

***CITY OF PALMDALE
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 8 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

AND MEASURE M LOCAL RETURN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF PALMDALE
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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), 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, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Palmdale, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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, TDAA3F and TDAA8F of the City of Palmdale, California, as of June 30, 2018 and 2017, and MMLRF of the City of Palmdale, California, as of June 30, 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF, TDAA3F and TDAA8F of the City and do not purport to, and do not, present fairly the financial position of the City of Palmdale, California, as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' financial statements or to the Funds' financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 19, 2018, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California
December 19, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 5,342,801	\$ 4,724,062
Interest receivable	18,588	12,255
Total assets	\$ 5,361,389	\$ 4,736,317
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 25,968	\$ 4,249
Wages payable	77	1,251
Total liabilities	26,045	5,500
 Fund Balance		
Restricted	5,335,344	4,730,817
Total fund balance	5,335,344	4,730,817
Total liabilities and fund balance	\$ 5,361,389	\$ 4,736,317

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>2018</u>	<u>2017</u>
REVENUES		
Proposition A	\$ 2,985,866	\$ 2,864,999
Interest income	68,494	47,287
Unrealized loss on investments	<u>(28,955)</u>	<u>(50,597)</u>
Total revenues	<u>3,025,405</u>	<u>2,861,689</u>
EXPENDITURES		
Various projects	<u>2,420,878</u>	<u>2,539,319</u>
Total expenditures	<u>2,420,878</u>	<u>2,539,319</u>
Excess of revenues over expenditures	604,527	322,370
Fund balance at beginning of year	<u>4,730,817</u>	<u>4,408,447</u>
Fund balance at end of year	<u>\$ 5,335,344</u>	<u>\$ 4,730,817</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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	AVTA (City Contribution to O&M)	\$ 2,323,820	\$ 2,001,747	\$ 322,073	\$ 2,024,727
180-01	New Vehicles/Parts, Repairs & Equipment Replacement	41,000	38,095	2,905	-
230-04	Park and Ride Security	83,150	60,993	22,157	65,508
270-01	HSR Station Planning	100,000	109,291	(9,291)	-
270-02	Multimodal Transit Facility Study	1	-	1	5,077
270-15	North County ITS Forum	207,240	201,824	5,416	435,823
290-04	Park & Ride Lot Improvement	1	-	1	-
310-20	Palmdale Transportation Center Wayfinding Signage	20,000	8,838	11,162	8,184
400-01	Avenue R Interconnect Project-5th St E to 40th St E	100	90	10	-
Total expenditures		\$ <u>2,775,312</u>	\$ <u>2,420,878</u>	\$ <u>354,434</u>	\$ <u>2,539,319</u>

Note: Of the total fiscal year 2018 and fiscal year 2017 actual expenditures above, \$2,062,740 and \$2,090,235, respectively were transferred to the City's General Fund and were spent on approved Proposition A projects as listed above.

See accompanying independent auditor's report.

CITY OF PALMDALE
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 8,195,365	\$ 6,195,411
Due from Metro - Propostion 25% Call for Project Grant	1,265,282	3,713,768
Interest receivable	28,512	16,070
Total assets	\$ 9,489,159	\$ 9,925,249
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 28,318	\$ 1,074,157
Retention payable - Proposition C 25% Call for Projects Grant	241,250	850,187
Wages payable	424	274
Total liabilities	269,992	1,924,618
 Deferred Inflows and Resources		
Unavailable revenue - Proposition C 25% Call for Project Grant (Note 9)	1,247,523	3,331,562
Total deferred inflows of resources	1,247,523	3,331,562
 Fund Balance		
Restricted	7,971,644	4,669,069
Total fund balance	7,971,644	4,669,069
Total liabilities and fund balance	\$ 9,489,159	\$ 9,925,249

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

	2018	2017
REVENUES		
Proposition C	\$ 2,505,141	\$ 2,347,874
Proposition C 25% Call for Projects Grant (Note 11)	2,759,645	4,858,366
Interest income	96,747	52,697
Unrealized loss on investments	(45,281)	(65,933)
Total revenues	5,316,252	7,193,004
 EXPENDITURES		
Various projects funded by PCLRF	1,003,883	979,884
Various projects funded by Proposition C 25% Call for Projects Grant	1,009,794	4,538,602
Total expenditures	2,013,677	5,518,486
 Excess of revenues over expenditures	3,302,575	1,674,518
 Fund balance at beginning of year	4,669,069	2,994,551
 Fund balance at end of year	\$ 7,971,644	\$ 4,669,069

