

***CITY OF LANCASTER
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 8 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



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), Measure M Local Return Fund (MMLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) (collectively, the Funds), of the City of Lancaster, California (the City) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F of the City of Lancaster, California, as of June 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F of the City and do not purport to, and do not, present fairly the financial position of the City of Lancaster, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' financial statements or to the Funds' financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 1, 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 to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California
December 1, 2019

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

	2019	2018
ASSETS		
Cash and investments	\$ 2,747,972	\$ 3,269,969
Interest receivable	12,047	9,249
Total assets	\$ 2,760,019	\$ 3,279,218
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 16,318	\$ 8,041
Wages payable	-	748
Total liabilities	16,318	8,789
 Fund Balance		
Restricted	2,743,701	3,270,429
Total fund balance	2,743,701	3,270,429
Total liabilities and fund balance	\$ 2,760,019	\$ 3,279,218

The accompanying notes are an integral part to 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

	<u>2019</u>	<u>2018</u>
REVENUES		
Proposition A	\$ 3,168,410	\$ 2,930,316
Interest income	26,014	15,992
Unrealized gain (loss) on investments	23,137	(8,067)
Total revenues	<u>3,217,561</u>	<u>2,938,241</u>
 EXPENDITURES		
Various projects	<u>3,744,289</u>	<u>3,185,992</u>
Total expenditures	<u>3,744,289</u>	<u>3,185,992</u>
 Deficiency of revenues under expenditures	 (526,728)	 (247,751)
 Fund balance at beginning of year	 <u>3,270,429</u>	 <u>3,518,180</u>
 Fund balance at end of year	 <u>\$ 2,743,701</u>	 <u>\$ 3,270,429</u>

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	AVTA Transit Services	\$ 1,550,525	\$ 1,535,290	\$ 15,235	\$ 1,519,665
140-01	Recreational Transit Services	20,000	20,000	-	17,419
150-05	2017 Bus Stop Improvements	508,359	125,512	382,847	8,215
150-06	17/18 Bus Stop Improvements	778,110	8,362	769,748	1,891
150-07	2018/19 Bus Stop Improvements (15ST067)	555,574	-	555,574	-
160-01	Bus Stop Improvements (as part of Project 12ST037)	217,267	179,153	38,114	8,013
160-03	Bus Stop Improvements (as part of Project 15ST042)	250,000	138,615	111,385	-
160-04	Bus Stop Improvements (as part of Project 16ST007)	8,175	3,924	4,251	-
170-02	Bus Shelter/Bench Maintenance	79,200	79,200	-	77,266
170-03	Care and Maintenance of AVTA Transfer Center	40,055	45,585	(5,530)	40,416
230-01	Park & Ride Security Program	55,000	51,748	3,252	44,276
290-01	Blvd Parking Lot Improvements (12AC002)	700,000	-	700,000	-
300-01	Transportation Management Center (11BS027)	104,934	-	104,934	-
405-02	Exchange Prop A Funds with City of Commerce (Note 9)	1,425,000	1,425,000	-	1,425,000
480-03	Transportation Program Administration	38,918	4,427	34,491	5,916
480-05	General Fund Overhead Allocation	54,981	127,473	(72,492) *	37,915
	Total expenditures	\$ 6,386,098	\$ 3,744,289	\$ 2,641,809	\$ 3,185,992

* The City received an approval from Metro on August 21, 2019 to amend the budget for 480-05 General Fund Overhead Allocation from \$54,981 to \$127,473.

See accompanying independent auditor's report.

CITY OF LANCASTER
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
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

	2019	2018
ASSETS		
Cash and investments	\$ 4,813,896	\$ 3,243,833
Interest receivable	21,103	11,639
Other receivable	-	412
Total assets	\$ 4,834,999	\$ 3,255,884
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued liabilities	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	4,834,999	3,255,884
Total fund balance	4,834,999	3,255,884
Total liabilities and fund balance	\$ 4,834,999	\$ 3,255,884

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
Proposition C	\$ 2,628,107	\$ 2,464,047
Interest income	46,326	27,538
Unrealized gain (loss) on investments	27,383	(2,022)
Total revenues	2,701,816	2,489,563
 EXPENDITURES		
Various projects	1,122,701	5,383,196
Total expenditures	1,122,701	5,383,196
 Excess (deficiency) of revenues over (under) expenditures	1,579,115	(2,893,633)
 Fund balance at beginning of year	3,255,884	6,149,517
 Fund balance at end of year	\$ 4,834,999	\$ 3,255,884

