

***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, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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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 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, 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 Palmdale, 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 Palmdale, 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 17, 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 17, 2020

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

	2020	2019
ASSETS		
Cash and investments	\$ 7,294,451	\$ 6,101,555
Interest receivable	33,649	21,184
Total assets	\$ 7,328,100	\$ 6,122,739
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 110,505	\$ 77,388
Wages payable	1,642	1,018
Due to MMLRF	173,657	-
Total liabilities	285,804	78,406
 Fund Balance		
Restricted	7,042,296	6,044,333
Total fund balance	7,042,296	6,044,333
Total liabilities and fund balance	\$ 7,328,100	\$ 6,122,739

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

	<u>2020</u>	<u>2019</u>
REVENUES		
Proposition A	\$ 3,081,136	\$ 3,184,170
Interest income	134,031	108,793
Unrealized gain on investments	44,946	75,436
Total revenues	<u>3,260,113</u>	<u>3,368,399</u>
EXPENDITURES		
Various projects	<u>2,262,150</u>	<u>2,659,410</u>
Total expenditures	<u>2,262,150</u>	<u>2,659,410</u>
Excess of revenues over expenditures	997,963	708,989
Fund balance at beginning of year	<u>6,044,333</u>	<u>5,335,344</u>
Fund balance at end of year	<u>\$ 7,042,296</u>	<u>\$ 6,044,333</u>

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

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
110-01	AVTA (City Contribution to O&M)	\$ 2,361,690	\$ 1,849,889	\$ 511,801	\$ 2,305,395
230-04	Park and Ride Security	50,000 a	73,301	(23,301)	78,080
270-01	HSR Station Planning	200,000	191,199	8,801	66,254
270-15	North County ITS Forum	30,000 b	65,400	(35,400)	37,790
280-20	PTC & City Wayfinding Signage	35,000	-	35,000	-
290-04	Park & Ride Lot Improvement	-	(1,771) c	1,771	102,966
290-05	Marie Kerr Park and Ride Lot Improvements	25,000	19,875	5,125	-
310-20	Palmdale Transportation Center Wayfinding Signage	15,000	13,500	1,500	35,525
400-01	Avenue R Interconnect Project-5th St E to 40th St E	75,000	29,382	45,618	33,400
500-01	VOIP Telephone System Improvements	- d	21,375	(21,375)	-
	Total expenditures	\$ <u>2,791,690</u>	\$ <u>2,262,150</u>	\$ <u>529,540</u>	\$ <u>2,659,410</u>

Note: Of the total fiscal year 2020 and fiscal year 2019 actual expenditures above, \$1,923,190 and \$2,383,475, respectively were transferred to the City's General Fund and were spent on approved Proposition A projects as listed above.

a) The City received a retroactive approval from Metro on December 15, 2020 to amend the budget for Project 230-04, Park and Ride Security from \$50,000 to \$75,000. See Compliance and Schedule of Findings and Recommendations - Finding No. 2020-002.

b) This is a capital project. The City received a retroactive approval from Metro on December 15, 2020 to amend the budget for Project 270-15, North County ITS Forum from \$30,000 to \$66,000.

c) (\$1,771) was an incentive fund received from Southern California Edison related to various lighting infrastructure upgrades that the City did in FY 2019 through Project 290-04, Park & Ride Lot Improvement.

d) The City received a retroactive approval from Metro on December 15, 2020 to use Proposition A Local Return funds in the amount of \$21,375 for Project 500-01, VOIP Telephone System Improvements. See Compliance and Schedule of Findings and Recommendations - Finding No. 2020-001.

See accompanying independent auditor's report.

CITY OF PALMDALE
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
6/30/2020	VOIP Telephone System Improvements	\$ -	\$ 21,375	\$ -	\$ 21,375
	Total	\$ -	\$ 21,375	\$ -	\$ 21,375

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 11,513,781	\$ 10,791,800
Due from Metro - Proposition C 25% Call for Projects Grant	2,256,939	602,912
Interest receivable	52,556	37,468
Total assets	\$ 13,823,276	\$ 11,432,180
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 442,151	\$ 4,079
Wages payable	1,325	738
Total liabilities	443,476	4,817
 Deferred Inflows of Resources		
Unavailable revenue - Proposition C 25% Call for Projects Grant (Note 10)	701,052	597,820
Total deferred inflows of resources	701,052	597,820
 Fund Balance		
Restricted	12,678,748	10,829,543
Total fund balance	12,678,748	10,829,543
Total liabilities, deferred inflows of resources and fund balance	\$ 13,823,276	\$ 11,432,180

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

	2020	2019
REVENUES		
Proposition C	\$ 2,555,809	\$ 2,641,179
Proposition C 25% Call for Projects Grant (Note 11)	3,055,126	1,190,324
Interest income	209,907	178,933
Unrealized gain on investments	70,517	133,683
Total revenues	5,891,359	4,144,119
EXPENDITURES		
Various projects funded by PCLRF	881,240	957,621
Various projects funded by Proposition C 25% Call for Projects Grant	3,160,914	328,599
Total expenditures	4,042,154	1,286,220
Excess of revenues over expenditures	1,849,205	2,857,899
Fund balance at beginning of year	10,829,543	7,971,644
Fund balance at end of year	\$ 12,678,748	\$ 10,829,543

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

Project Code/ MOU No.	Project Name	2020		Variance	2019
		Metro Budget	Actual	(Unfavorable)	Actual
110-01	AVTA (City Contribution to O&M)	\$ 278,100	\$ 270,000 *	\$ 8,100	\$ 270,000 *
310-13	Facility Lease Payment	587,580	587,581 **	(1)	589,894 **
440-05	Pavement Management Program	30,000	23,659	6,341	97,727
	Total expenditures funded by PCLRF	\$ 895,680	\$ 881,240	\$ 14,440	\$ 957,621
F1300	North County Traffic Forum ITS Expansion		1,038,814		109,956
F3107	Avenue S Widening Phase II		-		135,125
F7304	Avenue R ITS Signal Synchronization		336,226		-
F7121	15 E/SR 138 Intersection Improvements		29,973		-
F7121	Rancho Vesta and Sierra at Grade SEP		37,431		-
F7121	Rancho Vista Boulevard Widening-Gap Closure		1,718,470		83,518
	Total expenditures funded by Proposition C 25% Call for Projects Grant		3,160,914		328,599
	Total expenditures	\$ 4,042,154		\$ 1,286,220	

* Of the total FY 2020 and FY 2019 actual expenditures funded by PCLRF above, \$270,000 and \$270,000, 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 2020 and FY 2019 actual expenditures funded by PCLRF above, \$587,581 and \$589,894, 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, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 4,629,801	\$ 7,494,218
Due from Metro - Measure R Highway Program Grant	5,678,231	4,964,605
Interest receivable	21,133	26,021
Total assets	\$ 10,329,165	\$ 12,484,844
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 669,667	\$ 1,029,551
Wages payable	11,665	3,345
Total liabilities	681,332	1,032,896
 Deferred Inflows of Resources		
Unavailable revenue - Measure R Highway Program Grant (Note 10)	2,325,075	2,521,493
Total deferred inflows of resources	2,325,075	2,521,493
 Fund Balance		
Restricted	7,322,758	8,930,455
Total fund balance	7,322,758	8,930,455
Total liabilities, deferred inflows of resources and fund balance	\$ 10,329,165	\$ 12,484,844

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

	2020	2019
REVENUES		
Measure R	\$ 1,914,115	\$ 1,981,454
Measure R Highway Program Grant (Note 12)	7,948,680	7,729,995
Interest income	117,281	125,137
Unrealized gain on investments	31,191	92,206
Total revenues	10,011,267	9,928,792
 EXPENDITURES		
Expenditures funded by MRLRF	3,850,851	744,765
Expenditures funded by Measure R Highway Program Grant	7,768,113	7,354,199
Total expenditures	11,618,964	8,098,964
 Excess (deficiency) of revenues over expenditures	(1,607,697)	1,829,828
 Fund balance at beginning of year	8,930,455	7,100,627
 Fund balance at end of year	\$ 7,322,758	\$ 8,930,455

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

Project Code/ MOU No.	Project Name	2020		Variance	2019
		Metro Budget	Actual	Favorable (Unfavorable)	Actual
1.05	RVB Widening - GAP Closure	\$ 3,432,990	\$ 957,724	\$ 2,475,266	\$ 50,662
1.05	ST Resurfacing - Tech Dr 10TH SierraHWY	352,100	203,453	148,647	607,725
1.05	Pearblossom Reconstruction	2,705,000	2,607,253	97,747	-
1.30	Roundabout @ S-8 & 40th St	935,070	65,589	869,481	28,212
1.30	Civic Center Complete Streets	122,250	7,112	115,138	37,250
5.40	Ave R & Upper/Metrolink Fiber	10,910	9,350	1,560	9,090
7.90	Civic Center Wayfinding Sign Design & Engineering	26,240	370	25,870	11,826
	Total expenditures funded by MRLRF	\$ <u>7,584,560</u>	\$ <u>3,850,851</u>	\$ <u>3,733,709</u>	\$ <u>744,765</u>
MR460064	Rancho Vista Grade Blvd Grade Separation		12,476		215,954
MR330.09	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East		489,520		483,925
MR330.09	State Route 138 (SR-14) 10th St. West Interchange		343,357		313,157
MR330.08	State Route 138 (SR-14) Southbound Off- Ramp at Palmdale Blvd. and Interchange Improvement		291,159		465,170
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd		5,182,583		5,131,063
MR330.11	SR-138 Avenue N Overcrossing		1,148,977		721,115
MR330.10	Rancho Vista Widening-Gap Closure		284,197		-
F0050208	LED Retrofit Project (Note 9)		15,844		23,815
	Total expenditures funded by Measure R Highway Program Grant		<u>7,768,113</u>		<u>7,354,199</u>
	Total expenditures		\$ <u>11,618,964</u>		\$ <u>8,098,964</u>

See accompanying independent auditor's report.

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

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
ASSETS		
Cash and investments	\$ 5,143,645	\$ 3,414,112
Interest receivable	23,479	11,853
Due from PALRF	173,657	-
Total assets	\$ 5,340,781	\$ 3,425,965
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 679,264	\$ 19,412
Total liabilities	679,264	19,412
 Fund Balance		
Restricted	4,661,517	3,406,553
Total fund balance	4,661,517	3,406,553
Total liabilities and fund balance	\$ 5,340,781	\$ 3,425,965

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

	2020	2019
REVENUES		
Measure M	\$ 2,152,836	\$ 2,233,432
Interest income	85,736	52,402
Unrealized gain on investments	30,745	42,333
Total revenues	2,269,317	2,328,167
 EXPENDITURES		
Various projects	1,014,353	607,725
Total expenditures	1,014,353	607,725
 Excess of revenues over expenditures	1,254,964	1,720,442
 Fund balance at beginning of year	3,406,553	1,686,111
 Fund balance at end of year	\$ 4,661,517	\$ 3,406,553

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, 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	St. Resurfacing - Tech Dr. 10th Sierra Hwy.	\$ 352,100	\$ 203,453	\$ 148,647	\$ 607,725
1.05	Pearblossom Reconstruction	<u>2,265,000</u>	<u>810,900</u>	<u>1,454,100</u>	<u>-</u>
	Total expenditures	\$ <u>2,617,100</u>	\$ <u>1,014,353</u>	\$ <u>1,602,747</u>	\$ <u>607,725</u>

See accompanying independent auditor's report.

CITY OF PALMDALE
MEASURE M 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
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

	2020	2019
ASSETS		
Cash and investments	\$ 10,738	\$ 35,148
Due from Metro	49,657	-
Interest receivable	49	124
Total assets	\$ 60,444	\$ 35,272
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,539	\$ 527
Total liabilities	2,539	527
 Fund Balance		
Restricted	57,905	34,745
Total fund balance	57,905	34,745
Total liabilities and fund balance	\$ 60,444	\$ 35,272

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

	2020	2019
REVENUES		
TDA 3	\$ 49,657	\$ 99,081
Interest income	286	168
Unrealized gain (loss) on investments	73	(2)
Total revenues	50,016	99,247
 EXPENDITURES		
Various projects	26,856	73,112
Total expenditures	26,856	73,112
 Excess of revenues over expenditures	23,160	26,135
 Fund balance at beginning of year	34,745	8,610
 Fund balance at end of year	\$ 57,905	\$ 34,745

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, 2020

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
ADA Compliance	2020	\$ 23,457	\$ 12,825	\$ 10,632	Ongoing
Massari Park Sidewalk Repair	2020	<u>26,200</u>	<u>14,031</u>	<u>12,169</u>	Ongoing
Total		<u>\$ 49,657</u>	<u>\$ 26,856</u>	22,801	
Unexpended interest accumulated to date				359	
Fund balance at beginning of year				<u>34,745</u>	
Fund balance at end of year				<u>\$ 57,905</u> *	

* The City has encumbered the remaining fund balance of \$57,905 for Massari Park Sidewalk Repair Project as of June 30, 2020.

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

	2020	2019
ASSETS		
Cash and investments	\$ 1,490,261	\$ 1,332,556
Due from Metro	563,052	528,525
Interest receivable	9,238	4,626
Total assets	\$ 2,062,551	\$ 1,865,707
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 9,569	\$ 19,412
Total liabilities	9,569	19,412
 Fund Balance		
Restricted	2,052,982	1,846,295
Total fund balance	2,052,982	1,846,295
Total liabilities and fund balance	\$ 2,062,551	\$ 1,865,707

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

	2020	2019
REVENUES		
TDA 8	\$ 6,756,613	\$ 6,342,354
Interest income	12,436	25,999
Unrealized gain on investments	10,206	16,225
Total revenues	6,779,255	6,384,578
 EXPENDITURES		
Various projects	6,572,568	6,507,112
Total expenditures	6,572,568	6,507,112
 Excess (deficiency) of revenues over expenditures	206,687	(122,534)
 Fund balance at beginning of year	1,846,295	1,968,829
 Fund balance at end of year	\$ 2,052,982	\$ 1,846,295

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, 2020

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local allocations					
Traffic Engineering	2020	\$ 1,614,403	\$ 658,611	\$ 955,792	Ongoing
Street Maintenance	2020	5,142,210	5,913,957	(771,747)	Ongoing
Total		<u>\$ 6,756,613</u>	<u>\$ 6,572,568</u>	* 184,045	
Unexpended interest accumulated to date				22,642	
Fund balance at beginning of year				<u>1,846,295</u>	
Fund balance at end of year				<u>\$ 2,052,982</u>	**

* Of the total fiscal year 2020 actual expenditures above, \$5,913,957 was transferred to the City's General Fund and spent on Street Maintenance Project, an approved Transportation Development Act 8 project as listed above.

** The City has encumbered the remaining fund balance of \$2,052,982 for Street Maintenance Project as of June 30, 2020.

See accompanying independent auditor's report.

CITY OF PALMDALE
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 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 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, 2020 and 2019
(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 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 classification 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).

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, 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 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, 2020 and 2019
(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 years ended June 30, 2020 and 2019, the City paid \$15,844 and \$23,815, respectively, which were 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, 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 PCLRF was \$701,052 and \$597,820, respectively, from Proposition C 25% Call for Projects Grant.

As of June 30, 2020, and 2019, the deferred inflows of resources reported in MRLRF were \$2,325,075 and \$2,521,493, respectively, from Measure R Highway Program Grant.

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

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

For the fiscal years ended June 30, 2020 and 2019, Proposition C 25% Call for Projects Grant had the following projects revenues:

<u>MOU.NO</u>	<u>Project Name</u>		<u>2020</u>		<u>2019</u>
F1300	North County Traffic Forum ITS Expansion	\$	1,112,378	\$	-
F3107	Avenue S Widening Phase II		-		1,091,241
F7304	Avenue R ITS Signal Synchronization		222,987		-
F7121	Rancho Vista Boulevard Widening		1,719,761		99,083
	Total revenues	\$	<u>3,055,126</u>	\$	<u>1,190,324</u>

NOTE 12 – MEASURE R HIGHWAY PROGRAM GRANT REVENUE

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

<u>MOU.NO</u>	<u>Project Name</u>		<u>2020</u>		<u>2019</u>
MR460064	Rancho Vista Grade Blvd Grade Separation	\$	34,800	\$	739,730
MR330.09	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East		446,500		888,721
MR330.09	State Route 138 (SR-14) 10th St. West Interchange		76,551		516,464
MR330.08	State Route 138 (SR-14) Southbound Off- Ramp at Palmdale Blvd. and Interchange Improvement		362,906		588,990
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd		5,968,717		4,306,039
MR330.11	SR-138 Avenue N Overcrossing		1,059,206		690,051
	Total revenues	\$	<u>7,948,680</u>	\$	<u>7,729,995</u>

NOTE 13 – TDA 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	\$ -	\$ 49,569
FY 2015-16 allocation	49,657	49,512
Total payments requested	<u>\$ 49,657</u>	<u>\$ 99,081</u>

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

NOTE 13 – TDA FUNDS REVENUE ALLOCATION (continued)

TDA Article 8 Fund

	2020	2019
FY 2018-19 allocation	\$ -	\$ 6,342,354
FY 2019-20 allocation	6,756,613	-
Total payments requested	\$ <u>6,756,613</u>	\$ <u>6,342,354</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, 2020, and 2019, the City has funds on reserve as follows:

TDA Article 3 Fund

	2020	2019
FY 2015-16 allocation	\$ -	\$ 49,657
FY 2016-17 allocation	104,017	104,017
FY 2017-18 allocation	104,231	104,231
FY 2018-19 allocation	107,503	107,503
FY 2019-20 allocation	114,662	-
Available reserve balance	\$ <u>430,413</u>	\$ <u>365,408</u>

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 2019-20 allocation	\$ -	\$ -
Available reserve balance	\$ <u>-</u>	\$ <u>-</u>

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

NOTE 15 – 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 17, 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 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 17, 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 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 17, 2020

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 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, 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 Finding No. 2020-001 to Finding No. 2020-002. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

The City's responses to the noncompliance finding 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, 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, reading "Simpson & Simpson", located below the text of the report.

Los Angeles, California
December 17, 2020

CITY OF PALMDALE
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		\$21,375	See Finding No.2020-001 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		\$10,801	See Finding No.2020-002 on the Schedule of Findings and Recommendations.
5.	Administrative expenditures 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	
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 2019/20.

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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 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 on time.			X	None	There was no recreational transit in FY 2019/20.

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
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 PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2020
(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, 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.”
Condition	The City used Proposition A Local Return funds for Project Code 500-01 VOIP Telephone System Improvements in the amount of \$21,375 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 15, 2020.
Cause	It was due to an oversight by the City’s program department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines 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 500-01 VOIP Telephone System Improvements was submitted and retroactively approved by LACMTA on December 15, 2020. No follow-up is required.

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

PALRF: 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: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	The City exceeded more than 25 percent of LACMTA’s approved budget on PALRF Project Code 230-04 Park and Ride Security without prior approval from LACMTA. The amount that exceeded the approved budget by more than 25 percent is \$10,801. Subsequently, the City submitted a Project Description Form (Form A) to obtain a budget increase from LACMTA and received an approval on December 15, 2020.
Cause	It was due to an oversight by the City’s program department.
Effect	The City’s PALRF project expenditures exceeded 25 percent of LACMTA’s approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City 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	An amended Form A for Project Code 230-04 Park and Ride Security was submitted to LACMTA and was approved on December 15, 2020. No follow-up is required.

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, 2020

An exit conference was held on December 24, 2020 with the City of Palmdale. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Keith Kan, Finance Manager / City Treasurer
Janelle Samson, Senior Financial Analyst
Joyce Workman, Senior Financial Analyst

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and two (2) 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:

Keith Kan, Finance Manager / City Treasurer
Janelle Samson, Senior Financial Analyst
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, 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 fiscal years ended June 30, 2020 and 2019 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