

***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, 2020 AND 2019***



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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 18, 2020, 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 18, 2020

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 2,815,618	\$ 2,747,972
Interest receivable	<u>3,144</u>	<u>12,047</u>
Total assets	<u>\$ 2,818,762</u>	<u>\$ 2,760,019</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 10,786	\$ 16,318
Wages payable	<u>1,927</u>	<u>-</u>
Total liabilities	<u>12,713</u>	<u>16,318</u>
 Fund Balance		
Restricted	<u>2,806,049</u>	<u>2,743,701</u>
Total fund balance	<u>2,806,049</u>	<u>2,743,701</u>
Total liabilities and fund balance	<u>\$ 2,818,762</u>	<u>\$ 2,760,019</u>

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

	2020	2019
REVENUES		
Proposition A	\$ 3,129,492	\$ 3,168,410
Interest income	18,992	26,014
Unrealized gain (loss) on investments	(6,893)	23,137
Total revenues	3,141,591	3,217,561
 EXPENDITURES		
Various projects	3,079,243	3,744,289
Total expenditures	3,079,243	3,744,289
 Excess (deficiency) of revenues over expenditures	62,348	(526,728)
 Fund balance at beginning of year	2,743,701	3,270,429
 Fund balance at end of year	\$ 2,806,049	\$ 2,743,701

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	AVTA Transit Services	\$ 1,124,004	\$ 1,155,754	\$ (31,750)	\$ 1,535,290
140-01	Recreational Transit Services	20,000	-	20,000	20,000
150-05	2017 Bus Stop Improvements	489,240	45,554	443,686	125,512
150-06	17/18 Bus Stop Improvements	769,766	-	769,766	8,362
150-07	2018/19 Bus Stop Improvements (15ST067)	555,575	-	555,575	-
160-01	Bus Stop Improvements (as part of Project 12ST037)	34,202	2,768	31,434	179,153
160-03	Bus Stop Improvements (as part of Project 15ST042)	111,385	-	111,385	138,615
160-04	Bus Stop Improvements (as part of Project 16ST007)	30,952 a	42,689	(11,737)	3,924
170-02	Bus Shelter/ Bench Maintenance	83,180	81,180	2,000	79,200
170-03	Care and Maintenance of AVTA Transfer Center	19,760	19,858	(98)	45,585
230-01	Park & Ride Security Program	30,000	25,581	4,419	51,748
270-02	Vendor & Bid Management Software	7,416	-	7,416	-
290-01	Blvd Parking Lot Improvements (12AC002)	700,000	25,383	674,617	-
300-01	Transportation Mgmt Center (11BS027)	104,934	1,666	103,268	-
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	52,747	52,330	417	4,427
480-05	General Fund Overhead Allocation	127,473 b	201,480	(74,007)	127,473
	Total expenditures	\$ 5,685,634	\$ 3,079,243	\$ 2,606,391	\$ 3,744,289

a) The City received a retroactive approval from Metro on October 12, 2020 to amend the budget for Project 160-04, Bus Stop Improvements (as part of Project 16ST007) from \$30,952 to \$42,687. See Compliance and Schedule of Findings and Recommendations, Finding No. 2020-001.

b) The City received a retroactive approval from Metro on December 18, 2020 to amend the budget for Project 480-05, General Fund Overhead Allocation from \$127,473 to \$201,480. See Compliance and Schedule of Findings and Recommendations, Finding No. 2020-001.

See accompanying independent auditor's report.

CITY OF LANCASTER
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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

	2020	2019
ASSETS		
Cash and investments	\$ 3,646,885	\$ 4,813,896
Interest receivable	4,073	21,103
Total assets	\$ 3,650,958	\$ 4,834,999
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 39,400	\$ -
Total liabilities	39,400	-
 Fund Balance		
Restricted	3,611,558	4,834,999
Total fund balance	3,611,558	4,834,999
Total liabilities and fund balance	\$ 3,650,958	\$ 4,834,999

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

	2020	2019
REVENUES		
Proposition C	\$ 2,595,921	\$ 2,628,107
Interest income	47,625	46,326
Unrealized gain (loss) on investments	(12,079)	27,383
Project reimbursements (Note 15)	69,487	-
Total revenues	2,700,954	2,701,816
EXPENDITURES		
Various projects	4,096,999	1,122,701
Total expenditures	4,096,999	1,122,701
Excess (deficiency) of revenues over expenditures	(1,396,045)	1,579,115
OTHER FINANCING SOURCES		
Proceed from sale of land	172,604	-
Total other financing sources	172,604	-
Excess (deficiency) of revenues over expenditures and other financing sources	(1,223,441)	1,579,115
Fund balance at beginning of year	4,834,999	3,255,884
Fund balance at end of year	\$ 3,611,558	\$ 4,834,999