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

		2019				
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2018 Actual	
160-04	Bus Stop Improvements (as part of Project 16ST007)	\$ 619,215	\$ -	\$ 619,215	\$ -	
180-02	Stencil Truck Purchase	118,000	-	118,000	-	
290-01	Park and Ride Public Parking Lot	-	-	-	176,514	
430-01	10th St W Bikeway and Road Diet (15BW008)	134,273	-	134,273	-	
430-02	2020 ATP-SRTS Pedestrian Improvements (15SW017)	1,191,154	5,328	1,185,826	-	
440-02	St Rehab/ Repair-20th W/ Lanc Blvd to Ave J	-	10,356	(10,356) *	1,679,656	
450-05	10th Street West Gap Closure	48,579	514	48,065	1,411,982	
450-16	Avenue I Streetscape Enhancements, 15th St W to 10th St W	281,877	199,590	82,287	270,318	
450-18	Lancaster Auto Mall	19,075	19,525	(450)	850	
450-20	Sidewalk Improvements at Railroad Crossings	48,998	-	48,998	87,351	
450-21	Intersection Improvements - 10th W & 30th at Ave I	620,751	430,730	190,021	174,657	
450-24	10th Street West and Ave K Improvements	400,000	400,000	-	-	
450-25	Street Rehab and Repair Lanc Blvd, 30th - 40th East	-	-	-	301,039	
450-26	Ave H and 7th St West	285,000	-	285,000	-	
450-27	Avenue K-8 and 10th Street West Improvements	-	-	-	50,000	
450-28	15th Street West and Lancaster Blvd	-	720	(720) *	28,453	
450-29	15th Street East and Lancaster Blvd Roundabouts	-	-	-	28,462	
	Subtotal expenditures	<u>3,766,922</u>	<u>1,066,763</u>	<u>2,700,159</u>	<u>4,209,282</u>	

See accompanying independent auditor's report.

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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)
(Continued)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
450-30	Lancaster Blvd Road Diets, 10th St W to Valley Central Way (15ST058)	-	-	-	500,000
450-31	Lancaster Health District	1,490,164	-	1,490,164	-
470-03	Professional Services - PMS	-	-	-	56,208
470-05	Cole Middle School and Tierra Bonita	-	741	(741) *	60,386
470-07	2015 Pavement Management Program	-	-	-	1,144
470-08	15-16 Pavement Management Program/ Revive 25	136,012	1,754	134,258	191,860
470-09	2016/17 Pavement Management Program R-25	127,060	30,683	96,377	216,887
470-10	17/18 Pavement Management Program	470,370	-	470,370	146,476
470-11	2018-19 Pavement Management Program R-25 (12ST038)	1,000,000	22,760	977,240	-
500-02	Computer Software	-	-	-	953
	Total expenditures	\$ 6,990,528	\$ 1,122,701	\$ 5,855,371	\$ 5,383,196

* The City received retroactive approvals from Metro on August 21, 2019 for the following projects:

1. 440-02 St Rehab/Repair - 20th W/Lanc Blvd to Ave J in the amount of \$10,356.
2. 450-28 15th Street West and Lancaster Blvd in the amount of \$720.
3. 470-05 Cole Middle School and Tierra Bonita in the amount of \$741.

See accompanying independent auditor's report.

CITY OF LANCASTER
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date <u>Acquired</u>	<u>Description</u>	Balance <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2019</u>
5/23/2017	Cracked Sealer	\$ 98,901	\$ -	\$ -	\$ 98,901
	Total	\$ 98,901	\$ -	\$ -	\$ 98,901

See accompanying independent auditor's report.

CITY OF LANCASTER
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 1,576,584	\$ 3,470,183
Due from Metro	-	1,641,649
Interest receivable	6,912	10,567
Due from other government (Note 10)	<u>2,641,312</u>	<u>1,798,350</u>
Total assets	<u>\$ 4,224,808</u>	<u>\$ 6,920,749</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accrued liabilities	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 Deferred Inflows of Resources		
Unavailable revenue (Note 10)	<u>2,641,312</u>	<u>1,798,350</u>
Total deferred inflows of resources	<u>2,641,312</u>	<u>1,798,350</u>
 Fund Balance		
Restricted	<u>1,583,496</u>	<u>5,122,399</u>
Total fund balance	<u>1,583,496</u>	<u>5,122,399</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,224,808</u>	<u>\$ 6,920,749</u>

