

***CITY OF LANCASTER
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 8 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF LANCASTER
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FINANCIAL SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), Transportation Development Act Article 3 Fund (TDAA3F), and Transportation Development Act Article 8 Fund (TDAA8F) (collectively, the Funds), of the City of Lancaster, California (the City) as of and for the years ended June 30, 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 Lancaster, California, as of June 30, 2021 and 2020, and the respective changes in 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 Redondo Beach, 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 16, 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 16, 2021

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

	2021	2020
ASSETS		
Cash and investments	\$ 3,729,426	\$ 2,815,618
Interest receivable	23,424	3,144
Total assets	\$ 3,752,850	\$ 2,818,762
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 289,006	\$ 10,786
Wages payable	2,440	1,927
Total liabilities	291,446	12,713
 Fund Balance		
Restricted	3,461,404	2,806,049
Total fund balance	3,461,404	2,806,049
Total liabilities and fund balance	\$ 3,752,850	\$ 2,818,762

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

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

	<u>2021</u>	<u>2020</u>
REVENUES		
Proposition A	\$ 3,251,491	\$ 3,129,492
Interest income	55,422	18,992
Unrealized gain (loss) on investments	-	(6,893)
Project reimbursements (Note 15)	<u>722</u>	<u>-</u>
Total revenues	<u>3,307,635</u>	<u>3,141,591</u>
EXPENDITURES		
Various projects	<u>2,652,280</u>	<u>3,079,243</u>
Total expenditures	<u>2,652,280</u>	<u>3,079,243</u>
Excess of revenues over expenditures	655,355	62,348
Fund balance at beginning of year	<u>2,806,049</u>	<u>2,743,701</u>
Fund balance at end of year	<u>\$ 3,461,404</u>	<u>\$ 2,806,049</u>

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

CITY OF LANCASTER
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance	2020 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
135	207 4430301 AVTA Transit Services	\$ 42,750	\$ 29,512	\$ 13,238	\$ 1,155,754
155	207 4999101 Recreational Transit Services	20,000	1,885	18,115	-
170	207 4430404 Bus Shelter/ Bench Maintenance	375,000	374,668	332	81,180
170	207 4634406 Care & Maintenance of AVTA Transfer Center	7,760	9,539	(1,779)	19,858
170	207 4634402 Care & Maintenance of AVTA Transfer Center - Exclude Janitorial Supplies	12,000	-	12,000	-
170	207 4752301 Park & Ride Security Program	30,000	25,118	4,882	25,581
170	207 4634207 Vehicle Operations - GPS Monitoring Service	3,000	2,107	893	-
205	11BS033 - AVTA Bus Stop Improvements	1,681,471	64,751	1,616,720	-
205	15ST067 18/19 Bus Stop Improvements.	555,575	-	555,575	-
270	12ST042 Park N Ride Improvements	230,000	130,182	99,818	-
313	11AC011 - Blvd Satellite Parking	206,000	49,215	156,785	-
313	12AC002 Blvd Parking Lot Improvement	674,617	424	674,193	25,383
410	Exchange Prop A Fund with City of Manhattan Beach (Note 9)	383,929	268,750	115,179	-
410	207 4430991 - Exchange Prop A Funds with City of Commerce (Note 9)	1,425,000	1,425,000	-	1,425,000
610	11BS027 - Transportation Management Center	103,269	14,782	88,487	1,666
610	Transportation Program Administration (Payroll)	54,692	54,985	(293)	52,330
610	General Fund Overhead Allocation	201,480	201,362	118	201,480
150-05	2017 Bus Stop Improvements	-	-	-	45,554
160-01	Bus Stop Improvements (as part of Project 12ST037)	-	-	-	2,768
160-04	Bus Stop Improvements (as part of Project 16ST007)	-	-	-	42,689
	Total expenditures	\$ 6,006,543	\$ 2,652,280	\$ 3,354,263	\$ 3,079,243

See accompanying independent auditor's report.

CITY OF LANCASTER
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
6/4/2012	Pressure Washer Trailer	\$ 10,874	\$ -	\$ -	\$ 10,874
	Total	\$ 10,874	\$ -	\$ -	\$ 10,874

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ 5,403,961	\$ 3,646,885
Interest receivable	30,340	4,073
Total assets	\$ 5,434,301	\$ 3,650,958
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 39,400
Total liabilities	-	39,400
 Fund Balance		
Restricted	5,434,301	3,611,558
Total fund balance	5,434,301	3,611,558
Total liabilities and fund balance	\$ 5,434,301	\$ 3,650,958

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

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

	2021	2020
REVENUES		
Proposition C	\$ 2,696,995	\$ 2,595,921
Interest income	76,264	47,625
Unrealized gain (loss) on investments	-	(12,079)
Project reimbursements (Note 15)	-	69,487
Total revenues	2,773,259	2,700,954
EXPENDITURES		
Various projects	950,516	4,096,999
Total expenditures	950,516	4,096,999
Excess (deficiency) of revenues over expenditures	1,822,743	(1,396,045)
OTHER FINANCING SOURCES		
Proceed from sale of land	-	172,604
Total other financing sources	-	172,604
Excess (deficiency) of revenues over expenditures and other financing sources	1,822,743	(1,223,441)
Fund balance at beginning of year	3,611,558	4,834,999
Fund balance at end of year	\$ 5,434,301	\$ 3,611,558

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

CITY OF LANCASTER
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 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)	
270	12AC003 - Park 7 Ride Parking Lots Referb	\$ 903,654	\$ 4,473	\$ 899,181	\$ 413
620	11BS027 Transportation Management Center	135,638	-	135,638	1,274
705	17SD027 - Ave K & Challenger Drainage	41,000	33,047	7,953	8,500
705	12ST040 - 2020 Pavement Management Program	25,662	-	25,662	74,338
715	12ST039 - Construction of Bike and Pedestrian Improvements	730,000	-	730,000	-
720	12ST041 - 2021 Pavement Management Program (Revive 25)	45,000	30,355	14,645	862
720	12ST046 - 2021 Summer Pavement Management	2,585,083	-	2,585,083	-
720	15BW008 - 10th St West Bikeway & Road Diet	270,000	144,901	125,099	40,285
720	Safer Streets Action Plan Improvements	500,000	47,277	452,723	-
720	15SW015 - Sidewalk Improvement at Railroad Crossings	49,000	-	49,000	-
720	15SW017 - 2020 ATP-SRTS Pedestrian Improvements	141,354	31,455	109,899	1,059,646
730	15ST058 - Lancaster Health District (Formerly Medical Main St)	1,350,000	659,008	690,992	285,175
740	16ST007 - Intersection Improvement-10W/ I & 30W/K	27,272	-	27,272	191,227
170-03	Care and Maintenance of AVTA Transfer Center	-	-	-	94,526
180-02	Stencil Truck Purchase	-	-	-	115,865
430-03	10th Street West and Avenue J Improvements (12ST039)	-	-	-	37,567
470-10	17/18 Pavement Management Program	-	-	-	644,477
470-11	2018/19 Pavement Management Program R-25 (12ST038)	-	-	-	1,542,844
	Total expenditures	<u>6,803,663</u>	<u>950,516</u>	<u>5,853,147</u>	<u>4,096,999</u>

See accompanying independent auditor's report.

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

Date <u>Acquired</u>	<u>Description</u>	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2021</u>
5/23/2017	Cracked Sealer	\$ 98,901	\$ -	\$ -	\$ 98,901
	Total	\$ 98,901	\$ -	\$ -	\$ 98,901

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ -	\$ 394,554
Accounts receivable (Note 11)	418,300	246,338
Interest receivable	3,282	618
Due from other government (Note 10)	1,969,981	2,146,955
Total assets	\$ 2,391,563	\$ 2,788,465
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ 155,535	\$ -
Total liabilities	155,535	-
 Deferred Inflows of Resources		
Unavailable revenue (Note 10)	1,969,981	2,146,955
Total deferred inflows of resources	1,969,981	2,146,955
 Fund Balance		
Restricted	266,047	641,510
Total fund balance	266,047	641,510
Total liabilities, deferred inflows of resources and fund balance	\$ 2,391,563	\$ 2,788,465

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

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

	2021	2020
REVENUES		
Measure R	\$ 2,025,549	\$ 1,944,155
Measure R Highway Program Grant (Note 12)	5,251,309	4,945,065
Project reimbursements (Note 15)	73,570	349,256
Interest income	8,859	4,275
Unrealized gain (loss) on investments	-	(3,958)
Total revenues	7,359,287	7,238,793
EXPENDITURES		
Various projects funded by MRLRF	2,054,922	3,716,155
Various projects funded by Measure R Highway Program Grant (Note 12)	5,679,828	4,464,624
Total expenditures	7,734,750	8,180,779
Deficiency of revenues over expenditures	(375,463)	(941,986)
Fund balance at beginning of year	641,510	1,583,496
Fund balance at end of year	\$ 266,047	\$ 641,510

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

CITY OF LANCASTER
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021		Variance Favorable (Unfavorable)	2020 Actual
		Metro Budget	Actual		
<i>Expenditures Funded by MRLRF</i>					
302	15ST070 - Traffic Overhead Sign Replacement	\$ 100,952	\$ -	\$ 100,952	\$ -
705	15ST080 - Annual Long Line Striping	146,506	5,764	140,742	-
705	15ST078 2020 Long Line Stripe	400,000	337,168	62,832	2,281
715	12ST046 - 2021 Summer Pavement Management Program (Revive 25)	1,228,600	-	1,228,600	-
715	15BW008 - 10th Street West Bikeway & Road Diet	260,000	196,234	63,766	27,373
715	15ST053 - Ave I Street Improvements Challenger to Price	166,029	19,265	146,764	39,558
715	15ST054 - Ave I Street Improvements Price to 35th St. East	75,000	40,186	34,814	97,232
715	15ST077 - Prime Desert Woodlands Preserve Gap Closure (Ave K-4)	300,000	279,537	20,463	-
715	15ST064 Ave H & 7th St W Improvement (BYD)	515,000	-	515,000	-
715	210-4430-301 Professional Services	1,600	-	1,600	-
715	Fiscal Agent Fees	5,000	2,300	2,700	-
715	Debt Service Bond Payments (Note 16)	1,080,800	1,080,792	8	1,081,868
720	12ST039 - 10th St West & Ave J Improvements	29,059	29,059	-	223,893
720	15SW017 - 2020 ATP-SRTS Pedestrian Improvements	170,000	1,529	168,471	232,334
720	15SW016 Pedestrian Gap Closure	300,000	50,011	249,989	-
740	16ST007 Intersection Improvement -10W/ I & 30W/K	100,000	-	100,000	788,835
755	12GB004 - Tree Removals (Grant Projects)	10,000	13,077	(3,077)	-
1.05	16/17 Pavement Mgmt/Revive 25 12ST036	-	-	-	820,816
1.05	17/18 Pavement Management Program - R-25 12ST037	-	-	-	109,273
1.05	PDWP Gap Closure (K-4) 15ST077	-	-	-	210,311
1.20	15th ST West/Lancaster Blvd Roundabout 16ST005	-	-	-	53,123
3.05	5th St E Corridor Improvements 15ST055	-	-	-	29,258
	Total expenditures funded by MRLRF	<u>4,888,546</u>	<u>2,054,922</u>	<u>2,833,624</u>	<u>3,716,155</u>
<i>Expenditures Funded by Measure R Highway Program Grant</i>					
705	15BR004 Ave K and SR 14 Interchange	8,500,000	1,029,259	7,470,741	1,545,130
715	15BR005 Ave M and SR 14 Interchange	2,000,000	606,764	1,393,236	1,299,263
715	15BR006 Ave G and SR 14 Interchange	1,046,631	52,911	993,720	80,251
715	15BR007 Ave J and SR 14 Interchange	8,400,000	3,569,071	4,830,929	1,229,326
715	15BR008 Ave L and SR 14 Interchange	2,510,000	421,823	2,088,177	310,654
	Total expenditures funded by Measure R Highway Program Grant	<u>22,456,631</u>	<u>5,679,828</u>	<u>16,776,803</u>	<u>4,464,624</u>
	Total expenditures funded by MRLRF and Measure R Highway Program Grant	<u>\$ 27,345,177</u>	<u>\$ 7,734,750</u>	<u>\$ 19,610,427</u>	<u>\$ 8,180,779</u>

See accompanying independent auditor's report.