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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code/ MOU No.	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	AVTA (City Contribution to O&M)	\$ 262,500	\$ 258,534	\$ 3,966	\$ 250,000
270-01	HSR Station Planning	1	-	1	-
310-13	Facility Lease Payment	547,590	547,594	(4)	651,638
440-05	Pavement Management Program	200,000	197,755	2,245	78,246
Total expenditures funded by PCLRF		\$ <u>1,010,091</u>	<u>1,003,883</u>	\$ <u>6,208</u>	<u>979,884</u>
F1300	North County Traffic Forum ITS Expansion		855,172		385,824
F3107	Avenue S Widening Phase II		66,539		3,979,119
F7121	Rancho Vista Boulevard Widening		88,083		173,659
Total expenditures funded by Proposition C 25% Call for Projects Grant			<u>1,009,794</u>		<u>4,538,602</u>
Total expenditures			\$ <u>2,013,677</u>		\$ <u>5,518,486</u>

Note: Of the total FY 2018 and FY 2017 actual expenditures funded by PCLRF above, \$806,128 and \$901,638, respectively, were transferred to the City's General Fund and were spent on approved Proposition C projects as listed above.

See accompanying independent auditor's report.

CITY OF PALMDALE
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 7,072,640	\$ 5,347,291
Due from Metro - Measure R Highway		
Program Grant	3,402,080	3,267,818
Interest receivable	24,606	13,871
Total assets	\$ 10,499,326	\$ 8,628,980
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 500,850	\$ 617,929
Wages payable	3,088	2,124
Total liabilities	503,938	620,053
 Deferred Inflows of Resources		
Unavailable revenue - Measure R Highway		
Program Grant (Note 9)	2,894,761	3,090,743
Total deferred inflows of resources	2,894,761	3,090,743
 Fund Balance		
Restricted	7,100,627	4,918,184
Total fund balance	7,100,627	4,918,184
Total liabilities and fund balance	\$ 10,499,326	\$ 8,628,980

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

	2018	2017
REVENUES		
Measure R	\$ 1,855,019	\$ 1,782,762
Measure R Highway Program Grant (Note 12)	3,261,087	2,115,358
Interest income	91,002	60,607
Unrealized loss on investments	(38,225)	(57,573)
Total revenues	5,168,883	3,901,154
EXPENDITURES		
Expenditures funded by MRLRF	59,704	1,965,884
Expenditures funded by Measure R Highway Program Grant	3,077,027	3,262,785
Total expenditures	3,136,731	5,228,669
Excess (deficiency) of revenues over (under) expenditures	2,032,152	(1,327,515)
OTHER FINANCING SOURCES		
Proceeds from On-Bill Financing - SCE (Note 10)	150,291	-
Excess (deficiency) of revenues over (under) expenditures and other financing sources	2,182,443	(1,327,515)
Fund balance at beginning of year	4,918,184	6,245,699
Fund balance at end of year	\$ 7,100,627	\$ 4,918,184