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
Measure R	\$ 1,971,647	\$ 1,820,508
Measure R Highway Program Grant (Note 11)	422,963	1,641,755
Project reimbursements (Note 14)	-	29,263
Interest income	37,536	29,812
Unrealized gain (loss) on investments	20,783	(6,484)
Total revenues	2,452,929	3,514,854
EXPENDITURES		
Various projects funded by MRLRF	4,064,021	2,966,418
Various projects funded by Measure R Highway Program Grant (Note 11)	1,927,811	1,066,770
Total expenditures	5,991,832	4,033,188
Deficiency of revenues under expenditures	(3,538,903)	(518,334)
Fund balance at beginning of year	5,122,399	5,640,733
Fund balance at end of year	\$ 1,583,496	\$ 5,122,399

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
<i>Expenditures Funded by MRLRF</i>					
1.05	2015 Pavement Management Program	\$ -	\$ -	\$ -	\$ 73,768
1.05	16/17 Pavement Mgmt/ Revive 25	1,556,974	230,267	1,326,707	662,071
1.05	Street Rehab/ Repair 20th W and Lancaster Blvd to Avenue J	210,555	124,198	86,357	5,019
1.05	Street Rehab/ Repair Lancaster Blvd/ 30th - 40th E	-	-	-	322,251
1.05	Avenue J-2 Street Improvements at 17th Street E	72,637	67,445	5,192	7,553
1.05	17/18 Pavement Management Program - R-25	1,018,504	443,122	575,382	148,364
1.05	Avenue H and 7th Street W Improvements	515,000	-	515,000	-
1.05	Lancaster Blvd Road Diets, 10th St W to Valley Central Way	-	2,014	(2,014) *	601,455
1.20	15th St East/ Lancaster Blvd., Roundabout	866,583	865,361	1,222	-
1.20	15th St West/ Lancaster Blvd., Roundabout	192,356	138,930	53,426	57
1.25	Ave I St Improvements Challenger to Price	289,688	82,476	207,212	21,119
1.25	Ave I St Improvements Price to 35th St E	274,076	114,772	159,304	404
1.90	Trevor Avenue Widening	60,964	10,005	50,959	16,098
3.05	10th St W Road Diet and Bikeway Improvement Project	229,943	123,153	106,790	57
3.05	Cole Middle School/ Tierra Bonita Pedestrian Improvements	355,278	542,550	(187,272)	11,011
3.05	5th St E Corridor Improvements	336,503	327,112	9,391	35,057
3.05	Intersection Improvements 10th W and 30th W at Avenue K	1,321,647	454,274	867,373	-
3.05	Avenue K-8 and 10th Street K Improvements	-	-	-	1,050,000
3.90	2020 ATP - Safe Routes to School (SRTS) Pedestrian Improvements	915,505	538,342	377,163	12,134
1.05	Reconstruction Projects: Ave J, Division, Ave M, 15th West, 25th	9,342,446	-	9,342,446	-
1.05	Neighborhoods: Blvd to Ave J to Ave J-8, Ave J-8 to Ave K	10,630,135	-	10,630,135	-
	Total expenditures funded by MRLRF	<u>28,188,794</u>	<u>4,064,021</u>	<u>24,124,773</u>	<u>2,966,418</u>
<i>Expenditures Funded by Measure R Highway Program Grant</i>					
1.10	Avenue K and SR 14 Interchange	15,000,000	375,159	14,624,841	326,016
1.10	Avenue M and SR 14 Interchange	20,000,000	126,376	19,873,624	124,569
1.10	Avenue G and SR 14 Interchange	15,000,000	173,628	14,826,372	185,577
1.10	Ave J/ SR 14 Interchange	10,000,000	1,162,348	8,837,652	350,281
1.10	Avenue L and SR 14 Interchange	5,000,000	90,300	4,909,700	80,327
	Total expenditures funded by Measure R Highway Program Grant	<u>65,000,000</u>	<u>1,927,811</u>	<u>63,072,189</u>	<u>1,066,770</u>
	Total expenditures funded by MRLRF and Measure R Highway Program Grant	<u>\$ 93,188,794</u>	<u>\$ 5,991,832</u>	<u>\$ 87,196,962</u>	<u>\$ 4,033,188</u>

* The City received a retroactive approval for 1.05 Lancaster Blvd Road Diets, 10th St W to Valley Central Way Project in the amount of \$2,014 from Metro on December 10, 2019.

