

***CITY OF PALMDALE
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 PALMDALE
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FINANCIAL SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Palmdale, 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 Palmdale, 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 Palmdale, 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 Palmdale, 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 19, 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 19, 2019

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

	2019	2018
ASSETS		
Cash and investments	\$ 6,101,555	\$ 5,342,801
Interest receivable	21,184	18,588
Total assets	\$ 6,122,739	\$ 5,361,389
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 77,388	\$ 25,968
Wages payable	1,018	77
Total liabilities	78,406	26,045
 Fund Balance		
Restricted	6,044,333	5,335,344
Total fund balance	6,044,333	5,335,344
Total liabilities and fund balance	\$ 6,122,739	\$ 5,361,389

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

CITY OF PALMDALE
PROPOSITION A LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
Proposition A	\$ 3,184,170	\$ 2,985,866
Interest income	108,793	68,494
Unrealized gain (loss) on investments	75,436	(28,955)
Total revenues	3,368,399	3,025,405
EXPENDITURES		
Various projects	2,659,410	2,420,878
Total expenditures	2,659,410	2,420,878
Excess of revenues over expenditures	708,989	604,527
Fund balance at beginning of year	5,335,344	4,730,817
Fund balance at end of year	\$ 6,044,333	\$ 5,335,344

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

CITY OF PALMDALE
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 (City Contribution to O&M)	\$ 2,642,180	\$ 2,305,395	\$ 336,785	\$ 2,001,747
180-01	New Vehicles/Parts, Repairs & Equipment Replacement	-	-	-	38,095
230-04	Park and Ride Security	90,000	78,080	11,920	60,993
270-01	HSR Station Planning	150,000	66,254	83,746	109,291
270-15	North County ITS Forum	120,000	37,790	82,210	201,824
270-16	Ave R - 5th St E to 40th St E	35,000	-	35,000	-
280-20	PTC & City Wayfinding Signage	32,970	-	32,970	-
290-04	Park & Ride Lot Improvement	35,000	102,966	(67,966) *	-
290-05	Marie Kerr Park and Ride Lot Improvements	200,000	-	200,000	-
310-20	Palmdale Transportation Center Wayfinding Signage	26,810	35,525	(8,715) *	8,838
400-01	Avenue R Interconnect Project-5th St E to 40th St E	670,000	33,400	636,600	90
480-01	Pension Stabilization	11,000	-	11,000	-
	Total expenditures	\$ 4,012,960	\$ 2,659,410	\$ 1,353,550	\$ 2,420,878

Note: Of the total fiscal year 2019 and fiscal year 2018 actual expenditures above, \$2,383,475 and \$2,062,740, respectively were transferred to the City's General Fund and were spent on approved Proposition A projects as listed above.

*Those are capital projects. The City received approvals from Metro on October 15, 2019 to amend the budgets for Park & Ride Lot Improvement and Palmdale Transportation Center Wayfinding Signage projects to \$100,000 and \$32,970, respectively.

See accompanying independent auditor's report.

CITY OF PALMDALE
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF PALMDALE
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 10,791,800	\$ 8,195,365
Due from Metro - Proposition C 25% Call for Projects Grant	602,912	1,265,282
Interest receivable	37,468	28,512
Total assets	\$ 11,432,180	\$ 9,489,159
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,079	\$ 28,318
Retention payable - Proposition C 25% Call for Projects Grant	-	241,250
Wages payable	738	424
Total liabilities	4,817	269,992
 Deferred Inflows of Resources		
Unavailable revenue - Proposition C 25% Call for Projects Grant (Note 10)	597,820	1,247,523
Total deferred inflows of resources	597,820	1,247,523
 Fund Balance		
Restricted	10,829,543	7,971,644
Total fund balance	10,829,543	7,971,644
Total liabilities, deferred inflows of resources and fund balance	\$ 11,432,180	\$ 9,489,159

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

CITY OF PALMDALE
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	\$ 2,641,179	\$ 2,505,141
Proposition C 25% Call for Projects Grant (Note 11)	1,190,324	2,759,645
Interest income	178,933	96,747
Unrealized gain (loss) on investments	133,683	(45,281)
Total revenues	4,144,119	5,316,252
EXPENDITURES		
Various projects funded by PCLRF	957,621	1,003,883
Various projects funded by Proposition C 25% Call for Projects Grant	328,599	1,009,794
Total expenditures	1,286,220	2,013,677
Excess of revenues over expenditures	2,857,899	3,302,575
Fund balance at beginning of year	7,971,644	4,669,069
Fund balance at end of year	\$ 10,829,543	\$ 7,971,644

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

CITY OF PALMDALE
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)

Project Code/ MOU No.	Project Name	2019		Variance Favorable (Unfavorable)	2018 Actual
		Metro Budget	Actual		
110-01	AVTA (City Contribution to O&M)	\$ 270,000	\$ 270,000 *	\$ -	\$ 258,534 *
310-13	Facility Lease Payment	589,900	589,894 **	6	547,594 **
440-05	Pavement Management Program	120,000	97,727	22,273	197,755
Total expenditures funded by PCLRF		\$ 979,900	\$ 957,621	\$ 22,279	\$ 1,003,883
F1300	North County Traffic Forum ITS Expansion		109,956		855,172
F3107	Avenue S Widening Phase II		135,125		66,539
F7121	Rancho Vista Boulevard Widening		83,518		88,083
Total expenditures funded by Proposition C 25% Call for Projects Grant			328,599		1,009,794
Total expenditures		\$	\$ 1,286,220	\$	\$ 2,013,677

* Of the total FY 2019 and FY 2018 actual expenditures funded by PCLRF above, \$270,000 and \$258,534, respectively, were transferred to the City's General Fund and were spent on approved Proposition C project 110-01 AVTA (City Contribution to O&M) as listed above.

** Of the total FY 2019 and FY 2018 actual expenditures funded by PCLRF above, \$589,894 and \$547,594, respectively, were transferred to the City's General Fund and were spent on approved Proposition C project 310-13 Facility Lease Payment, as listed above.

See accompanying independent auditor's report.

CITY OF PALMDALE
PROPOSITION C 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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ 7,494,218	\$ 7,072,640
Due from Metro - Measure R Highway Program Grant	4,964,605	3,402,080
Interest receivable	26,021	24,606
Total assets	\$ 12,484,844	\$ 10,499,326
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,029,551	\$ 500,850
Wages payable	3,345	3,088
Total liabilities	1,032,896	503,938
 Deferred Inflows of Resources		
Unavailable revenue - Measure R Highway Program Grant (Note 10)	2,521,493	2,894,761
Total deferred inflows of resources	2,521,493	2,894,761
 Fund Balance		
Restricted	8,930,455	7,100,627
Total fund balance	8,930,455	7,100,627
Total liabilities, deferred inflows of resources and fund balance	\$ 12,484,844	\$ 10,499,326

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

CITY OF PALMDALE
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	\$ 1,981,454	\$ 1,855,019
Measure R Highway Program Grant (Note 12)	7,729,995	3,261,087
Interest income	125,137	91,002
Unrealized gain (loss) on investments	92,206	(38,225)
Total revenues	9,928,792	5,168,883
EXPENDITURES		
Expenditures funded by MRLRF	744,765	59,704
Expenditures funded by Measure R Highway Program Grant	7,354,199	3,077,027
Total expenditures	8,098,964	3,136,731
Excess of revenues over expenditures	1,829,828	2,032,152
OTHER FINANCING SOURCES		
Proceeds from On-Bill Financing - SCE (Note 9)	-	150,291
Excess of revenues over expenditures and other financing sources	1,829,828	2,182,443
Fund balance at beginning of year	7,100,627	4,918,184
Fund balance at end of year	\$ 8,930,455	\$ 7,100,627

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

CITY OF PALMDALE
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/ MOU No.	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	RVB Widening - GAP Closure	\$ 785,400	\$ 50,662	\$ 734,738	\$ 44,134
1.05	ST Resuracing - Tech Dr 10TH SierraHWY	4,940,920	607,725	4,333,195	-
1.30	Roundabout @ S-8 & 40th St	63,000	28,212	34,788	2,209
1.30	Civic Center Complete Streets	48,580	37,250	11,330	1,422
5.40	Ave R & Uper/Metrolink Fiber	10,000	9,090	910	-
7.90	Civic Center Wayfinding Design & Engineering				
		20,000	11,826	8,174	11,939
	Total expenditures funded by MRLRF	\$ 5,867,900	\$ 744,765	\$ 5,123,135	\$ 59,704
MR460064	Rancho Vista Grade Blvd Grade Separation		215,954		809,485
MR330.09	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East		483,925		1,049,614
MR330.09	State Route 138 (SR-14) 10th St. West Interchange		313,157		587,887
MR330.08	State Route 138 (SR-14) Southbound Off- Ramp at Palmdale Blvd. and Interchange Improvement		465,170		494,122
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd		5,131,063		115,657
MR330.11	SR-138 Avenue N Overcrossing		721,115		8,340
F0050208	LED Retrofit Project (Note 9)		23,815		11,922
	Total expenditures funded by Measure R Highway Program Grant		7,354,199		3,077,027
	Total expenditures		\$ 8,098,964		\$ 3,136,731

See accompanying independent auditor's report.

CITY OF PALMDALE
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF PALMDALE
MEASURE M LOCAL RETURN FUND
BALANCE SHEET
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 3,414,112	\$ 1,680,265
Interest receivable	11,853	5,846
Total assets	\$ 3,425,965	\$ 1,686,111
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 19,412	\$ -
Total liabilities	19,412	-
 Fund Balance		
Restricted	3,406,553	1,686,111
Total fund balance	3,406,553	1,686,111
Total liabilities and fund balance	\$ 3,425,965	\$ 1,686,111

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

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

	2019	2018
REVENUES		
Measure M	\$ 2,233,432	\$ 1,681,072
Interest income	52,402	14,676
Unrealized gain (loss) on investments	42,333	(9,637)
Total revenues	2,328,167	1,686,111
 EXPENDITURES		
St. Resurfacing - Tech Dr. 10th Sierra Hwy.	607,725	-
Total expenditures	607,725	-
 Excess of revenues over expenditures	1,720,442	1,686,111
 Fund balance at beginning of year	1,686,111	-
 Fund balance at end of year	\$ 3,406,553	\$ 1,686,111

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

CITY OF PALMDALE
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	St. Resurfacing - Tech Dr. 10th Sierra Hwy.	\$ 785,400	\$ 607,725	\$ 177,675	\$ -
	Total expenditures	\$ 785,400	\$ 607,725	\$ 177,675	\$ -

See accompanying independent auditor's report.

CITY OF PALMDALE
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
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ 35,148	\$ 8,580
Interest receivable	124	30
Total assets	\$ 35,272	\$ 8,610
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 527	\$ -
Total liabilities	527	-
 Fund Balance		
Restricted	34,745	8,610
Total fund balance	34,745	8,610
Total liabilities and fund balance	\$ 35,272	\$ 8,610

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

CITY OF PALMDALE
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	\$ 99,081	\$ -
Interest income	168	165
Unrealized loss on investments	(2)	(42)
Total revenues	99,247	123
 EXPENDITURES		
Various projects	73,112	12,670
Total expenditures	73,112	12,670
 Excess (deficiency) of revenues over (under) expenditures	26,135	(12,547)
 Fund balance at beginning of year	8,610	21,157
 Fund balance at end of year	\$ 34,745	\$ 8,610

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

CITY OF PALMDALE
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					
ADA Compliance	2019	\$ 67,551	\$ 54,124	\$ 13,427	Ongoing
Massari Park Sidewalk Repair	2019	31,530	18,988	12,542	Ongoing
	Total	<u>\$ 99,081</u>	<u>\$ 73,112</u>	25,969	
Unexpended interest accumulated to date				166	
Fund balance at beginning of year				8,610	
Fund balance at end of year				<u>\$ 34,745</u> *	

* The City has encumbered the remaining fund balance of \$34,745 for both projects as of June 30, 2019.

See accompanying independent auditor's report.

CITY OF PALMDALE
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 1,332,556	\$ 1,962,003
Due from Metro	528,525	-
Interest receivable	4,626	6,826
Total assets	\$ 1,865,707	\$ 1,968,829
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 19,412	\$ -
Total liabilities	19,412	-
 Fund Balance		
Restricted	1,846,295	1,968,829
Total fund balance	1,846,295	1,968,829
Total liabilities and fund balance	\$ 1,865,707	\$ 1,968,829

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

CITY OF PALMDALE
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2019	2018
REVENUES		
TDA 8	\$ 6,342,354	\$ 6,150,445
Interest income	25,999	15,734
Unrealized gain (loss) on investments	16,225	(11,130)
Total revenues	6,384,578	6,155,049
 EXPENDITURES		
Various projects	6,507,112	5,460,486
Total expenditures	6,507,112	5,460,486
 (Deficiency) excess of revenues (under) over expenditures	 (122,534)	 694,563
 Fund balance at beginning of year	 1,968,829	 1,274,266
 Fund balance at end of year	 \$ 1,846,295	 \$ 1,968,829

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

CITY OF PALMDALE
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 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					
Traffic Engineering	2019	\$ 1,749,684	\$ 607,725	\$ 1,141,959	Ongoing
Street Maintenance	2019	<u>4,592,670</u>	<u>5,899,387</u>	<u>(1,306,717)</u>	Ongoing
Total		<u>\$ 6,342,354</u>	<u>\$ 6,507,112</u>	(164,758)	
Unexpended interest accumulated to date				42,224	
Fund balance at beginning of year				<u>1,968,829</u>	
Fund balance at end of year				<u>\$ 1,846,295</u> *	

* The City has encumbered the remaining fund balance of \$1,846,295 for both projects as of June 30, 2019.

See accompanying independent auditor's report.

CITY OF PALMDALE
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 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 balances 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 PALMDALE
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 Governmental 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 classification 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).

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 PALMDALE
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 – TDA ARTICLE 3 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 – TDA ARTICLE 8 COMPLIANCE REQUIREMENTS

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 monthly balances to the total of the pooled cash and investments.

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

NOTE 9 – ON-BILL FINANCING FROM SCE

The City and Southern California Edison (SCE) entered into the Energy Management Solution Incentive Application (EMS Agreement) with the California Public Utilities Commission (CPUC) in May 2014. After submission of the application, the City has completed installation of energy efficient equipment (Equipment) at the sites as set forth in the EMS Agreement. In Decision 12-11-015, the CPUC authorized SCE to provide zero-percent financing for the installation of Equipment, which is to be repaid over a specified period through the City's electric utility bill (On-Bill Financing).

In March 2018, the City entered into four (4) OBF Agreements with SCE for installation of the safety street lights at Sites 1-25, 26-50, 51-75 and Sites 76-105 in accordance with EMS Agreement. The safety streetlights are components of the traffic signal infrastructure, and Sites 1-105 consist of the various streetlights located throughout the City. The repayment of all four (4) Agreements will be over one hundred twenty (120) months. The total proceeds received from OBF loans in FY 2017/18 was \$150,291. The first payments were made in January 2019. For fiscal year ended June 30, 2019 and 2018, the City paid \$23,815 and \$11,922, respectively, which was reported under LED Retrofit Project, a project funded by Measure R Highway Grant.

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 PCLRF was \$597,820 and \$1,247,523, respectively, from Proposition C 25% Call for Projects Grant.

As of June 30, 2019, and 2018, the deferred inflows of resources reported in MRLRF were \$2,521,493 and \$2,894,761, respectively, from Measure R Highway Program Grant.