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
170-03	Care and Maintenance of AVTA Transfer Center	\$ 165,000	\$ 94,526	\$ 70,474	\$ -
180-02	Stencil Truck Purchase	115,856	115,865	(9)	-
270-02	Vendor & Bid Management Software	16,420	-	16,420	-
290-02	Park & Ride Parking Lot Refurbishment (12AC003)	905,000	413	904,587	-
300-01	Transportation Mgmt Center (11BS027)	136,912	1,274	135,638	-
430-01	10th St W Bikeway and Road Diet (15BW008)	134,275	40,285	93,990	-
430-02	2020 ATP-SRTS Pedestrian Improvements (15SW017)	1,190,987	1,059,646	131,341	5,328
430-03	10th Street West and Avenue J Improvements (12ST039)	37,567	37,567	-	-
440-02	Street Repair - 20th W & Lanc Blvd to Ave J (12ST032)	37,618	-	37,618	10,356
450-05	10th Street West Gap Closure	-	-	-	514
450-16	Avenue I Streetscape Enhancements, 15th St W to 10th St W	43,312	-	43,312	199,590
450-18	Lancaster Auto Mall	-	-	-	19,525
450-20	Sidewalk Improvements at Railroad Crossings	49,000	-	49,000	-
450-21	Intersection Improvements - 10th W & 30th W at Ave I	206,530	191,227	15,303	430,730
450-24	10th Street West and Ave K Improvements	-	-	-	400,000
450-28	15th Street West and Lancaster Blvd Roundabouts	-	-	-	720
450-31	Lancaster Health District (15ST058)	1,490,165	285,175	1,204,990	-
450-32	Ave K & Challenger Drainage (17SD027)	61,000	8,500	52,500	-
470-05	Cole Middle School and Tierra Bonita	-	-	-	741
470-08	15-16 Pavement Management Program/ Revive 25	-	-	-	1,754
	Subtotal	<u>4,589,642</u>	<u>1,834,478</u>	<u>2,755,164</u>	<u>1,069,258</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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)
(Continued)

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
470-09	2016/17 Pavement Management Program R-25	23,303	-	23,303	30,683
470-10	17/18 Pavement Management Program	862,766	644,477	218,289	-
470-11	2018-19 Pavement Management Program R-25 (12ST038)	1,825,220	1,542,844	282,376	22,760
470-12	2019-20 Pavement Management Program R-25 (12ST040)	197,000	74,338	122,662	-
470-13	2021 Pavement Management Program (12ST041)	- a	862	(862)	-
	Total expenditures	\$ 7,497,931	\$ 4,096,999	\$ 3,400,932	\$ 1,122,701

a) The City received a retroactive approval from Metro on December 18, 2020 to use Proposition C Local Return funds in the amount of \$862 for Project Code 470-03, 2021 Pavement Management Program (12ST041). See Compliance and Schedule of Findings and Recommendations, Finding No. 2020-001.

See accompanying independent auditor's report.

CITY OF LANCASTER
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 394,554	\$ 1,576,584
Accounts receivable (Note 11)	246,338	-
Interest receivable	618	6,912
Due from other government (Note 10)	2,146,955	2,641,312
Total assets	<u>\$ 2,788,465</u>	<u>\$ 4,224,808</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 Deferred Inflows of Resources		
Unavailable revenue (Note 10)	2,146,955	2,641,312
Total deferred inflows of resources	<u>2,146,955</u>	<u>2,641,312</u>
 Fund Balance		
Restricted	641,510	1,583,496
Total fund balance	<u>641,510</u>	<u>1,583,496</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,788,465</u>	<u>\$ 4,224,808</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

	2020	2019
REVENUES		
Measure R	\$ 1,944,155	\$ 1,971,647
Measure R Highway Program Grant (Note 12)	4,945,065	422,963
Project reimbursements (Note 15)	349,256	-
Interest income	4,275	37,536
Unrealized gain (loss) on investments	(3,958)	20,783
Total revenues	7,238,793	2,452,929
EXPENDITURES		
Various projects funded by MRLRF	3,716,155	4,064,021
Various projects funded by Measure R Highway Program Grant (Note 12)	4,464,624	1,927,811
Total expenditures	8,180,779	5,991,832
Deficiency of revenues over expenditures	(941,986)	(3,538,903)
Fund balance at beginning of year	1,583,496	5,122,399
Fund balance at end of year	\$ 641,510	\$ 1,583,496