See accompanying independent auditor's report.

CITY OF LANCASTER
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
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
6/19/2014	Broce Model KR350 Broom with Kubota Engine	56,758	-	-	56,758
7/14/2014	Avalance 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
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 2,922,458	\$ 1,370,313
Interest receivable	12,812	2,750
Total assets	\$ 2,935,270	\$ 1,373,063
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 22,097	\$ -
Total liabilities	22,097	-
 Fund Balance		
Restricted	2,913,173	1,373,063
Total fund balance	2,913,173	1,373,063
Total liabilities and fund balance	\$ 2,935,270	\$ 1,373,063

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

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

	2019	2018
REVENUES		
Measure M	\$ 2,219,424	\$ 1,649,797
Interest income	27,964	9,324
Unrealized gain (loss) on investments	16,316	(8,983)
Total revenues	2,263,704	1,650,138
EXPENDITURES		
Various projects	723,594	277,075
Total expenditures	723,594	277,075
Excess of revenues over expenditures	1,540,110	1,373,063
Fund balance at beginning of year	1,373,063	-
Fund balance at end of year	\$ 2,913,173	\$ 1,373,063

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

CITY OF LANCASTER
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	17/18 Pavement Management Program R-25	\$ 1,195,925	\$ 484,057	\$ 711,868	\$ 75
1.05	Street Rehab/ Repair 20th W and Lancaster Blvd to Avenue J	277,000	-	277,000	277,000
1.05	Ave I Street Improvement Price Lane to 35th Street East	27,000	-	27,000	-
1.05	18/19 Pavement Management Program R-25	757,659	14,417	743,242	-
1.05	2020 Pavement Management Program	200,000	75,785	124,215	-
1.05	Reconstruction Projects: Ave L, Ave J, 10th St West	9,896,918	-	9,896,918	-
1.05	Neighborhoods: SWC Lanc Blvd, Ave J, 10th St W, Ave J-8	8,857,375	-	8,857,375	-
1.05	Reconstruction Projects: Ave K, 20th West, 35th West, Ave J-12	10,831,678	-	10,831,678	-
1.10	Gadsden and Kildare Improvements	800,000	-	800,000	-
3.05	Pedestrian Gap Closure Improvements	124,049	-	124,049	-
3.05	ATP-SRTS Pedestrian Improvements	172,207	-	172,207	-
1.20	15th St West/Lancaster Blvd Roundabout	-	55,375	(55,375) *	-
2.03	LED Light Signals	-	34,498	(34,498) *	-
2.09	REPL - Equipment & Machinery	-	59,462	(59,462) *	-
Total expenditures \$		\$ 33,139,811	\$ 723,594	\$ 32,416,217	\$ 277,075

* The City received retroactive approvals from Metro on October 29, 2019 for the following projects:

1. 1.20 15th St West/Lancaster Blvd Roundabout in the amount of \$55,375.
2. 2.03 LED Light Signals in the amount of \$34,498.
3. 2.09 REPL - Equipment & Machinery in the amount of \$59,462.

See accompanying independent auditor's report.

CITY OF LANCASTER
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
2/22/2019	Laminator	\$ -	\$ 11,657	\$ -	\$ 11,657
4/12/2019	Remover, Vaccum Attachment for Line Grinder	-	11,634	-	11,634
6/7/2019	Battery Backup Systems	-	27,923	-	27,923
6/21/2019	Retroreflectometer	-	8,248	-	8,248
Total		\$ -	\$ 59,462	\$ -	\$ 59,462

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

	2019	2018
ASSETS		
Due from Metro	\$ -	\$ 13,515
Total assets	\$ -	\$ 13,515
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 4,090	\$ 69,771
Total liabilities	4,090	69,771
 Fund Balance		
Unassigned	(4,090)	(56,256)
Total fund balance	(4,090)	(56,256)
Total liabilities and fund balance	\$ -	\$ 13,515

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
TDA 3	\$ 66,862	\$ 13,515
Project reimbursements (Note 14)	-	7,596
Interest income	-	6
Total revenues	66,862	21,117
EXPENDITURES		
Various projects	14,696	79,040
Total expenditures	14,696	79,040
Excess (deficiency) of revenues over (under) expenditures	52,166	(57,923)
Fund balance at beginning of year	(56,256)	1,667
Fund balance at end of year	\$ (4,090)	\$ (56,256)

The accompanying notes are an integral part to 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, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
10th Street W & Avenue J Improvements	2018-19	\$ 37,662	\$ 10,612	\$ 27,050	Ongoing
10th St W. Bikeway Improvements, Ave H to Lancaster	2018-19	<u>29,200</u>	<u>4,084</u>	<u>25,116</u>	Ongoing
	Total	<u>\$ 66,862</u>	<u>\$ 14,696</u>	52,166	
Fund balance at beginning of year				<u>(56,256)</u>	
Fund balance at end of year				<u>\$ (4,090)</u>	

See accompanying independent auditor's report.