CITY OF LANCASTER
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
1/15/2013	Hydrostatic Spreader	\$ 162,127	\$ -	\$ -	\$ 162,127
1/15/2013	Pavement Preservation Broom	63,636	-	-	63,636
3/25/2013	Pneumatic Tire Compactor	87,745	-	-	87,745
3/25/2013	Pneumatic Tire Compactor	87,745	-	-	87,745
6/19/2014	Broce Model KR350 Broom with Kubota Engine	56,758	-	-	56,758
7/14/2014	Avalance Sweeper	263,387	-	-	263,387
	Total \$	<u>721,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,398</u>

See accompanying independent auditor's report.

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

	2021	2020
ASSETS		
Cash and investments	\$ 2,098,043	\$ 1,947,455
Interest receivable	16,202	2,003
Total assets	\$ 2,114,245	\$ 1,949,458
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 78,271
Total liabilities	-	78,271
 Fund Balance		
Restricted	2,114,245	1,871,187
Total fund balance	2,114,245	1,871,187
Total liabilities and fund balance	\$ 2,114,245	\$ 1,949,458

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

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

	2021	2020
REVENUES		
Measure M	\$ 2,295,022	\$ 2,189,618
Interest income	35,551	29,515
Unrealized gain (loss) on investments	-	(7,333)
Total revenues	2,330,573	2,211,800
 EXPENDITURES		
Various projects	2,087,515	3,253,786
Total expenditures	2,087,515	3,253,786
 Excess (deficiency) of revenues over expenditures	243,058	(1,041,986)
 Fund balance at beginning of year	1,871,187	2,913,173
 Fund balance at end of year	\$ 2,114,245	\$ 1,871,187

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

CITY OF LANCASTER
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 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)	
210	211 4785763 - Equipment Purchase - Public Transit Capital	\$ 345,000	\$ 166,364	\$ 178,636	\$ 147,532
705	12ST044 2019 Sidewalk, Curb, Gutter Repair	120,000	28,883	91,117	34,857
705	15ST054 Ave I street improvement Price & 35th St East	27,000	18,428	8,572	-
715	12ST040 - 2020 Pavement Management Program (Revive 25)	15,000	3,785	11,215	20,282
715	15ST077 - Prime Desert Woodlands Preserve Gap Closure (Ave K-4)	25,000	25,000	-	-
715	Fiscal Agent Fees	5,000	3,075	1,925	-
715	Debt Service Repayment for Bond Issued Fall 2019 (Note 16)	1,621,200	1,621,188	12	1,622,289
715	15ST068 Gadsden & Kildare Improvements	800,000	-	800,000	-
760	15ST070 Traffic Overhead Sign Replacement	200,000	85,581	114,419	-
780	211-4430-301 Professional Fees	1,600	-	1,600	-
780	211-4761-301 Traffic Professional Services	41,000	-	41,000	-
805	15SW016 Pedestrian Gap Closure Improvements	1,420,000	135,211	1,284,789	36,043
1.05	17/18 Pavement Management Program R-25	-	-	-	1,115,910
1.05	18/19 Pavement Management Program R-25	-	-	-	100,840
1.20	15th St West/Lancaster Blvd Roundabout	-	-	-	3,876
3.05	ATP-SRTS Pedestrian Improvements 15SW017	-	-	-	172,157
Total expenditures		\$ 4,620,800	\$ 2,087,515	\$ 2,533,285	\$ 3,253,786

See accompanying independent auditor's report.

CITY OF LANCASTER
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
2/22/2019	Laminator	\$ 11,657	\$ -	\$ -	\$ 11,657
4/12/2019	Remover, Vaccum Attachment for Line Grinder	11,634	-	-	11,634
6/7/2019	Battery Backup Systems	27,923	-	-	27,923
6/21/2019	Retroreflectometer	8,248	-	-	8,248
Total		\$ <u>59,462</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>59,462</u>

See accompanying independent auditor's report.