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
<u>Expenditures Funded by MRLRF</u>					
1.05	2015 Pavement Management Program 12ST034	\$ 115	\$ -	\$ 115	\$ -
1.05	16/17 Pavement Mgmt/Revive 25 12ST036	1,092,598	820,816	271,782	230,267
1.05	Street Rehab/ Repair 20th W and Lancaster Blvd to Avenue J	-	-	-	124,198
1.05	Avenue J-2 Street Improvements at 17th Street E	-	-	-	67,445
1.05	17/18 Pavement Management Program - R-25 12ST037	42,413	109,273	(66,860)	443,122
1.05	Avenue H and 7th Street W Improvements 15ST064	515,000	-	515,000	-
1.05	Lancaster Blvd Road Diets, 10th St W to Valley Central Way	-	-	-	2,014
1.05	PDWP Gap Closure (K-4) 15ST077	363,636	210,311	153,325	-
1.05	2020 Long Line Stripe 15ST078	340,000	2,281	337,719	-
1.05	Ave K/SR 14 Interchange -MSR R 15BR004	1,080,842	-	1,080,842	-
1.05	Lancaster Financing Authority (Fund 701) Debt Service Bond issued (Note 16)	- a	1,081,868	(1,081,868)	-
1.20	15th ST East/Lancaster Blvd Roundabout 16ST006	1,224	-	1,224	865,361
1.20	15th ST West/Lancaster Blvd Roundabout 16ST005	53,123	53,123	-	138,930
1.25	Ave I St Improvements Challenger to Price 15ST053	190,308	39,558	150,750	82,476
1.25	Ave I St Improvements Price to 35th St E 15ST054	159,303	97,232	62,071	114,772
1.90	Trevor Avenue Widening	-	-	-	10,005
3.05	10th ST W Road Diet and Bikeway Improvement Project	106,735	27,373	79,362	123,153
3.05	Cole Middle School/ Tierra Bonita Pedestrian Improvements	-	-	-	542,550
3.05	5th St E Corridor Improvements 15ST055	57,926	29,258	28,668	327,112
3.05	Intersection Improvements 10th W and 30th W at Avenue K	862,196	788,835	73,361	454,274
3.05	Pedestrian Gap Closure Imps 15SW016	300,000	-	300,000	-
3.05	10th Street West and Avenue J Bike & Pedestrian Improvement	252,952	223,893	29,059	-
3.90	2020 ATP - Safe Routes to School (SRTS) Pedestrian Improvements	430,815	232,334	198,481	538,342
	Total expenditures funded by MRLRF	<u>5,849,186</u>	<u>3,716,155</u>	<u>2,133,031</u>	<u>4,064,021</u>
<u>Expenditures Funded by Measure R Highway Program Grant</u>					
1.05	15BR004 Ave K/SR 14 Interchange	12,701,311	1,545,130	11,156,181	375,158
1.05	15BR005 Ave M/SR 14 Interchange	17,670,344	1,299,263	16,371,081	126,375
1.05	15BR006 Ave G/SR 14 Interchange	13,212,147	80,251	13,131,896	173,628
1.05	15BR007 Ave J/SR 14 Interchange	7,050,977	1,229,326	5,821,651	1,162,348
1.05	15BR008 Ave L/SR 14 Interchange	4,496,354	310,654	4,185,700	90,302
	Total expenditures funded by Measure R Highway Program Grant	<u>55,131,133</u>	<u>4,464,624</u>	<u>50,666,509</u>	<u>1,927,811</u>
	Total expenditures funded by MRLRF and Measure R Highway Program Grant	<u>\$ 60,980,319</u>	<u>\$ 8,180,779</u>	<u>\$ 52,799,540</u>	<u>\$ 5,991,832</u>

a) The City received a retroactive approval from Metro on November 3, 2020 to use Measure R Local Return funds in the amount of \$1,081,868 for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond Issued. See Compliance and Schedule of Findings and Recommendations, Finding No. 2020-003.

See accompanying independent auditor's report.

CITY OF LANCASTER
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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

	2020	2019
ASSETS		
Cash and investments	\$ 1,947,455	\$ 2,922,458
Interest receivable	2,003	12,812
Total assets	\$ 1,949,458	\$ 2,935,270
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 78,271	\$ 22,097
Total liabilities	78,271	22,097
 Fund Balance		
Restricted	1,871,187	2,913,173
Total fund balance	1,871,187	2,913,173
Total liabilities and fund balance	\$ 1,949,458	\$ 2,935,270

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

	2020	2019
REVENUES		
Measure M	\$ 2,189,618	\$ 2,219,424
Interest income	29,515	27,964
Unrealized gain (loss) on investments	(7,333)	16,316
Total revenues	2,211,800	2,263,704
 EXPENDITURES		
Various projects	3,253,786	723,594
Total expenditures	3,253,786	723,594
 Excess (deficiency) of revenues over expenditures	(1,041,986)	1,540,110
 Fund balance at beginning of year	2,913,173	1,373,063
 Fund balance at end of year	\$ 1,871,187	\$ 2,913,173

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, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	17/18 Pavement Management Program R-25	\$ 1,154,868	\$ 1,115,910	\$ 38,958	\$ 484,057
1.05	Ave I Street Improvements Price Lane to 35th Street East	27,000	-	27,000	-
1.05	18/19 Pavement Management Program R-25	168,243	100,840	67,403	14,417
1.05	2020 Pavement Management Program	24,090	20,282	3,808	75,785
1.05	Ave I & Sierra M-MSP	91,348	-	91,348	-
1.05	Ave I, 15th W to 30 W M-MSP	189,017	-	189,017	-
1.05	2019 Sidewalk, Curb & Gutter Repair 12ST044	72,000	34,857	37,143	-
1.05	To pay Lancaster Financing Authority (Fund 701) Debt Service (Note 16)	1,622,165	1,622,289	(124)	-
1.05	PDWP Gap Closure (K-4) 15ST077	25,000	-	25,000	-
1.10	Gadsden and Kildare Improvements	800,000	-	800,000	-
1.20	15th St West/Lancaster Blvd Roundabout	41,625	3,876	37,749	55,375
1.20	15th St East/Lancaster Blvd Roundabout	28,125	-	28,125	-
1.20	Traffic Overhead Sign Replacement	200,000	-	200,000	-
2.03	LED Light Signals	-	-	-	34,498
2.09	REPL - Equipment & Machinery	-	-	-	59,462
3.05	Pedestrian Gap Closure Improvements 15SW016	1,442,334	36,043	1,406,291	-
3.05	ATP-SRTS Pedestrian Improvements 15SW017	172,205	172,157	48	-
5.10	Equipment Purchase	294,286	147,532	146,754	-
Total expenditures \$		<u>6,352,306</u>	<u>3,253,786</u>	<u>3,098,520</u>	<u>723,594</u>