CITY OF LANCASTER
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99400)
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Due from Metro	\$ 10,873,330	\$ 5,482,120
Total assets	\$ 10,873,330	\$ 5,482,120
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 10,293,011	\$ 7,215,773
Total liabilities	10,293,011	7,215,773
 Fund Balance		
Restricted	580,319	-
Unassigned	-	(1,733,653)
Total fund balance	580,319	(1,733,653)
Total liabilities and fund balance	\$ 10,873,330	\$ 5,482,120

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
TDA 8	\$ 10,873,330	\$ 8,280,618
Project reimbursements (Note 14)	-	184,136
Total revenues	10,873,330	8,464,754
 EXPENDITURES		
Various projects	8,559,358	7,198,409
Total expenditures	8,559,358	7,198,409
 Excess of revenues over expenditures	2,313,972	1,266,345
 Fund balance at beginning of year	(1,733,653)	(2,999,998)
 Fund balance at end of year	\$ 580,319	\$ (1,733,653)

The accompanying notes are an integral part to 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, 2018

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
2015 Pavement Management Program	2015	\$ 275	\$ -	\$ 275	Complete
15/16 Pavement Management Program R25	2016	65	-	65	Ongoing
15/16 Lancaster Health District	2016	327,025	58,746	268,279	Ongoing
10th St W Gap Closure Ave L/ Ave M	2015	472,895	96,624	376,271	Ongoing
16/17 Pavement Management Program R25	2017	1,663,825	711,582	952,243	Ongoing
16/17 Ave J-8 Gap Closure	2017	28,155	449	27,706	Ongoing
Avenue K-8 Fence Installation	2018	184,305	102,227	82,078	Ongoing
St Rehab/Repair-20th W Lancaster Blvd to Avenue J	2018	74,755	857	73,898	Ongoing
17/18 Pavement Management Program R25	2018	1,623,265	1,393,018	230,247	Ongoing
18/19 Pavement Management Program R25	2018	154,380	9,061	145,319	Ongoing
Ave I Streetscape Enhance	2018	1,364,445	1,350,765	13,680	Ongoing
Pedestrian Gap Closure	2018	89,130	24,778	64,352	Ongoing
15th St W/ Lancaster Blvd Roundabout	2018	231,100	239,267	(8,167)	Ongoing
Traffic Operations and Maintenance	2018	208,683	208,683	-	Ongoing
Street Maintenance	2018	2,985,979	4,237,700	(1,251,721)	Ongoing
Street Light Maintenance	2018	86,386	86,386	-	Ongoing
Promotion/Advertising	2019	17,662	17,662	-	Ongoing
Installation of D3-1 St Sign	2019	175,000	587	174,413	Ongoing
Traffic Overhead Sign Replacement	2019	400,000	-	400,000	Ongoing
Redundant Street Lighting	2019	390,000	-	390,000	Ongoing
2019 Long Line Striping	2019	340,000	20,966	319,034	Ongoing
15th St E/ Lancaster Blvd Roundabout	2019	56,000	-	56,000	Ongoing
	Total	\$ 10,873,330	\$ 8,559,358	\$ 2,313,972	
Fund balance at beginning of year				(1,733,653)	
Fund balance at end of year				\$ 580,319 *	

*The City has encumbered the remaining fund balance of \$580,319 as of June 30, 2019 for various projects.

See accompanying independent auditor's report.

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

TDAA3F and TDAA8F are Special Revenue Funds that account for the City’s share of the Transportation Development Act Article 3 and Transportation Development Act Article 8 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, MMLRF, 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 spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

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

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

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

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F report the following fund balance classifications as of June 30, 2019:

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

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

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines, the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act (TDA) Article 3 Bicycle and Pedestrian Funds, and the Los Angeles County Metropolitan Transportation Authority Guidelines to the Administration of TDA Article 8.