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

BALANCE SHEETS

June 30

	2021	2020
ASSETS		
Cash and investments	\$ -	\$ 189
Interest receivable	-	44
Total assets	\$ -	\$ 233
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 42,932
Due to General Fund	1,634	3,984
Total liabilities	1,634	46,916
 Fund Balance		
Unassigned	(1,634)	(46,683)
Total fund balance	(1,634)	(46,683)
Total liabilities and fund balance	\$ -	\$ 233

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

CITY OF LANCASTER
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2021</u>	<u>2020</u>
REVENUES		
TDA 3	\$ 260,745	\$ 91,749
Project reimbursements (Note 15)	-	79
Interest income	374	44
Total revenues	<u>261,119</u>	<u>91,872</u>
EXPENDITURES		
Various projects	<u>216,070</u>	<u>134,465</u>
Total expenditures	<u>216,070</u>	<u>134,465</u>
Excess (deficiency) of revenues over expenditures	45,049	(42,593)
Fund balance at beginning of year	<u>(46,683)</u>	<u>(4,090)</u>
Fund balance at end of year	\$ <u>(1,634)</u>	\$ <u>(46,683)</u>

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

CITY OF LANCASTER
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
10th St W & Ave J Improvements (HSIP)		\$ 37,572	\$ 35,503	\$ 2,069	Ongoing
10th St W Bikeway & Road		169,932	170,258	(326)	Ongoing
AVE G, 70W To 1950' W/O		53,241	10,309	42,932	Ongoing
	Total	<u>\$ 260,745</u>	<u>\$ 216,070</u>	44,675	
Interest income				374	
Fund balance at beginning of year				<u>(46,683)</u>	
Fund balance at end of year				<u>\$ (1,634)</u>	

See accompanying independent auditor's report.

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

BALANCE SHEETS

June 30

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ <u>104,156</u>	\$ <u>2,221,891</u>
Total assets	\$ <u><u>104,156</u></u>	\$ <u><u>2,221,891</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ <u>1,546,888</u>	\$ <u>2,221,891</u>
Total liabilities	<u>1,546,888</u>	<u>2,221,891</u>
 Fund Balance		
Unassigned	<u>(1,442,732)</u>	<u>-</u>
Total fund balance	<u>(1,442,732)</u>	<u>-</u>
Total liabilities and fund balance	\$ <u><u>104,156</u></u>	\$ <u><u>2,221,891</u></u>

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

CITY OF LANCASTER
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2021	2020
REVENUES		
TDA 8	\$ 7,724,467	\$ 8,057,160
Interest income	-	781
Project reimbursements (Note 15)	189,998	-
Total revenues	7,914,465	8,057,941
 EXPENDITURES		
Various projects	9,357,197	8,258,773
Total expenditures	9,357,197	8,258,773
 Deficiency of revenues over expenditures	(1,442,732)	(200,832)
 Fund balance at beginning of year	-	200,832
 Fund balance at end of year	\$ (1,442,732)	\$ -

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

CITY OF LANCASTER
TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Lancaster Health District	2016	\$ 35,387	\$ 52,896	\$ (17,509)	Ongoing
Ave I St Imp Challenger-Price	2018	118,649	106,862	11,787	Ongoing
Ave I St Imp Price-35th St E	2018	25,514	430	25,084	Ongoing
Traffic Operations and Maintenance	2018	764,498	764,498	-	Ongoing
Street Maintenance	2018	4,486,769	6,085,962	(1,599,193)	Ongoing
10th St W Bikeway& Road Diet	2019	241,466	247,264	(5,798)	Complete
2021 Pavement Management Program (revive 25)	2020	1,804,857	1,804,857	-	Complete
Pedestrian Gap Closure Improvement	2020	41,261	81,606	(40,345)	Ongoing
Traffic Overhead Sign Replace	2021	118,287	125,116	(6,829)	Ongoing
Redundant Street Lighting	2021	4,903	4,884	19	Ongoing
Prime Desert Woodlands Preserve Gap Closure (Ave K-4)	2021	1,102	1,102	-	Ongoing
2020 Thermoplastic Stripe Refurbishment	2021	81,774	81,720	54	Ongoing
	Total	<u>\$ 7,724,467</u>	<u>\$ 9,357,197</u>	<u>\$ (1,632,730)</u>	
Project reimbursements (Note 15)				189,998	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ (1,442,732)</u>	

See accompanying independent auditor's report.

CITY OF LANCASTER
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 Transportation Development Act Article 8 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

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

Budgets and Budgetary Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

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

Refer to City's 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 classifications 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).
- Unassigned - The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes.

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

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

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

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 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 quarterly balances to the total of the pooled cash and investments.