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

NOTE 11 – PROPOSITION C 25% CALL FOR PROJECTS GRANT REVENUE

For the fiscal years ended June 30, 2019 and 2018, Proposition C 25% Call for Projects Grant had the following projects revenues:

<u>MOU.NO</u>	<u>Project Name</u>	<u>2019</u>	<u>2018</u>
F1300	North County Traffic Forum ITS Expansion	\$ -	\$ 382,354
F3107	Avenue S Widening Phase II	1,091,241	2,268,642
F7121	Rancho Vista Boulevard Widening	99,083	108,649
	Total revenues	<u>\$ 1,190,324</u>	<u>\$ 2,759,645</u>

NOTE 12 – MEASURE R HIGHWAY PROGRAM GRANT REVENUE

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

<u>MOU.NO</u>	<u>Project Name</u>	<u>2019</u>	<u>2018</u>
MR460064	Rancho Vista Grade Blvd Grade Separation	\$ 739,730	\$ 416,720
MR330.09	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East	888,721	630,909
MR330.09	State Route 138 (SR-14) 10th St. West Interchange	516,464	299,839
MR330.08	State Route 138 (SR-14) Southbound Off- Ramp at Palmdale Blvd. and Interchange Improvement	588,990	469,318
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd	4,306,039	1,436,844
MR330.11	SR-138 Avenue N Overcrossing	690,051	7,457
	Total revenues	<u>\$ 7,729,995</u>	<u>\$ 3,261,087</u>

NOTE 13 – TDA 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	\$ 49,569	\$ -
FY 2015-16 allocation	49,512	-
Total payments requested	<u>\$ 99,081</u>	<u>\$ -</u>

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

NOTE 13 – TDA FUNDS REVENUE ALLOCATION (continued)

TDA Article 8 Fund

	2019	2018
FY 2017-18 allocation	\$ -	\$ 6,150,445
FY 2018-19 allocation	6,342,354	-
Total payments requested	<u>\$ 6,342,354</u>	<u>\$ 6,150,445</u>

NOTE 14 – TDA 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 follows:

TDA Article 3 Fund

	2019	2018
FY 2014-15 allocation	\$ -	\$ 49,569
FY 2015-16 allocation	49,657	99,169
FY 2016-17 allocation	104,017	104,017
FY 2017-18 allocation	104,231	104,231
FY 2018-19 allocation	107,503	-
Available reserve balance	<u>\$ 365,408</u>	<u>\$ 356,986</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

	2019	2018
FY 2017-18 allocation	\$ -	\$ -
FY 2018-19 allocation	-	-
Available reserve balance	<u>\$ -</u>	<u>\$ -</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.

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 19, 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.



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 Palmdale, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, Transportation Development Act Article 3 Fund and Transportation Development Act Article 8 Fund (collectively, the Funds) of the City of Palmdale, 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 19, 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 City’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 19, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Palmdale, 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 Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act 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.



Report on Internal Control Over Compliance

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

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

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

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

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

Los Angeles, California
December 19, 2019

CITY OF PALMDALE
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	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	X			None	
5.	Administrative expenditures are within the 20% cap of the total annual Local Return Expenditures.			X	None	There were no administrative expenditures in FY 2018/19.
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	
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

CITY OF PALMDALE
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	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenditures in FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
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 FY 2018/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

CITY OF PALMDALE
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		X	None	
7.	Expenditure Plan (Form One) was submitted on time.	X		X	None	
8.	Expenditure Report (Form Two) was submitted on time.	X		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 FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
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 FY 2018/19.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2018/19.

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

No findings were noted.

EXIT CONFERENCE

CITY OF PALMDALE
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 December 19, 2019 with the City of Palmdale. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Joyce Workman, Senior Financial Analyst

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and non-compliance issues 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:

Joyce Workman, Senior Financial Analyst

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

RE: CITY OF PALMDALE 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 fiscal years ended June 30, 2019 and 2018 for the City of Palmdale and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date