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 3 - PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. 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

In accordance with Public Utilities Code Section 99400, funds received pursuant to this Code's section may only be used for activities relating to transit, paratransit, and local streets and roads, including facilities for the exclusive use of pedestrians and bicycles to fulfill unmet transit needs in areas outside the service area of Metro operations. See accompanying Compliance Matrix.

NOTE 8 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F's cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 9 – PROPOSITION A LOCAL RETURN FUND EXCHANGE

On July 17, 2018 and on July 18, 2017, the City entered into agreements with the City of Commerce to exchange \$1,425,000 of the City’s Proposition A Local Return funds for \$997,550 of the City of Commerce’s General funds or \$0.70 of General funds given for each \$1.00 of Proposition A Local Return funds received. The agreements were only applicable to the fiscal years ended June 30, 2019 and June 30, 2018.

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

The City recognizes revenue when the payments for services rendered become measurable and available. In fiscal years ended June 30, 2019 and 2018, the City recorded deferred inflows of resources when the availability of funds was not determined at fiscal year-end.

The issuance of GASB Statement 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 in fiscal years ended June 30, 2019, and 2018, the amounts were reported as deferred inflows of resources. As of June 30, 2019, and 2018, the deferred inflows of resources reported in MRLRF were \$2,641,312 and \$1,798,350, respectively from Measure R Highway Program Grant.

<u>MOU Number</u>	<u>Project Name</u>	<u>2019</u>	<u>2018</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$ 517,634	\$ 520,759
MR330.03	15BR006 Ave G/SR 14 Interchange	243,276	309,602
MR330.04	15BR007 Ave J/SR 14 Interchange	1,445,235	279,289
MR330.05	15BR008 Ave L/SR 14 Interchange	127,353	574,236
MR330.06	15BR005 Ave M/SR 14 Interchange	307,814	114,464
		<u>\$ 2,641,312</u>	<u>\$ 1,798,350</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 11 – MEASURE R HIGHWAY PROGRAM GRANT REVENUES AND EXPENDITURES

For fiscal years ended June 30, 2019 and 2018, Measure R Highway Program Grant had the following projects revenues:

<u>MOU Number</u>	<u>Project Name</u>		<u>2019</u>		<u>2018</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$	166,077	\$	424,282
MR330.03	15BR006 Ave G/SR 14 Interchange		128,810		315,560
MR330.04	15BR007 Ave J/SR 14 Interchange		61,854		598,212
MR330.05	15BR008 Ave L/SR 14 Interchange		31,956		129,399
MR330.06	15BR005 Ave M/SR 14 Interchange		34,266		174,302
		\$	<u>422,963</u>	\$	<u>1,641,755</u>

For fiscal years ended June 30, 2019 and 2018, Measure R Highway Program Grant had the following projects expenditures:

<u>MOU Number</u>	<u>Project Name</u>		<u>2019</u>		<u>2018</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$	375,158	\$	326,016
MR330.03	15BR006 Ave G/SR 14 Interchange		173,628		185,577
MR330.04	15BR007 Ave J/SR 14 Interchange		1,162,348		350,281
MR330.05	15BR008 Ave L/SR 14 Interchange		90,302		80,327
MR330.06	15BR005 Ave M/SR 14 Interchange		126,375		124,569
		\$	<u>1,927,811</u>	\$	<u>1,066,770</u>

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUNDS REVENUE ALLOCATION

The revenue allocation for the fiscal years ended June 30, 2019 and 2018 consisted of the following:

TDA Article 3 Fund

		<u>2019</u>		<u>2018</u>
FY 2014-15 allocation	\$	38,879	\$	13,515
FY 2015-16 allocation		27,983		-
Total payments requested	\$	<u>66,862</u>	\$	<u>13,515</u>

TDA Article 8 Fund

		<u>2019</u>		<u>2018</u>
FY 2015-16 allocation	\$	-	\$	4,186,397
FY 2016-17 allocation		2,190,875		4,094,221
FY 2017-18 allocation		6,036,022		-
FY 2018-19 allocation		2,646,433		-
Total payments requested	\$	<u>10,873,330</u>	\$	<u>8,280,618</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 13 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with state 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, 2019, and 2018, the City has funds on reserve as follow:

TDA Article 3 Fund

	<u>2019</u>	<u>2018</u>
FY 2014-15 allocation	\$ -	\$ 38,879
FY 2015-16 allocation	73,875	101,858
FY 2016-17 allocation	106,518	106,518
FY 2017-18 allocation	102,292	102,292
FY 2018-19 allocation	106,971	-
Available reserve balance	<u>\$ 389,656</u>	<u>\$ 349,547</u>

For fiscal year 2018-19, any TDA Article 3 funds left on reserve for FY 2014-15 or prior, are subject to lapse if not by claimed by the City by June 30, 2019. There were no lapsed funds in FY 2018-19.