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

NOTE 9 – PROPOSITION A LOCAL RETURN FUND EXCHANGE

On July 17, 2018, the City entered into three year fund exchange agreements with the City of Commerce to exchange \$1,425,000 of the City’s Proposition A Local Return funds for \$997,550 of the City of Commerce’s General funds or \$0.70 of General funds given for each \$1.00 of Proposition A Local Return funds received. The agreements were applicable from fiscal year ended June 30, 2019 to fiscal year ended June 30, 2021.

On July 28, 2020, the City entered into an one year fund exchange agreement with the City of Manhattan Beach to exchange \$268,750 of the City’s Proposition A Local Return funds for \$188,126 of the City of Manhattan Beach’s General funds or \$0.70 of General funds given for each \$1.00 of Proposition A Local Return funds received. The agreement was applicable for fiscal year ended June 30, 2021.

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

The City recognizes revenue when the payments for services rendered become measurable and available. In fiscal years ended June 30, 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 MRLRF were \$1,969,981 and \$2,146,955, respectively from Measure R Highway Program Grant.

MOU Number	Project Name	2021	2020
MR330.02	15BR004 Ave K and SR 14 Interchange	\$ 292,949	\$ 544,683
MR330.03	15BR006 Ave G and SR 14 Interchange	22,848	133,197
MR330.04	15BR007 Ave J and SR 14 Interchange	1,426,245	357,109
MR330.05	15BR008 Ave L and SR 14 Interchange	44,473	276,842
MR330.06	15BR005 Ave M and SR 14 Interchange	183,466	835,124
		<u>\$ 1,969,981</u>	<u>\$ 2,146,955</u>

NOTE 11 – MEASURE R HIGHWAY PROGRAM GRANT ACCOUNTS RECEIVABLE

For fiscal years ended June 30, 2021 and 2020, Measure R Highway Program Grant had the following accounts receivable, which represent revenues collected within 60 days after year end:

MOU Number	Project Name	2021	2020
MR330.02	15BR004 Ave K and SR 14 Interchange	\$ 418,300	\$ 245,817
MR330.05	15BR008 Ave L and SR 14 Interchange	-	521
		<u>\$ 418,300</u>	<u>\$ 246,338</u>

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

NOTE 12 – MEASURE R HIGHWAY PROGRAM GRANT REVENUES AND EXPENDITURES

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

<u>MOU Number</u>	<u>Project Name</u>	<u>2021</u>	<u>2020</u>
MR330.02	15BR004 Ave K and SR 14 Interchange	\$ 1,304,916	\$ 1,518,832
MR330.03	15BR006 Ave G and SR 14 Interchange	79,157	188,633
MR330.04	15BR007 Ave J and SR 14 Interchange	2,058,645	2,304,484
MR330.05	15BR008 Ave L and SR 14 Interchange	615,781	161,163
MR330.06	15BR005 Ave M and SR 14 Interchange	1,192,810	771,953
		<u>\$ 5,215,309</u>	<u>\$ 4,945,065</u>

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

<u>MOU Number</u>	<u>Project Name</u>	<u>2021</u>	<u>2020</u>
MR330.02	15BR004 Ave K and SR 14 Interchange	\$ 1,029,259	\$ 1,545,130
MR330.03	15BR006 Ave G and SR 14 Interchange	52,911	80,251
MR330.04	15BR007 Ave J and SR 14 Interchange	3,569,071	1,229,326
MR330.05	15BR008 Ave L and SR 14 Interchange	421,823	310,654
MR330.06	15BR005 Ave M and SR 14 Interchange	606,764	1,299,263
		<u>\$ 5,679,828</u>	<u>\$ 4,464,624</u>

NOTE 13 – TRANSPORTATION DEVELOPMENT ACT FUNDS REVENUE ALLOCATION

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

TDA Article 3 Fund

	<u>2021</u>	<u>2020</u>
FY 2015-16 allocation	\$ -	\$ 73,875
FY 2016-17 allocation	88,644	17,874
FY 2017-18 allocation	102,292	-
FY 2018-19 allocation	69,809	-
Total payments requested	<u>\$ 260,745</u>	<u>\$ 91,749</u>

TDA Article 8 Fund

	<u>2021</u>	<u>2020</u>
FY 2018-19 allocation	\$ -	\$ 3,664,531
FY 2019-20 allocation	2,470,023	4,392,629
FY 2020-21 allocation	5,254,444	-
Total payments requested	<u>\$ 7,724,467</u>	<u>\$ 8,057,160</u>

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

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with state guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2021, and 2020, the City has funds on reserve as follow:

TDA Article 3 Fund

	<u>2021</u>	<u>2020</u>
FY 2016-17 allocation	\$ -	\$ 88,644
FY 2017-18 allocation	-	102,292
FY 2018-19 allocation	37,162	106,971
FY 2019-20 allocation	116,462	116,462
FY 2020-21 allocation	90,051	-
Available reserve balance	\$ <u>243,675</u>	\$ <u>414,369</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.

TDA Article 8 Fund

	<u>2021</u>	<u>2020</u>
FY 2019-20 allocation	\$ -	\$ 2,470,023
FY 2020-21 allocation	64,671	-
Available reserve balance	\$ <u>64,671</u>	\$ <u>2,470,023</u>

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.

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

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

For June 30, 2021, the following project reimbursements were noted:

PALRF

Project No.	Project Name	Purpose	Fund Name	Amount
11BS027	Transportation Management Center	Reimbursement from Capital Project Fund to cover project costs initially made from PALRF funding.	Capital Project Fund	\$ 722
			Total	<u>\$ 722</u>

MRLRF

Project No.	Project Name	Purpose	Fund Name	Amount
15ST053	Ave I Street Improvements Challenger to Price	Reimbursement from Highway Safety Improvement program (HSIP) Fund to cover project costs initially made from Measure R funding.	Federal HSIP Fund	\$ 11,457
15ST054	Ave I Street Improvements Price to 35th St. East	Reimbursement from HSIP Fund to cover project costs initially made from Measure R funding.	Federal HSIP Fund	59,519
15ST055	5th St E Corridor Improvements	Reimbursement from HSIP Fund to cover project costs initially made from Measure R funding.	Federal HSIP Fund	2,594
			Total	<u>\$ 73,570</u>

TDAA8F

Project No.	Project Name	Purpose	Fund Name	Amount
12ST017	2020 ATP-SRTS Pedestrian Improvements	Reimbursement from Gas Tax Fund to cover project costs initially made from TDA 8 funding.	Gas Tax Fund	\$ 1,540
12ST009	Traffic Operations & Maintenance	Reimbursement from Gas Tax Fund to cover project costs initially made from TDA 8 funding.	Gas Tax Fund	1,731
15SW016	Pedestrian Gap Closure Improvements	Reimbursement from HSIP Fund to cover project costs initially made from Measure TDA 8 funding.	Federal HSIP Fund	4,330
15ST053	Ave I Street Improvements Challenger to Price	Reimbursement from HSIP Fund to cover project costs initially made from Measure TDA 8 funding.	Federal HSIP Fund	125,745
15ST054	Ave I Street Improvements Price to 35th St. East	Reimbursement from HSIP Fund to cover project costs initially made from Measure TDA 8 funding.	Federal HSIP Fund	56,652
			Total	<u>\$ 189,998</u>

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

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

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

PCLRF

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

MRLRF

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

TDAA3F

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

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

NOTE 16 – LANCASTER FINANCING AUTHORITY REVENUE BONDS, SERIES 2020 – MRLRF AND MMLRF

In October 2019, the City issued Lancaster Financing Authority Revenue Bonds, Series 2020 (Measure M & R Street Improvements Project) Bonds in the amount of \$48,405,000 with bond premium of \$7,268,805. The proceeds of the bonds are anticipated to be used to finance the costs of acquisition, construction, rehabilitation, reconstruction, and resurfacing of the City’s public street facilities, and pay costs of issuance. The use of Measure R and Measure M revenues to pay debt service on the bonds to finance the costs of the project was approved by Metro by the letter dated May 21, 2019.