See accompanying independent auditor's report.

CITY OF LANCASTER
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date <u>Acquired</u>	<u>Description</u>	Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2020</u>
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	<u>\$ 59,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,462</u>

See accompanying independent auditor's report.

CITY OF LANCASTER
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)

BALANCE SHEETS

June 30

	2020	2019
ASSETS		
Cash and investments	\$ 189	\$ -
Interest receivable	44	-
Total assets	\$ 233	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 42,932	\$ -
Due to General Fund	3,984	4,090
Total liabilities	46,916	4,090
 Fund Balance		
Unassigned	(46,683)	(4,090)
Total fund balance	(46,683)	(4,090)
Total liabilities and fund balance	\$ 233	\$ -

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

	2020	2019
REVENUES		
TDA 3	\$ 91,749	\$ 66,862
Project reimbursements (Note 15)	79	-
Interest income	44	-
Total revenues	91,872	66,862
 EXPENDITURES		
Various projects	134,465	14,696
Total expenditures	134,465	14,696
 Excess (deficiency) of revenues over expenditures	(42,593)	52,166
 Fund balance at beginning of year	(4,090)	(56,256)
 Fund balance at end of year	\$ (46,683)	\$ (4,090)

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, 2020

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
10th St W & Ave J Improvements (HSIP) -12ST039	2019-20	\$ 51,680	\$ 63,325	\$ (11,645)	Ongoing
10th St W Bikeway & Road Diet 15BW008	2019-20	<u>40,069</u>	<u>71,140</u>	<u>(31,071)</u>	Ongoing
	Total	<u>\$ 91,749</u>	<u>\$ 134,465</u>	<u>(42,716)</u>	
Unexpended interest accumulated to date				44	
Project reimbursements				79	
Fund balance at beginning of year				<u>(4,090)</u>	
Fund balance at end of year				<u>\$ (46,683)</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

	2020	2019
ASSETS		As Restated (Note 17)
Cash and investments	\$ 2,221,891	\$ -
Due from Metro	-	10,873,330
Total assets	\$ 2,221,891	\$ 10,873,330
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 379,487
Due to General Fund	2,221,891	10,293,011
Total liabilities	2,221,891	10,672,498
 Fund Balance		
Restricted	-	200,832
Total fund balance	-	200,832
Total liabilities and fund balance	\$ 2,221,891	\$ 10,873,330

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

	2020	2019
REVENUES		As Restated (Note 17)
TDA 8	\$ 8,057,160	\$ 10,873,330
Interest income	781	-
Total revenues	8,057,941	10,873,330
EXPENDITURES		
Various projects	8,258,773	8,938,845
Total expenditures	8,258,773	8,938,845
Excess (deficiency) of revenues over expenditures	(200,832)	1,934,485
Fund balance at beginning of year, as restated (Note 17)	200,832	(1,733,653)
Fund balance at end of year	\$ -	\$ 200,832

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, 2020

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
2015 Pavment Management Program-R25	2016	\$ 275	\$ -	\$ 275	Complete
15/16 Pavement Management Program-R25	2016	65	-	65	Complete
15/16 Lancaster Health District	2016	268,279	224,752	43,527	Ongoing
16/17 Pavement Management Program-R25	2017	608,635	599,424	9,211	Ongoing
Ave I Streetscape Enhance	2018	13,680	2,165	11,515	Ongoing
17/18 Pavement Management Program-R25	2018	537,761	466,396	71,365	Ongoing
2017 Parks Concrete Repair	2018	280,520	232,413	48,107	Ongoing
10th St W & Ave J Imps (HSIP)	2018	58,540	58,540	-	Ongoing
Ave I St Imp Challenger-Price	2018	320,000	200,430	119,570	Ongoing
Ave I St Imp Price-35th St E	2018	120,000	75,575	44,425	Ongoing
15th St W/ Lancaster Blvd Roundabout	2018	422	-	422	Ongoing
Traffic Operations and Maintenance	2018	680,000	680,000	-	Ongoing
Street Maintenance	2018	3,344,122	5,156,423	(1,812,301)	Ongoing
15th St E/ Lancaster Blvd Roundabout	2019	136,547	94,933	41,614	Ongoing
10th St W Bikeway& Road Diet	2019	258,000	-	258,000	Ongoing
Redundant Street Lighting	2019	290,000	-	290,000	Ongoing
Install of D3-1 St Sign	2019	174,413	-	174,413	Ongoing
2019 Long Line Striping	2019	319,034	169,479	149,555	Ongoing
Traffic Overhead Sign Replace	2019	400,000	94,049	305,951	Ongoing
2020 Pavement Mnagement Program	2020	32,121	31,450	671	Ongoing
PDWP Gap Closure (K-4)	2020	-	70,000	(70,000)	Ongoing
2020 Long Line Stripe	2020	-	1,700	(1,700)	Ongoing
Pedestrian Gap Closure Imps	2020	172,746	95,044	77,702	Ongoing
2020 ATP-SRTS Ped Imp	2020	42,000	6,000	36,000	Ongoing
	Total	<u>\$ 8,057,160</u>	<u>\$ 8,258,773</u>	<u>\$ (201,613)</u>	
Unexpended interest accumulated to date				781	
Fund balance at beginning of year, as restated				200,832	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

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 the 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. The statement of revenues, 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, 2020 and 2019
(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 2020 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, 2020:

- 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, 2020 and 2019
(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 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, 2020 and 2019
(Continued)

NOTE 9 – PROPOSITION A LOCAL RETURN FUND EXCHANGE

On July 17, 2018, the City entered into three year fund exchange 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 applicable from fiscal year ended June 30, 2019 to fiscal year ended June 30, 2021.

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, 2020 and 2019, 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, 2020, and 2019, the amounts were reported as deferred inflows of resources. As of June 30, 2020, and 2019, the deferred inflows of resources reported in MRLRF were \$2,146,955 and \$2,641,312, respectively from Measure R Highway Program Grant.

<u>MOU Number</u>	<u>Project Name</u>	<u>2020</u>	<u>2019</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$ 544,683	\$ 517,634
MR330.03	15BR006 Ave G/SR 14 Interchange	133,197	243,276
MR330.04	15BR007 Ave J/SR 14 Interchange	357,109	1,445,235
MR330.05	15BR008 Ave L/SR 14 Interchange	276,842	127,353
MR330.06	15BR005 Ave M/SR 14 Interchange	835,124	307,814
		<u>\$ 2,146,955</u>	<u>\$ 2,641,312</u>

NOTE 11 – MEASURE R HIGHWAY PROGRAM GRANT ACCOUNTS RECEIVABLE

For fiscal years ended June 30, 2020 and 2019, Measure R Highway Program Grant had the following accounts receivable, which represent revenues collected within 60 days after year end:

<u>MOU Number</u>	<u>Project Name</u>	<u>2020</u>	<u>2019</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$ 245,817	\$ -
MR330.05	15BR008 Ave L/SR 14 Interchange	521	-
		<u>\$ 246,338</u>	<u>\$ -</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 12 – MEASURE R HIGHWAY PROGRAM GRANT REVENUES AND EXPENDITURES

For fiscal years ended June 30, 2020 and 2019, Measure R Highway Program Grant had the following projects revenues:

<u>MOU Number</u>	<u>Project Name</u>	<u>2020</u>	<u>2019</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$ 166,077	\$ 166,077
MR330.03	15BR006 Ave G/SR 14 Interchange	188,633	128,810
MR330.04	15BR007 Ave J/SR 14 Interchange	2,304,484	61,854
MR330.05	15BR008 Ave L/SR 14 Interchange	161,163	31,956
MR330.06	15BR005 Ave M/SR 14 Interchange	771,953	34,266
		<u>\$ 4,945,065</u>	<u>\$ 422,963</u>

For fiscal years ended June 30, 2020 and 2019, Measure R Highway Program Grant had the following projects expenditures:

<u>MOU Number</u>	<u>Project Name</u>	<u>2020</u>	<u>2019</u>
MR330.02	15BR004 Ave K/SR 14 Interchange	\$ 1,545,130	\$ 375,158
MR330.03	15BR006 Ave G/SR 14 Interchange	80,251	173,628
MR330.04	15BR007 Ave J/SR 14 Interchange	1,229,326	1,162,348
MR330.05	15BR008 Ave L/SR 14 Interchange	310,654	90,302
MR330.06	15BR005 Ave M/SR 14 Interchange	1,299,263	126,375
		<u>\$ 4,464,624</u>	<u>\$ 1,927,811</u>

NOTE 13 – TRANSPORTATION DEVELOPMENT ACT FUNDS REVENUE ALLOCATION

The revenue allocation for the fiscal years ended June 30, 2020 and 2019 consisted of the following:

TDA Article 3 Fund

	<u>2020</u>	<u>2019</u>
FY 2014-15 allocation	\$ -	\$ 38,879
FY 2015-16 allocation	73,875	27,983
FY 2016-17 allocation	17,874	-
Total payments requested	<u>\$ 91,749</u>	<u>\$ 66,862</u>

TDA Article 8 Fund

	<u>2020</u>	<u>2019</u>
FY 2016-17 allocation	\$ -	\$ 2,190,875
FY 2017-18 allocation	-	6,036,022
FY 2018-19 allocation	3,664,531	2,646,433
FY 2019-20 allocation	4,392,629	-
Total payments requested	<u>\$ 8,057,160</u>	<u>\$ 10,873,330</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 14 – 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, 2020, and 2019, the City has funds on reserve as follow:

TDA Article 3 Fund

	2020	2019
FY 2015-16 allocation	\$ -	\$ 73,875
FY 2016-17 allocation	88,644	106,518
FY 2017-18 allocation	102,292	102,292
FY 2018-19 allocation	106,971	106,971
FY 2019-20 allocation	116,462	-
Available reserve balance	\$ 414,369	\$ 389,656

For fiscal year 2019-20, any TDA Article 3 funds left on reserve for FY 2015-16 or prior, are subject to lapse if not by claimed by the City by June 30, 2020. There were no lapsed funds in FY 2019-20.

TDA Article 8 Fund

	2020	2019
FY 2018-19 allocation	\$ -	\$ 3,664,531
FY 2019-20 allocation	2,470,023	-
Available reserve balance	\$ 2,470,023	\$ 3,664,531

For fiscal year 2019-20, any TDA Article 8 funds left on reserve for FY 2015-16 or prior, are subject to lapse if not by claimed by the City by June 30, 2020. There were no lapsed funds in FY 2019-20.

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

**NOTE 15 – LOCAL RETURN FUNDS AND TRANSPORTATION DEVELOPMENT ACT
PROJECT REIMBURSEMENTS**

For June 30, 2020, the following project reimbursements were noted:

PCLRF

Project No.	Project Name	Purpose	Entity name	Amount
12ST037	Pavement Management Program	Reimbursement from MRLRF funds to cover project costs initially made from PCLRF funding.	MRLRF	\$ 69,181
16ST007	Intersection Improvements 10th St W and 30th W at Avenue K	Reimbursement from TEA funds to cover project costs initially made from PCLRF funding.	Federal HSIP Funds	306
Total				\$ <u>69,487</u>

MRLRF

Project No.	Project Name	Purpose	Entity name	Amount
12ST037	17/18 Pavement Management Program R-25.	Reimbursement from TDA 8 funds to cover project costs initially made from Measure R funding.	TDAA8F	\$ 49,072
16ST007	Intersection Improvements 10th St W and 30th W at Avenue K	Reimbursement from PALRF funds to cover project costs initially made from Measure R funding.	PALRF	23,475
16ST006	15th St E/ Lancaster Blvd Roundabout	Reimbursement from Highway Safety Improvement Program fund to cover project costs initially made from Measure R funding.	Federal HSIP Funds	276,709
Total				\$ <u>349,256</u>

TDAA3F

Project No.	Project Name	Purpose	Entity name	Amount
12ST039	10th St W & Ave J Improvements (HSIP)	Reimbursement from Highway Safety Improvement Program fund to cover project costs initially made from Measure R funding.	Capital Project Fund	\$ 79
Total				\$ <u>79</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 16 – LANCASTER FINANCING AUTHORITY REVENUE BONDS, SERIES 2019 – MRLRF AND MMLRF

In October 2019, the City issued Lancaster Financing Authority Revenue Bonds, Series 2019 (Measure M & R Street Improvements Project) Bonds in the amount of \$48,405,000 with bond premium of \$7,268,805. The proceeds of the bonds are anticipated to be used to finance the costs of acquisition, construction, rehabilitation, reconstruction, and resurfacing of the City’s public street facilities, and pay costs of issuance. The use of Measure R and Measure M revenues to pay debt service on the bonds to finance the costs of the project was approved by Metro by the letter dated May 21, 2019.

The principal amounts due ranging from \$725,000 to \$3,085,000 on June 1 each year starting in 2020 through 2049; the bonds are subject to redemption prior to their maturity dates as a whole or in part on any date on or after June 1, 2044, at par plus accrued interest to the date fixed for redemption, without premium; interest rates vary from 3% to 5%. For fiscal year ended June 30, 2020, the amounts of principal and interest paid for the City issued Lancaster Financing Authority Revenue Bonds, Series 2019 were \$1,445,000 and \$1,257,107, respectively. These debt service payments along with \$2,050 of administrative costs were split 40/60 between MRLRF and MMLRF and reported under Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond Issued in MRLRF and Project Code 1.05, to pay Lancaster Financing Authority (Fund 701) Debt Service in MMLRF, respectively, as follows:

		MRLRF		MMLRF
Principal	\$	578,110	\$	866,890
Interest		502,938		754,169
Administrative costs		820		1,230
Total	\$	1,081,868	\$	1,622,289

The balance outstanding on Lancaster Financing Authority Revenue Bonds, Series 2019 on June 30, 2020 were \$18,783,890 and \$28,176,110 for MRLRF and MMLRF, respectively, as follows:

		MRLRF		MMLRF
Bond payable at 10/1/2019	\$	19,362,000	\$	29,043,000
Less: Principal		(578,110)		(866,890)
Bond payable at 6/30/2020	\$	18,783,890	\$	28,176,110

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 16 – LANCASTER FINANCING AUTHORITY REVENUE BONDS, SERIES 2019 – MRLRF AND MMLRF (Continued)

Lancaster Financing Authority Revenue Bonds (Fund 701) tracks bond proceeds, payments for eligible project expenditures, and fund balances at June 30, 2020 as follows:

	<u>MRLRF</u>	<u>MMLRF</u>
Fund balances - Lancaster Financing Authority Revenue Bonds (701), Series 2019 at June 30, 2019	\$ -	\$ -
Proceeds from issuance of the Bonds	22,269,522	33,404,283
Less: Bond issuance costs and discount	<u>(179,442)</u>	<u>(269,163)</u>
Net proceeds from issuance of 2019A Sales Tax Revenue Bonds	22,090,080	33,135,120
Less:		
2020 PMP 12ST040	(100,000)	(150,000)
2021 PMP Revive 25 12ST041	(31,512)	(42,268)
2020 Summer PMP 12ST042	(96,795)	(145,193)
2020 Fall PMP 12ST043	(63,591)	(95,386)
2019 Sidewalk, Curb & Gutter Repair 12ST044	<u>(343,347)</u>	<u>(515,021)</u>
Fund balances - Lancaster Financing Authority Revenue Bonds (701), Series 2019 at June 30, 2020	<u>\$ 21,454,835</u>	<u>\$ 32,187,253</u>

NOTE 17 – RESTATEMENT OF TDAA8F’s 2019 FINANCIAL STATEMENTS

The 2019 financial statements of TDAA8F were restated to report for certain expenditures for following three projects: (1) Pedestrian Gap Closure Imps in the amount of \$4,117; (2) 15th St W/ Lancaster Blvd Roundabout in the amount of \$326,298; and (3) 17/18 Pavement Management Program R25 in the amount of \$49,072 that were not previously reported in fiscal year ended June 30, 2019.

	<u>Accounts Payable</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, as previously reported	\$ -	\$ 8,559,358	\$ 580,319
Adjustment	<u>379,487</u>	<u>379,487</u>	<u>(379,487)</u>
Balance, as restated	<u>\$ 379,487</u>	<u>\$ 8,938,845</u>	<u>\$ 200,832</u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 18 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated subsequent events through December 18, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2020-001 that we consider to be a significant deficiency.



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*.

The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings on Internal Control over Financial Reporting. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 18, 2020

CITY OF LANCASTER
 SCHEDULE OF FINDINGS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 June 30, 2020

Finding No. FS 2020-001: Internal Control over Financial Reporting: Year-end Closing Process

<p>Criteria</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section V, Audit Section, Measure R Local Return Guidelines, Section B.VII, Audit Section, and Measure M Final Guidelines, Section XXV, Audit Requirements, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits.”</p> <p>In Addition, according to California Code of Regulations (CCR) Title 21. Public Works, Division 3. California State Transportation Agency, Chapter 2. Transportation Development, Article 5 Responsibilities of Transportation Planning Agency, CCR § 6661 – Audit of Local Transportation Fund, “The financial statements shall be prepared by the county auditor in accordance with generally accepted accounting principles. The statements shall include, but not be limited to, (a) a balance sheet, (b) a statement of revenues and expenditures during the fiscal year, (c) a statement of changes in the fund balance, and (d) supplementary schedules as necessary to list or identify (1) the net amounts allocated and the net amounts disbursed during the fiscal year for each of the allocation purposes specified in the Act, (2) any portion of the fund balance that is allocated or reserved, and (3) any interest or other income earned by investment of the fund during the fiscal year.”</p>
<p>Condition</p>	<p>During the performance of the year-end audit of the financial statements for PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F, the following misstatements were noted in the accounts and funds as listed below:</p> <ul style="list-style-type: none"> • Both due from other governments and deferred inflows of resources for unavailable revenue were over/understated as of the fiscal year end on the local return funds listed below. The two (2) accounts were misstated due to incorrect account classifications and/or recordings in an incorrect period. <ul style="list-style-type: none"> ○ MRLRF: understatement by \$2,009,383 ○ MMLRF: overstatement by \$156,046 ○ TDAA8F: overstatement by \$8,057,160

CITY OF LANCASTER
 SCHEDULE OF FINDINGS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 June 30, 2020
 (Continued)

Finding No. FS 2020-001: Internal Control over Financial Reporting: Year-end Closing Process (Continued)

Condition (Continued)	<ul style="list-style-type: none"> • Both accounts payable (payroll accrual) and cash and investments were understated as of the fiscal year end on the local return funds listed below. The two (2) accounts were understated due to duplicate reversing entries for year-end accruals. <ul style="list-style-type: none"> ○ PCLRF: \$2,016 ○ MRLRF: \$2,426 ○ MMLRF: \$1,506 ○ TDAA3F: \$189 ○ TDAA8F: \$1,154 <p>After receiving seven (7) revisions/versions of the trial balance, the City corrected the misstatements noted above.</p>
Cause	<p>During the fiscal year 2020, the City lost several key employees in the finance department including the Finance Director and the Finance Manager. As such, the recording of necessary adjustments to close the City’s books at year-end were delayed. Additionally, the new management team was unfamiliar with the City’s accounting system (Cayenta) which resulted in posting duplicate entries and/or posting in a period outside of the fiscal year 2020. During the audit, the finance personnel worked towards posting the proper year-end adjustments to ensure transactions were recorded correctly. The City provided the closing entries, adjusted trial balances, schedules, and other financial records for review to complete the audit.</p>
Effect	<p>The City’s accounting records were incorrect and caused delays in the completion of the required audits.</p>
Recommendation	<p>We recommend that the City’s finance team become familiar and proficient with the City’s accounting system. We also recommend that the City establish and document proper closing and reconciliation procedures which assign responsibility to specific City personnel in order to successfully complete the closing and reconciliation process in a timely manner. The timing of these procedures should also be coordinated with the needs of management and auditors. These procedures will help ensure that the financial statements are accurate and complete.</p>
Management’s Response	<p>The City’s management agrees with the recommendation. The City also plans to update their current accounting system (Cayenta), or potentially purchase a new ERP system. The City has already prepared an implementation plan; however, it will take time to implement the plan, rewrite policies, and update system procedures as the current finance team is fairly new. The City acknowledges that these changes will create an additional burden in the interim, but the City believes that the burden would be temporary and will be better suited once the improvements are fully implemented.</p>

COMPLIANCE SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Lancaster, California (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, 2020.

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, 2020.



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. 2020-001 to No. 2020-003. 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 responses.

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 deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Recommendations as Findings No. 2020-001 to No. 2020-003.

The City's responses to the internal control over compliance 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 responses.



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 18, 2020

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2020

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		\$862	See Finding No.2020-002 on the Schedule of Findings and Recommendations.
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).		X		\$46,138	See Finding No.2020-001 on the Schedule of Findings and Recommendations.
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 FY19/20.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2020

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		\$1,081,868	See Finding No. 2020-003 on the Schedule of Findings and Recommendations.
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 FY19/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY19/20.
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 FY19/20.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2019/20.

CITY OF LANCASTER
COMPLIANCE MATRIX
Year Ended June 30, 2020

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	
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 FY 2019/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2019/20.
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 2019/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2019/20.

CITY OF LANCASTER
COMPLIANCE MATRIX
 Year Ended June 30, 2020

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
COMPLIANCE MATRIX
Year Ended June 30, 2020

PALRF: Finding No. 2020-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	<p>The City exceeded more than 25 percent of LACMTA’s approved budget on PALRF Project Code 160-04, Bus Stop Improvements (as part of Project 16ST007) and Project Code 480-05, General Fund Overhead Allocation without prior approval from LACMTA. The amounts that exceeded the approved budget by more than 25 percent were \$3,999 and \$42,139, respectively. Subsequently, the City submitted amended Project Description forms (Form A) to obtain budget increases from LACMTA for Project Code 160-04 and Project Code 480-05 and received approvals on October 12, 2020 and December 21, 2020, respectively.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	It was due to an oversight by the City’s program department.
Effect	The City’s PALRF project expenditures exceeded 25 percent of Metro’s approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish 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.
Management’s 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	Amended Form A’s were submitted to LACMTA and were approved on October 12, 2020 and December 21, 2020, respectively. No follow-up is required.

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

PCLRF: Finding No. 2020-002

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project.”
Condition	The City used Proposition C Local Return funds for Project Code 470-13, 2021 Pavement Management Program (12ST041) in the amount of \$862 prior to LACMTA’s approval. Subsequently, the City submitted a Project Description Form (Form A) to LACMTA, and the project was retroactively approved on December 21, 2020. This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City’s program department.
Effect	The City was not in compliance with the 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 all expenditures are approved by LACMTA prior to expending the funds by submitting Project Description Form (Form A) to LACMTA.
Management’s Response	The City will establish procedures to ensure that Project Description Form (Form A) will be submitted timely.
Finding Corrected During the Audit	The City’s Form A for Project Code 470-13, 2021 Pavement Management Program (12ST041) was submitted and retroactively approved by LACMTA on December 21, 2020. No follow-up is required.

CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MRLRF: Finding No. 2020-003

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	The City used Measure R Local Return funds for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond Issued in the amount of \$1,081,868 prior to LACMTA’s approval as the project was not reported on the Expenditure Plan (Form One). This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City’s program department.
Effect	The City was not in compliance with the 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.
Management’s Response	When the City submits Form One at the beginning of the fiscal year, a wrong project name was inputted. The City will submit the correct project information on Form One in the future.
Finding Corrected During the Audit	The City’s Form One was submitted and retroactively approved by LACMTA on November 4, 2020. 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, 2020

An exit conference was held on January 6, 2021 with the City of Lancaster. Those in attendance were:

Simpson & Simpson Representative(s):

Terry Bian, Senior Auditor

City's Representative(s):

Nike Noack, Senior Manager- Finance
Lany Hartanto, Accountant

Matters Discussed:

Results of the audit disclosed three (3) significant control deficiencies and three (3) 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:

Nike Noack, Senior Manager- Finance
Lany Hartanto, Accountant

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, 2020 AND 2019

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, 2020 and 2019 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