TDA Article 8 Fund

	<u>2019</u>	<u>2018</u>
FY 2016-17 allocation	\$ -	\$ 2,190,875
FY 2017-18 allocation	-	6,036,022
FY 2018-19 allocation	3,664,531	-
Available reserve balance	<u>\$ 3,664,531</u>	<u>\$ 8,226,897</u>

For fiscal year 2018-19, any TDA Article 8 funds left on reserve for FY 2014-15 or prior, are subject to lapse if not by claimed by the City by June 30, 2019. There were no lapsed funds in FY 2018-19.

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

**NOTE 14 – LOCAL RETURN FUNDS AND TRANSPORTATION DEVELOPMENT ACT
PROJECT REIMBURSEMENTS**

For June 30, 2018, the following project reimbursements were noted:

MRLRF

Project No.	Project Name	Purpose	Entity name	Amount
15ST030	Downtown Gateway	Reimbursement to Measure R for FY14 expenditure projects from TEA funds.	Federal TEA Funds	\$ 29,263
Total				\$ <u>29,263</u>

TDAA3F

Project No.	Project Name	Purpose	Entity name	Amount
15BW007	Ave K-8 Facility Imp	Reimbursement from grant funds to TDA 3 for retention payment initially made from TDA 3 funding.	State of California- BTA Funds	\$ 7,596
Total				\$ <u>7,596</u>

TDAA8F

Project No.	Project Name	Purpose	Entity name	Amount
15ST042	Ave I Streetscape Enhancement	Reimbursement from grant funds to TDA 8 for retention payment initially made from TDA 8 funding.	Metro	\$ 22,446
15ST020	Ave G Widening, 45th St W to 50th St W	Reimbursement from EDA grant funds to cover project costs initially made from TDA 8 funding.	Federal Economic Development Administration	19,494
15ST020	Ave G Widening, 45th St W to 50th St W	Reimbursement from EDI grant funds to cover project costs initially made from TDA 8 funding.	HUD-Economic Development Initiative	139,653
15ST039	20th St W Road Diet, Ave J-8 to Ave L	Reimbursement from grant funds to TDA 8 for retention payment initially made from TDA 8 funding.	State of California- BTA Funds	2,543
Total				\$ <u>184,136</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 1, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

To the Honorable Members of the City Council of the
City of 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 Controller General of the United States, the financial statements of the Proposition A Local Return Fund ,Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, Transportation Development Act Article 3 Fund and Transportation Development Act Article 8 Fund (collectively, the Funds) of the City of Lancaster, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, Transportation Development Act Article 3 and Transportation Development Act Article 8 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
December 1, 2019

COMPLIANCE SECTION



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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 (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds, and the Los Angeles County Metropolitan Transportation Authority Guidelines to the Administration of Transportation Development Act Article 8 (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act Articles 3 and 8 programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion on Each Local Return Program, Transportation Development Act Article 3 and Transportation Development Act Article 8

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Findings No. 2019-001 to No. 2019-005. Our opinion on each local return and Transportation Development Act Articles 3 and 8 programs is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-003.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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.

Simpson & Simpson

Los Angeles, California
December 1, 2019

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2019

Compliance Requirement		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			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.		X		None	See PCLRF Finding No. 2019-001.
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).		X		None	See PALRF Finding No. 2019-002.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation System projects or elements in FY18/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.		X		None	See PALRF Finding No. 2019-003.

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		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			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See MRLRF Finding No. 2019-004.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenditures in FY18/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY18/19.
13.	Recreational transit form was submitted on time.	X			None	

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		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			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See MMLRF Finding No. 2019-005.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY18/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY18/19.
13.	Recreational transit form was submitted timely.	X			None	

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		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			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	
E. Transportation Development Act Article 8 Fund						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to transit, paratransit and local streets and roads.	X			None	

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

PCLRF: Finding No. 2019-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City expended a total of \$11,877 for the following three projects in FY2018/19 prior to receiving approvals from LACMTA: (1) 440-02 St Rehab/ Repair-20th W/ Lanc Blvd to Ave J in the amount of \$10,356; (2) 450-28 15th Street West and Lancaster Blvd in the amount of \$720; and (3) 470-05 Cole Middle School and Tierra Bonita in the amount of \$801.
Cause	The City did not submit Forms A to LACMTA prior to expenditure of funds on new projects due to an oversight.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that Form A is submitted to LACMTA prior to expending funds on a new project.
Managements Response	Staff did not submit Forms A on time with the updated information due to staff turnover.
Finding Corrected During the Audit	Updated Form A was submitted to LACMTA and was retroactively approved on August 21, 2019. No follow-up is required.

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

PALRF: Finding No. 2019-002

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF 480-05 General Fund Overhead Allocation Project without prior approval from LACMTA. The amount that exceeded the approved budget by more than 25 percent is \$58,747.
Cause	It was due to an oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that project expenditures are within the 25 percent cap of LACMTA's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should submit an amended Form A prior to the expenditure of funds.
Managements Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of LACMTA's approved budget.
Finding Corrected During the Audit	An amended Form A was submitted to LACMTA and was approved on August 21, 2019. No follow-up is required.

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

PALRF: Finding No. 2019-003

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section II, 1.3, Recreational Transit Service: “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15th after the fiscal year.”
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City subsequently submitted the listing on October 21, 2019. This is a repeat finding.
Cause	It was due to an oversight by the City’s program department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines for the submission of Listing of Recreational Transit Services.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Listing Recreational Transit Services is properly prepared and submitted before the due date of October 15th in accordance with the Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the listing was submitted in a timely manner.
Managements Response	The City will establish procedures to ensure the timely filing of all required listings. In addition, the City will retain a confirmation of receipt by LACMTA to indicate the listing was submitted in a timely manner.
Finding Corrected During the Audit	The City’s Listing of Recreational Transit Services was submitted and approved on October 21, 2019. No follow-up is required.

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MRLRF: Finding No. 2019-004

Compliance Requirement	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	During FY 2018-19, the City used Measure R Local Return funds for the project 1.05- Lancaster Blvd Road Diets, 10th St W to Valley Central Way in the amount of \$2,014 prior to LACMTA’s approval as the Project was not reported on the Expenditure Plan (Form One).
Cause	The City did not submit an accurate and complete Form One with a listing of projects to Metro due to an oversight.
Effect	The City was not in compliance with Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Managements Response	Staff did not submit corrected Form One on time with the updated information due to staff turnover.
Finding Corrected During the Audit	The City’s revised Form One was submitted and retroactively approved by LACMTA Program Manager on December 10, 2019. No follow-up is required.

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MMLRF: Finding No. 2019-005

Compliance Requirement	According to Measure M Local Return Guidelines, Section B. VII.A, Financial and Compliance Provisions, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	During FY 2018-19, the City used Measure M Local Return funds totaling \$149,335 for the following three projects: (1) 1.20 15th St West/Lancaster Blvd Roundabout in the amount of \$55,375; (2) 2.03 LED Light Signals in the amount of \$34,498; and (3) 2.09 REPL-Equipment & Machinery in the amount of \$59,462 prior to LACMTA’s approval as the projects were not reported on the Expenditure Plan (Form M–One).
Cause	The City did not submit an accurate and complete Expenditure Plan (Form M-One) with a listing of projects to LACMTA due to an oversight.
Effect	The City was not in compliance with Measure M Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form M-One to LACMTA.
Managements Response	Staff did not submit corrected form on time with the updated information due to staff turnover.
Finding Corrected During the Audit	The City’s revised Form M-One was submitted and retroactively approved by LACMTA on October 29, 2019. No follow-up is required.

EXIT CONFERENCE

CITY OF LANCASTER
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS,
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
EXIT CONFERENCE
June 30, 2019

An exit conference was held on November 16, 2019 with the City of Lancaster. Those in attendance were:

Simpson & Simpson Representative(s):

Terry Bian, Senior Auditor
Bridgette Dong, Staff Auditor

City's Representative(s):

Tammie Holladay, Treasury Manager
Lany Hartanto, Accountant

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and five (5) non-compliance issue with Metro Guidelines.

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

Tammie Holladay, Treasury Manager
Pam Statsmann, Finance Director

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF LANCASTER ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, Transportation Development Act Article 3 Fund and Transportation Development Act Article 8 Fund for the years ended June 30, 2019 and 2018 for the City of Lancaster and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date