The principal amounts due ranging from \$725,000 to \$3,085,000 on June 1 each year starting in 2020 through 2049; the bonds are subject to redemption prior to their maturity dates as a whole or in part on any date on or after June 1, 2044, at par plus accrued interest to the date fixed for redemption, without premium; interest rates vary from 3% to 5%. For fiscal year ended June 30, 2021 and 2020, the amounts of principal, interest and administrative costs were split 40/60 between MRLRF and MMLRF and reported under Project Code 715, Debt Service Bond Payments in MRLRF and Project Code 715, Debt Service Repayment for Bond issued Fall 2019 in MMLRF, as follows:

	2021		2020	
	MRLRF	MMLRF	MRLRF	MMLRF
Principal	\$ 290,000	435,000	\$ 578,110	866,890
Interest	790,792	1,186,188	502,938	754,169
Administrative Costs	2,300	3,075	820	1,230
Total	<u>\$ 1,083,092</u>	<u>1,624,263</u>	<u>\$ 1,1081,868</u>	<u>1,622,289</u>

The balance outstanding on Lancaster Financing Authority Revenue Bonds, Series 2019 on June 30, 2021 and 2020, for MRLRF and MMLRF were as follows:

	MRLRF	MMLRF
Bonds Payable at 10/1/2019	\$ 19,362,000	\$ 29,043,000
Less: Principal	(578,110)	(866,890)
Bonds Payable at 6/30/2020	18,783,890	28,176,110
Less: Principal	(290,000)	(435,000)
Bonds Payable at 6/30/2021	<u>\$ 18,493,890</u>	<u>\$ 27,741,110</u>

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

NOTE 16 – LANCASTER FINANCING AUTHORITY REVENUE BONDS, SERIES 2020 – MRLRF AND MMLRF (Continued)

Lancaster Financing Authority Revenue Bonds (Fund 701) tracks bond proceeds, payments for eligible project expenditures, and fund balances at June 30, 2021 and 2020 as follows:

	<u>MRLRF</u>	<u>MMLRF</u>
Fund balances - Lancaster Financing Authority Revenue Bonds (701), Series 2019 at June 30, 2019	\$ -	\$ -
Proceeds from issuance of the Bonds	22,269,522	33,404,283
Less: Bond issuance costs and discount	<u>(179,442)</u>	<u>(269,163)</u>
Net proceeds from issuance of 2019A Sales Tax Revenue Bonds	22,090,080	33,135,120
Less: FY2020 expenditures	<u>(635,245)</u>	<u>(947,868)</u>
Fund balances - Lancaster Financing Authority Revenue Bonds (701), Series 2019 at June 30, 2020	<u>21,454,835</u>	<u>32,187,253</u>
Add: Interest income	16,706	25,058
Less: FY2021 expenditures	<u>(2,411,048)</u>	<u>(3,616,573)</u>
Fund balances - Lancaster Financing Authority Revenue Bonds (701), Series 2019 at June 30, 2021	<u>\$ 19,151,493</u>	<u>\$ 28,595,738</u>

NOTE 17 – 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 18 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 16, 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.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the 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 Lancaster, 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 16, 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 and Transportation Development Act Article 3 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 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 purple ink that reads "Simpson & Simpson".

Los Angeles, California
December 16, 2021

COMPLIANCE SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320 LOS
ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Lancaster, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds, and the Los Angeles County Metropolitan Transportation Authority Guidelines to the Administration of Transportation Development Act Article 8 (collectively, the Guidelines) for the year ended June 30, 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 16, 2021

CITY OF LANCASTER
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	
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.			X	None	There was 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	
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X	None	There were no Intelligent Transportation System projects or elements in FY 20/21.

CITY OF LANCASTER
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		
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	No capital reserve fund established for Prop A and Prop C Funds in FY20/21.
14.	Recreational transit form was submitted on time.	X			None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.	X			None	
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 LANCASTER
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.	Annual 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 LANCASTER
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 LANCASTER
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.	Annual 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 LANCASTER
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 LANCASTER
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 LANCASTER
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2021

No findings were noted.

EXIT CONFERENCE

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

An exit conference was held on December 29, 2021 with the City of Lancaster. Those in attendance were:

Simpson & Simpson Representative(s):

Terry Bian, Senior Auditor

City's Representative(s):

Nike Noack, Senior Manager- Finance

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:

Nike Noack, Senior Manager- Finance
Lany Hartanto, Accountant

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

RE: CITY OF LANCASTER ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 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 years ended June 30, 2021 and 2020 for the City of Lancaster and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date