11 Improvement at Division	2016	3,398	3,398	-	Completed
Neighborhood Speed Humps	2016	76,385	76,385	-	Completed
Lancaster High School Pedestrian Improvements	2016	76	76	-	Completed
Medical Main Street	2016	-	-	-	Completed
Valley View Pedestrian Improvements	2016	3,615	3,615	-	Completed
Mariposa Elementary School	2016	20,592	20,592	-	Completed
Sierra Elementary School Pedestrian Improvements	2016	43,829	43,829	-	Completed
Rural Intersection Enhancement	2016	1,365	1,365	-	Completed
Ave L & Challenger Roundabout	2016	39,150	39,150	-	Completed
Traffic Signal, Ave I & 25th St E	2016	615,826	615,826	-	Completed
20th St E Line B	2016	16,800	16,800	-	Completed
Ave K-12 Drainage Imp 5th-7th St E	2016	410	410	-	Completed
Traffic Operations Maintenance	2016	372,773	372,773	-	Completed
Street Maintenance	2016	2,882,000	2,882,000	-	Completed
Street Light Maintenance	2016	385,940	385,940	-	Completed
Total		<u>\$ 5,928,725</u>	<u>\$ 5,694,942</u>	233,783	
Interest income not allocated to a project		<u>(17,546)</u>	-	<u>(17,546)</u>	
		5,911,179	5,694,942	216,237	
Unexpended interest accumulated to date				17,547	
Project reimbursements				101,810	
Fund balance at end of year				<u>\$ 335,594</u>	*

* The fund balance of \$335,594 was encumbered as of June 30, 2016.

See accompanying independent auditor's report.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF) and Proposition C Local Return Funds (PCLRF), Measure R Local Return Fund (MRLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) 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 represents 15% of the 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) and Transportation Development Act Article 8 Fund (TDAA8F) is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 and 8 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, TDAA3F and TDAA8F 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 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 presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS **For the Fiscal Years Ended June 30, 2016 and 2015** **(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

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, TDAA3F, and TDAA8F report the following fund balance classification as of June 30, 2016:

- 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 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, TDAA3F, and TDAA8F 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 & 8 and the Los Angeles County Metropolitan Transportation Authority Funding, and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds, and Allocation Guidelines for Transportation Development Act Article 8 transit and paratransit programs to fulfill unmet transit needs in areas outside the service area of LACMTA operations.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2016 and 2015 (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 and 99400 (a), funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities, transit and paratransit programs to fulfill unmet transit needs in areas outside the service area of LACMTA operations. See accompanying Compliance Matrix.

NOTE 6 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, TDAA3F, and TDAA8F 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.

NOTE 7 – DEFERRED INFLOW OF RESOURCES - MRLRF

The City recognizes revenue when the payments for services rendered become measurable and available. In fiscal year ended June 30, 2016, the City recorded deferred inflow of resources when the availability of the funds was not determined at fiscal year-end.

The issuance of Governmental Accounting Standards Board No. 65, Items Previously Reported as Assets and Liabilities, established accounting and financial reporting standards that reclassify certain liabilities as deferred inflows of resources. A deferred inflow of resources is defined as those resources that are not available for spending in the current period. Since the reimbursements from other funds were not available for spending MRLRF in fiscal year ended June 30, 2016, the amount was reported as deferred inflows of resources. As of June 30, 2016 the deferred inflow of resources was \$1,795,153 from the Measure R Highway Grant.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(Continued)

NOTE 7 – DEFERRED INFLOW OF RESOURCES – MRLRF (continued)

Measure R Highway Grant projects and expenditure amounts are as follows:

MOU Number	Project Name	Expenditure Amount
MR330.02	15BR004 Ave K/SR 14 Interchange	\$ 348,156
MR330.03	15BR006 Ave G /SR 14 Interchange	511,904
MR330.04	15BR007 Ave J /SR 14 Interchange	515,339
MR330.05	15BR008 Ave L /SR 14 Interchange	58,626
MR330.06	15BR005 Ave M/SR 14 Interchange	1,332,641
	Total Expenditures	\$ 2,766,666

**NOTE 8 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE
ALLOCATION**

The revenue allocation for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2012-13 reserve	\$ 30,379	\$ 5,806
FY 2013-14 reserve	128,533	-
FY 2014-15 reserve	50,512	-
Total payment requested	\$ 209,424	\$ 5,806

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2016 and 2015
(Continued)

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2012-13 reserve	\$ -	\$ 30,379
FY 2013-14 reserve	-	128,533
FY 2014-15 reserve	54,162	104,674
FY 2015-16 allocation	101,858	-
Available reserve balance	\$ 156,020	\$ 263,586

For FY 2015-16, any TDA Article 3 funds left on reserve for FY 2011-12 or prior, are subject to lapse if not claimed by the City by June 30, 2016. There were no funds that lapsed in FY 2015-16.

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2016 through November 11, 2016, 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

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

To the Honorable Members of the City Council of the
City of Lancaster, 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), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) of the City of Lancaster, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2016.

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, TDAA3F and TDAA8F 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) 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 black ink, appearing to read 'Simpson & Simpson', written in a cursive style.

Los Angeles, California
November 11, 2016

COMPLIANCE SECTION



SIMPSON & SIMPSON
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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Lancaster, 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) and Transportation Development Act Article 8 Funds (Guidelines) for the year ended June 30, 2016.

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 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, Transportation Development Act Article 3 and Transportation Development Act Article 8

In our opinion, the City of Lancaster 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, Transportation Development Act Article 3 (TDAA3F), and Transportation Development Act Article 8 (TDAA8F) Fund for the year ended June 30, 2016.



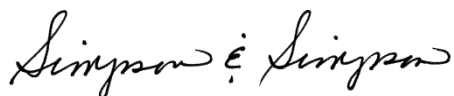
Report on Internal Control Over Compliance

Management of the City of Lancaster is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs, the TDAA3F and the TDAA8F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink, appearing to read 'Simpson & Simpson'.

Los Angeles, California
November 11, 2016

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2016

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
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.	Recreational Transit Form was submitted on time.	X		None	
10.	Cash or cash equivalents were maintained.	X		None	
11.	Accounting procedures, record keeping and documentation were adequate.	X		None	

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

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
12.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	
B. Measure R Local Return Fund					
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.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	N/A		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	

N/A - Not applicable as the City did not expend funds.

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

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	
C. Transportation Development Act Article 3 Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None	
D. Transportation Development Act Article 8 Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were incurred for transit, paratransit, and local streets and roads.	X		None	

CITY OF LANCASTER

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2016

No findings were noted.

EXIT CONFERENCE

CITY OF LANCASTER

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

EXIT CONFERENCE

June 30, 2016

An exit conference was held on December 15, 2016 with the City of Lancaster. Those in attendance were:

Simpson & Simpson Representative:

Caprice McGuire, Senior Auditor

City's Representative:

Christine Landis, Accounting Supervisor

Matters Discussed:

Results of the audit, no findings were noted

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report: