

***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, 2021 AND 2020***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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FINANCIAL SECTION



SIMPSON & SIMPSON

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) (collectively, the Funds), of the City of Palmdale, California (the City) as of and for the years ended June 30, 2021 and 2020, 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 from 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, 2021 and 2020, 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, 2021 and 2020, and the changes in its financial position for the years then ended in accordance 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, 2021, 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 solely 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 the effectiveness of the City's 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, 2021

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

	2021	2020
ASSETS		
Cash and investments	\$ 8,268,666	\$ 7,294,451
Interest receivable	7,952	33,649
Total assets	\$ 8,276,618	\$ 7,328,100
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 31,832	\$ 110,505
Wages payable	-	1,642
Due to MMLRF	-	173,657
Total liabilities	31,832	285,804
 Fund Balance		
Restricted	8,244,786	7,042,296
Total fund balance	8,244,786	7,042,296
Total liabilities and fund balance	\$ 8,276,618	\$ 7,328,100

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>2021</u>	<u>2020</u>
REVENUES		
Proposition A	\$ 3,176,040	\$ 3,081,136
Interest income	42,647	134,031
Unrealized gain (loss) on investments	<u>(29,900)</u>	<u>44,946</u>
Total revenues	<u>3,188,787</u>	<u>3,260,113</u>
EXPENDITURES		
Various projects	<u>1,986,297</u>	<u>2,262,150</u>
Total expenditures	<u>1,986,297</u>	<u>2,262,150</u>
Excess of revenues over expenditures	1,202,490	997,963
Fund balance at beginning of year	<u>7,042,296</u>	<u>6,044,333</u>
Fund balance at end of year	<u>\$ 8,244,786</u>	<u>\$ 7,042,296</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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
150	Park and Ride Security	\$ 243,490	\$ 15,755	\$ 227,735	\$ 73,301
170	Facilities - Transportation Transit O & M	1,500,000	1,357,047	142,953	1,849,889
170	Marie Kerr Park and Ride Lot Improvements	230,120	29,691	200,429	19,875
190	VOIP Telephone System Improvements	1,125	1,125	-	21,375
215	HSR Station Planning	61,360	61,576	(216)	191,199
220	PTC & City Wayfinding Signage	68,950	16,800	52,150	-
270	Palmdale Transportation Center (PTC) ADA Compliance and Improvements	300,000	219,710	80,290	-
290	Palmdale Transportation Center (PTC) Parcel Merge Project	22,000	-	22,000	-
302	Avenue R Interconnect Project--5Th St E To 40Th St E	687,348	252,024	435,324	29,382
380	North County ITS Forum	446,050	32,569	413,481	65,400
290-04	Park & Ride Lot Improvement	-	-	-	(1,771)
310-20	Palmdale Transportation Center Wayfinding Signage	-	-	-	13,500
	Total expenditures	\$ 3,560,443	\$ 1,986,297	\$ 1,574,146	\$ 2,262,150

See accompanying independent auditor's report.

CITY OF PALMDALE
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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

	2021	2020
ASSETS		
Cash and investments	\$ 13,882,155	\$ 11,513,781
Due from Metro - Proposition C 25% Call for Projects Grant	1,700,426	2,256,939
Interest receivable	13,350	52,556
Total assets	\$ 15,595,931	\$ 13,823,276
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 278,435	\$ 442,151
Wages payable	-	1,325
Total liabilities	278,435	443,476
 Deferred Inflows of Resources		
Unavailable revenue - Proposition C 25% Call for Projects Grant (Note 10)	1,576,503	701,052
Total deferred inflows of resources	1,576,503	701,052
 Fund Balance		
Restricted	13,740,993	12,678,748
Total fund balance	13,740,993	12,678,748
Total liabilities, deferred inflows of resources and fund balance	\$ 15,595,931	\$ 13,823,276

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

	2021	2020
REVENUES		
Proposition C	\$ 2,634,411	\$ 2,555,809
Proposition C 25% Call for Projects Grant (Note 11)	2,241,098	3,055,126
Interest income	72,570	209,907
Unrealized gain (loss) on investments	(50,297)	70,517
Total revenues	4,897,782	5,891,359
 EXPENDITURES		
Various projects funded by PCLRF	759,445	881,240
Various projects funded by Proposition C 25% Call for Projects Grant	3,076,092	3,160,914
Total expenditures	3,835,537	4,042,154
 Excess of revenues over expenditures	1,062,245	1,849,205
 Fund balance at beginning of year	12,678,748	10,829,543
 Fund balance at end of year	\$ 13,740,993	\$ 12,678,748

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code/ MOU No.	Project Name	2021		Variance	2020
		Metro Budget	Actual	Favorable (Unfavorable)	Actual
215	Facility Lease Payment	\$ 586,950	\$ 586,948	\$ 2	\$ 587,581
705	Street Resurfacing Program	3,800,000	1,098	3,798,902	-
705	40th St Rehab (Knoll Dr.)	221,400	170,640	50,760	-
765	Pavement Management Program	117,261	759	116,502	23,659
110-01	AVTA (City Contribution to O&M)	-	-	-	270,000
	Total expenditures funded by PCLRF	\$ 4,725,611	\$ 759,445	\$ 3,966,166	\$ 881,240
F1300	North County Traffic Forum ITS Expansion		76,259		1,038,814
F3107	Avenue S Widening Phase II		20,325		-
F7304	Avenue R ITS Signal Synchronization		-		336,226
E1721A	15 E/SR 138 Intersection Improvements		25,228		29,973
E1721B	Rancho Vesta and Sierra at Grade SEP		1,959,499		37,431
F7121	Rancho Vista Boulevard Widening-Gap Closure		994,781		1,718,470
	Total expenditures funded by Proposition C 25% Call Projects Grant		3,076,092		3,160,914
	Total expenditures	\$ 3,835,537			\$ 4,042,154

See accompanying independent auditor's report.

CITY OF PALMDALE
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ 5,483,721	\$ 4,629,801
Due from Metro - Measure R Highway Program Grant	3,701,693	5,678,231
Interest receivable	5,271	21,133
Due from MMLRF	180,229	-
Total assets	\$ 9,370,914	\$ 10,329,165
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 135,798	\$ 669,667
Wages payable	-	11,665
Total liabilities	135,798	681,332
 Deferred Inflows of Resources		
Unavailable revenue - Measure R Highway Program Grant (Note 10)	2,927,088	2,325,075
Total deferred inflows of resources	2,927,088	2,325,075
 Fund Balance		
Restricted	6,308,028	7,322,758
Total fund balance	6,308,028	7,322,758
Total liabilities, deferred inflows of resources and fund balance	\$ 9,370,914	\$ 10,329,165

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

	2021	2020
REVENUES		
Measure R	\$ 1,978,547	\$ 1,914,115
Measure R Highway Program Grant (Note 12)	2,949,486	7,948,680
Interest income	29,696	117,281
Unrealized gain (loss) on investments	(20,581)	31,191
Total revenues	4,937,148	10,011,267
EXPENDITURES		
Expenditures funded by MRLRF	2,171,902	3,850,851
Expenditures funded by Measure R Highway Program Grant	3,779,976	7,768,113
Total expenditures	5,951,878	11,618,964
Deficiency of revenues over expenditures	(1,014,730)	(1,607,697)
Fund balance at beginning of year	7,322,758	8,930,455
Fund balance at end of year	\$ 6,308,028	\$ 7,322,758

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code/ MOU No.	Project Name	2021		Variance	2020
		Metro Budget	Actual	Favorable (Unfavorable)	Actual
705	County Pavement Project	\$ 387,000	\$ 75	\$ 386,925	\$ -
705	Pearblossom Reconstruction	97,745	-	97,745	2,607,253
705	Street Resurfacing - Tech Dr 10th Sierra Hwy	148,646	42,694	105,952	203,453
705	Ave R & UPRR/MetroLink Fiber	10,000	-	10,000	9,350
710	RVB Widening-GAP Closure	2,475,266	2,072,370	402,896	957,724
730	Roundabout @S8 & 40th St	999,481	45,866	953,615	65,589
730	Civic Center Complete Streets	115,135	6,222	108,913	7,112
810	Civic Center Wayfinding Sign Design & Engineering	25,870	4,675	21,195	370
	Total expenditures funded by MRLRF	\$ <u>4,259,143</u>	\$ <u>2,171,902</u>	\$ <u>2,087,241</u>	\$ <u>3,850,851</u>
MR460064	Rancho Vista Grade Blvd Grade Separation		243,480		12,476
MR330.07	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East		202,908		489,520
MR330.08	State Route 138 (SR-14) Southbound Off- Ramp at Palmdale Blvd. and Interchange Improvement		344,652		291,159
MR330.09	State Route 138 (SR-14) 10th St. West Interchange		741,943		343,357
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd		509,124		5,182,583
MR330.11	SR-138 Avenue N Overcrossing		1,718,592		1,148,977
MR330.10	Rancho Vista Widening-Gap Closure		-		284,197
F0050208	LED Retrofit Project (Note 9)		19,277		15,844
	Total expenditures funded by Measure R Highway Program Grant		<u>3,779,976</u>		<u>7,768,113</u>
	Total expenditures	\$	<u>5,951,878</u>	\$	<u>11,618,964</u>

See accompanying independent auditor's report.

CITY OF PALMDALE
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ 5,559,542	\$ 5,143,645
Interest receivable	9,443	23,479
Due from Metro - Measure M MSP Transportation		
Program Grant	178,966	-
Due from PALRF	-	173,657
Total assets	\$ 5,747,951	\$ 5,340,781
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,228	\$ 679,264
Due to MRLRF	180,229	-
Total liabilities	184,457	679,264
 Deferred Inflows of Resources		
Unavailable revenue - Measure M MSP Transportation		
Program Grant (Note 10)	178,966	-
Total deferred inflows of resources	178,966	-
 Fund Balance		
Restricted	5,384,528	4,661,517
Total fund balance	5,384,528	4,661,517
Total liabilities and fund balance	\$ 5,747,951	\$ 5,340,781

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

	2021	2020
REVENUES		
Measure M	\$ 2,241,766	\$ 2,152,836
Interest income	26,091	85,736
Unrealized gain (loss) on investments	(19,837)	30,745
Measure M MSP Transportation Program (Note 13)	81,941	-
Total revenues	2,329,961	2,269,317
 EXPENDITURES		
Expenditures funded by MMLRF	1,346,043	1,014,353
Expenditures funded by Measure M MSP Transportation Program	260,907	-
Total expenditures	1,606,950	1,014,353
 Excess of revenues over expenditures	723,011	1,254,964
 Fund balance at beginning of year	4,661,517	3,406,553
 Fund balance at end of year	\$ 5,384,528	\$ 4,661,517

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, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
705	County Pavement Project	\$ 387,000	\$ -	\$ 387,000	\$ -
705	Pearblossom Reconstruction	1,454,100	1,303,349	150,751	810,900
705	Street Resurfacing - Tech Dr 10th St Sierra	148,646	42,694	105,952	203,453
	Total expenditures funded by MMLRF	<u>\$ 1,989,746</u>	<u>\$ 1,346,043</u>	<u>\$ 643,703</u>	<u>\$ 1,014,353</u>
MM4501.0	AVE R Complete Street and Safe Routes		260,907		-
	Total expenditures funded by Measure M MSP		260,907		-
	Transportation Program		260,907		-
	Total expenditures		<u>\$ 1,606,950</u>		<u>\$ 1,014,353</u>

See accompanying independent auditor's report.

CITY OF PALMDALE
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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

	2021	2020
ASSETS		
Cash and investments	\$ -	\$ 10,738
Due from Metro	493,440	49,657
Interest receivable	-	49
Total assets	\$ 493,440	\$ 60,444
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 435,917	\$ 2,539
Total liabilities	435,917	2,539
 Fund Balance		
Restricted	57,523	57,905
Total fund balance	57,523	57,905
Total liabilities and fund balance	\$ 493,440	\$ 60,444

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

	2021	2020
REVENUES		
TDA 3	\$ 493,440	\$ 49,657
Interest income	30	286
Unrealized gain (loss) on investments	(23)	73
Total revenues	493,447	50,016
 EXPENDITURES		
Various projects	493,829	26,856
Total expenditures	493,829	26,856
 Excess (deficiency) of revenues over expenditures	 (382)	 23,160
 Fund balance at beginning of year	 57,905	 34,745
 Fund balance at end of year	 \$ 57,523	 \$ 57,905

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

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Palmdale Transportation Center ADA Compliance	2021	\$ 31,453	\$ 31,842	\$ (389)	Ongoing
Domenic Massari Sidewalk and ADA Renovations	2021	<u>461,987</u>	<u>461,987</u>	<u>-</u>	Ongoing
Total		<u>\$ 493,440</u>	<u>\$ 493,829</u>	<u>(389)</u>	
Unexpended interest accumulated to date				7	
Fund balance at beginning of year				<u>57,905</u>	
Fund balance at end of year				<u>\$ 57,523</u> *	

* The City has encumbered the remaining fund balance of \$57,523 for Domenic Massari Sidewalk and ADA Renovations Project as of June 30, 2021.

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

	2021	2020
ASSETS		
Cash and investments	\$ 1,004,225	\$ 1,490,261
Due from Metro	432,971	563,052
Interest receivable	4,029	9,238
Total assets	\$ 1,441,225	\$ 2,062,551
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 331,109	\$ 9,569
Total liabilities	331,109	9,569
 Fund Balance		
Restricted	1,110,116	2,052,982
Total fund balance	1,110,116	2,052,982
Total liabilities and fund balance	\$ 1,441,225	\$ 2,062,551

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

	2021	2020
REVENUES		
TDA 8	\$ 5,195,685	\$ 6,756,613
Interest income	7,930	12,436
Unrealized gain (loss) on investments	(1,279)	10,206
Total revenues	5,202,336	6,779,255
 EXPENDITURES		
Various projects	6,145,202	6,572,568
Total expenditures	6,145,202	6,572,568
 Excess (deficiency) of revenues over expenditures	(942,866)	206,687
 Fund balance at beginning of year	2,052,982	1,846,295
 Fund balance at end of year	\$ 1,110,116	\$ 2,052,982

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					
Street Resurfacing	2021	\$ 828,530	\$ 3,190,354*	\$ (2,361,824)	Ongoing
Street Resurfacing - Tech Dr & 10th	2021	42,694	42,694	-	Ongoing
Pearblossom Reconstruction	2021	1,393,000	1,323,162	69,838	Ongoing
Traffic Signal Maintenance	2021	1,202,004	907,361	294,643	Ongoing
Traffic Engineering	2021	623,810	472,649	151,161	Ongoing
GIS Operations	2021	253,030	206,711	46,319	Ongoing
Operating Expenditures	2021	852,617	2,271	850,346	Ongoing
Total		<u>\$ 5,195,685</u>	<u>\$ 6,145,202</u>	(949,517)	
Unexpended interest accumulated to date				6,651	
Fund balance at beginning of year				<u>2,052,982</u>	
Fund balance at end of year				<u>\$ 1,110,116</u> **	

* Of which, \$3,186,385 was transferred to the City's Gas Tax Fund and was spent on Street Resurfacing and Operating Expenditure projects.

** The City has encumbered the remaining fund balance of \$1,110,116 for Pearblossom Reconstruction Project and Street Resurfacing Project as of June 30, 2021.

See accompanying independent auditor's report.

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020

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, 2021 and 2020
(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 2021 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, 2021:

- 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, 2021 and 2020
(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, 2021 and 2020
(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 2020. For fiscal years ended June 30, 2021 and 2020, the City paid \$19,277 and \$15,844, 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, 2021 and 2020, 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, 2021 and 2020, the amounts were reported as deferred inflows of resources.

As of June 30, 2021, and 2020, the deferred inflows of resources reported in PCLRF was \$1,576,503 and \$701,052, respectively, from Proposition C 25% Call for Projects Grant.

As of June 30, 2021, and 2020, the deferred inflows of resources reported in MRLRF were \$2,927,088 and \$2,325,075, respectively, from Measure R Highway Program Grant.

As of June 30, 2021, and 2020, the deferred inflows of resources reported in MMLRF were \$178,966 and \$0, respectively, from Measure M MSP Transportation Program Grant.

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

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

For the fiscal years ended June 30, 2021 and 2020, Proposition C 25% Call for Projects Grant had the following projects revenues:

MOU.NO	Project Name		2021		2020
F1300	North County Traffic Forum ITS Expansion	\$	79,198	\$	1,112,378
F7304	Avenue R ITS Signal Synchronization		216,371		222,987
E1721A	15 E/SR 138 Intersection Improvements		28,719		-
E1721B	Rancho Vesta and Sierra at Grade SEP		1,749,460		-
F7121	Rancho Vista Boulevard Widening-Gap Closure		167,350		1,719,761
	Total revenues	\$	<u>2,241,098</u>	\$	<u>3,055,126</u>

NOTE 12 – MEASURE R HIGHWAY PROGRAM GRANT REVENUE

For the fiscal years ended June 30, 2021 and 2020, Measure R Highway Program Grant had the following projects revenues:

MOU.NO	Project Name		2021		2020
MR460064	Rancho Vista Grade Blvd Grade Separation	\$	175,823	\$	34,800
MR330.07	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East		166,482		446,500
MR330.08	State Route 138 (SR-14) Southbound Off- Ramp at Palmdale Blvd. and Interchange Improvement		476,712		362,906
MR330.09	State Route 138 (SR-14) 10th St. West Interchange		431,574		76,551
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd		442,296		5,968,717
MR330.11	SR-138 Avenue N Overcrossing		1,256,599		1,059,206
	Total revenues	\$	<u>2,949,486</u>	\$	<u>7,948,680</u>

NOTE 13 – MEASURE M MSP TRANSPORTATION PROGRAM GRANT REVENUE

For the fiscal years ended June 30, 2021 and 2020, Measure M MSP Transportation Program had the following projects revenues:

MOU.NO	Project Name		2021		2020
MM4501.06	Avenue R Complete Street and Safe Routes to School	\$	81,941	\$	-
	Total revenues	\$	<u>81,941</u>	\$	<u>-</u>

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 14 – TDA FUNDS REVENUE ALLOCATION

The revenue allocation for the fiscal years ended June 30, 2021 and 2020 consisted of the following:

TDA Article 3 Fund

	2021	2020
FY 2015-16 allocation	\$ -	\$ 49,657
FY 2016-17 allocation	104,017	-
FY 2017-18 allocation	104,231	-
FY 2018-19 allocation	107,503	-
FY 2019-20 allocation	114,662	-
FY 2020-21 allocation	63,027	-
Total payments requested	\$ <u>493,440</u>	\$ <u>49,657</u>

TDA Article 8 Fund

	2021	2020
FY 2019-20 allocation	\$ -	\$ 6,756,613
FY 2020-21 allocation	5,195,685	-
Total payments requested	\$ <u>5,195,685</u>	\$ <u>6,756,613</u>

NOTE 15 – 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, 2021, and 2020, the City has funds on reserve as follows:

TDA Article 3 Fund

	2021	2020
FY 2016-17 allocation	\$ -	\$ 104,017
FY 2017-18 allocation	-	104,231
FY 2018-19 allocation	-	107,503
FY 2019-20 allocation	-	114,662
FY 2020-21 allocation	24,935	-
Available reserve balance	\$ <u>24,935</u>	\$ <u>430,413</u>

For fiscal year 2020-21, any TDA Article 3 funds left on reserve for FY 2016-17 or prior, are subject to lapse if not by claimed by the City by June 30, 2021. There were no lapsed funds in FY 2020-21.

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 15 – TDA FUNDS RESERVED (continued)

TDA Article 8 Fund

	2021	2020
FY 2019-20 allocation	\$ -	\$ -
FY 2020-21 allocation	-	-
Available reserve balance	\$ -	\$ -

For fiscal year 2020-21, any TDA Article 8 funds left on reserve for FY 2016-17 or prior, are subject to lapse if not by claimed by the City by June 30, 2021. There were no lapsed funds in FY 2020-21.

NOTE 16 – IMPACT OF CORONAVIRUS

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. 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, including the United States.

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. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 Funds' financial statement.

NOTE 17 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 17, 2021, 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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



Compliance and Other Matters

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

Purpose of this Report

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

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

Los Angeles, California
December 17, 2021

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, 2021.

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, 2021.



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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
December 17, 2021

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2021

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 or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Funds were expended with Metro’s approval and were not substituted for property tax.	X			None	
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY20/21.
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.			X	None	There were no expenditures that exceeded 25% of approved project budget in FY20/21
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.	X			None	
11.	Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Prop A and Prop C funds were not given, loaned, or exchanged in FY20/21.
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2021

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						
13.	A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit funded by Prop A and Prop C funds in FY 20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY20/21.
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2021
(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.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY20/21.
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.	X			None	
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Measure R funds were not given, loaned or exchanged in FY20/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	No capital reserve fund established for Measure R Fund in FY20/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2021
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit funded by Measure R in FY20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY20/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2021
(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.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY20/21.
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.	X			None	
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Measure M funds were not given, loaned or exchanged in FY20/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	No capital reserve fund established for Measure M Fund in FY20/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
 Year Ended June 30, 2021
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit funded by Measure M in FY20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY20/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2021
(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, 2021

No Findings were noted.

EXIT CONFERENCE

CITY OF PALMDALE
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS,
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND AND TRANSPORTATION
DEVELOPMENT ACT ARTICLE 8 FUND
EXIT CONFERENCE
June 30, 2021

An exit conference was held on December 27, 2021 with the City of Palmdale. Those in attendance were:

Simpson & Simpson Representative:

Terry Bian, Senior Auditor

City's Representative:

Keith Kang, Finance Manager / City Treasurer
Janelle Samson, Assistant Finance Manager/Deputy City Treasurer

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and no 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 Kang, Finance Manager / City Treasurer
Janelle Samson, Assistant Finance Manager/Deputy City Treasurer
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, 2021 AND 2020

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, 2021 and 2020 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