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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code/ MOU No.	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	RVB Widening - GAP Closure	\$ 392,730	\$ 44,134	\$ 348,596	\$ -
1.05	Ave S Widen - 30th E to 47th	315,000	-	315,000	-
1.05	Roundabout @ S-8 & 40th St	212,140	2,209	209,931	-
1.05	Civic Center Complete Streets	50,000	1,422	48,578	-
1.20	HSIP Roundabout S-8 & 40th E	-	-	-	2,400
1.20	Road Safety Improvements	-	-	-	(36,537)
1.30	Ave S. Widen 30th Street East to 4th Street East	-	-	-	1,883,613
1.30	RVB Widen - GAP closure	-	-	-	96,400
2.03	Ave R and 55th Street	-	-	-	20,008
7.90	Civic Center Wayfinding Design & Engineering	-	-	-	-
		25,000	11,939	13,061	-
	Total expenditures funded by MRLRF	\$ <u>994,870</u>	\$ <u>59,704</u>	\$ <u>935,166</u>	\$ <u>1,965,884</u>
MR460064	Rancho Vista Grade Blvd Grade Separation		809,485		828,006
MR330.09	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East		1,049,614		416,024
MR330.09	State Route 138 (SR-14) 10th St. West Interchange		587,887		186,226
MR330.08	State Route 138 (SR-14) Southbound Off- Ram at Palmdale Blvd. and Interchange Improvement		494,122		312,009
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd		115,657		1,512,703
MR330.11	SR-138 Avenue N Overcrossing		8,340		7,817
F0050208	LED Retrofit Project		11,922		-
	Total expenditures funded by Measure R Highway Program Grant		<u>3,077,027</u>		<u>3,262,785</u>
	Total expenditures		\$ <u>3,136,731</u>		\$ <u>5,228,669</u>

See accompanying independent auditor's report.

CITY OF PALMDALE
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

		2018
ASSETS		
Cash and investments	\$	1,680,265
Interest receivable		5,846
Total assets	\$	1,686,111
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	-
Total liabilities		-
 Fund Balance		
Restricted		1,686,111
Total fund balance		1,686,111
Total liabilities and fund balance	\$	1,686,111

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

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

	2018
REVENUES	
Measure M	\$ 1,681,072
Interest income	14,676
Unrealized loss on investments	(9,637)
Total revenues	1,686,111
EXPENDITURES	
Various projects	-
Total expenditures	-
Excess of revenues over expenditures	1,686,111
Fund balance at beginning of year	-
Fund balance at end of year	\$ 1,686,111

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

CITY OF PALMDALE
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2018

Project Code	Project Name	2018		
		Metro Budget	Actual	Variance Favorable (Unfavorable)
None		\$ -	\$ -	\$ -
	Total expenditures	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF PALMDALE
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
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

	2018	2017
ASSETS		
Cash and investments	\$ 8,580	\$ 21,102
Interest receivable	30	55
Total assets	\$ 8,610	\$ 21,157
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	8,610	21,157
Total fund balance	8,610	21,157
Total liabilities and fund balance	\$ 8,610	\$ 21,157

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

	2018	2017
REVENUES		
Interest income	\$ 165	\$ 170
Unrealized loss on investments	(42)	-
Total revenues	123	170
EXPENDITURES		
ADA Compliance	12,670	69,464
Total expenditures	12,670	69,464
Deficiency of revenues under expenditures	(12,547)	(69,294)
Fund balance at beginning of year	21,157	90,451
Fund balance at end of year	\$ 8,610	\$ 21,157

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, 2018

<u>Project Description</u>	<u>Program</u>	<u>Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended</u> <u>Allocations</u>	<u>Project</u> <u>Status</u>
Local allocations						
ADA Compliance		2018	\$ -	\$ 12,670	\$ (12,670)	Ongoing
		Total	<u>\$ -</u>	<u>\$ 12,670</u>	(12,670)	
Unexpended interest accumulated to date					123	
Fund balance at beginning of year					<u>21,157</u>	
Fund balance at end of year					<u>\$ 8,610</u> *	

* The City has encumbered the remaining fund balance of \$8,610 for ADA Compliance as of June 30, 2018.

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

	2018	2017
ASSETS		
Cash and investments	\$ 1,962,003	\$ 1,270,970
Interest receivable	6,826	3,296
Total assets	\$ 1,968,829	\$ 1,274,266
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	1,968,829	1,274,266
Total fund balance	1,968,829	1,274,266
Total liabilities and fund balance	\$ 1,968,829	\$ 1,274,266

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

	2018	2017
REVENUES		
TDA 8	\$ 6,150,445	\$ 6,137,530
Interest income	15,734	11,033
Unrealized loss on investments	(11,130)	(13,420)
Total revenues	6,155,049	6,135,143
 EXPENDITURES		
Various projects	5,460,486	5,618,945
Total expenditures	5,460,486	5,618,945
 Excess of revenues over expenditures	694,563	516,198
 Fund balance at beginning of year	1,274,266	758,068
 Fund balance at end of year	\$ 1,968,829	\$ 1,274,266

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, 2018

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Traffic Engineering	2018	\$ 1,831,250	\$ 1,688,600	\$ 142,650	Ongoing
Street Maintenance	2018	4,209,646	3,771,886	437,760	Ongoing
Street Overlay	2018	109,549	-	109,549	Ongoing
Total		<u>\$ 6,150,445</u>	<u>\$ 5,460,486</u>	689,959	
Unexpended interest accumulated to date				4,604	
Fund balance at beginning of year				<u>1,274,266</u>	
Fund balance at end of year				<u>\$ 1,968,829</u> *	

* The City has encumbered the remaining fund balance of \$1,968,829 as of June 30, 2018.

See accompanying independent auditor's report.

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017

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.

Transportation Development Act Article 3 Fund (TDAA3F) and Transportation Development Act Article 8 Fund (TDAA8F) are Special Revenue Funds that account for the City’s share of the Transportation Development Act Article 3 and 8 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(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 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments 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, 2018:

- 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, 2018 and 2017
(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. The first revenue allocation was received in the current period. 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, 2018 and 2017
(Continued)

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

The City recognizes revenue when the payments for services rendered become measurable and available. In fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017, the amounts were reported as deferred inflows of resources.

As of June 30, 2018, and 2017, the deferred inflows of resources reported in PCLRF was \$1,247,523 and \$3,331,562, respectively, from Proposition C 25% Call for Projects Grant.

As of June 30, 2018, and 2017, the deferred inflows of resources reported in MRLRF were \$2,894,761 and \$3,090,743, respectively from Measure R Highway Program Grant.

NOTE 10 – 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 2017, 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 street lights are components of the traffic signal infrastructure, and Sites 1-105 consist of the various street lights 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 2018. For fiscal year ended June 30, 2018, the City paid \$11,922, which was reported under LED Retrofit Project, a project funded by Measure R Highway Grant.

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

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

For the fiscal years ended June 30, 2018 and 2017, Proposition C 25% Call for Projects Grant had the following projects revenues:

MOU No.	Project Name	2018	2017
F1300	North County Traffic Forum ITS Expansion	\$ 382,354	\$ 1,725,680
F3107	Avenue S Widening Phase II	2,268,642	2,940,735
F7121	Rancho Vista Boulevard Widening	108,649	191,951
	Total revenues	<u>\$ 2,759,645</u>	<u>\$ 4,858,366</u>

NOTE 12 – MEASURE R HIGHWAY PROGRAM GRANT REVENUE

For the fiscal years ended June 30, 2018 and 2017, Measure R Highway Program Grant had the following projects revenues:

MOU No.	Project Name	2018	2017
MR460064	Rancho Vista Grade Blvd Grade Separation	\$ 416,720	\$ 825,764
MR330.09	State Route 138 (Palmdale Blvd) Between 5th St. East and 10th St. East	630,909	661,374
MR330.09	State Route 138 (SR-14) 10th St. West Interchange	299,839	356,210
MR330.08	State Route 138 (SR-14) Southbound Off- Ram at Palmdale Blvd. and Interchange Improvement	469,318	209,456
MR330.10	State Route 138 (SR-14) Widening Rancho Vista Blvd. to Palmdale Blvd	1,436,844	11,811
MR330.11	SR-138 Avenue N Overcrossing	7,457	50,743
	Total revenues	<u>\$ 3,261,087</u>	<u>\$ 2,115,358</u>

NOTE 13 – TDA FUNDS REVENUE ALLOCATION

The revenue allocation for the fiscal years ended June 30, 2018 and 2017 consisted of the following:

TDA Article 3 Fund

	<u>2018</u>	<u>2017</u>
FY 2016-17 allocation	\$ -	\$ -
FY 2017-18 allocation	-	-
Total payments requested	<u>\$ -</u>	<u>\$ -</u>

CITY OF PALMDALE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 13 – TDA FUNDS REVENUE ALLOCATION (continued)

TDA Article 8 Fund

	2018	2017
FY 2016-17 allocation	\$ -	\$ 6,137,530
FY 2017-18 allocation	6,150,445	-
Total payments requested	\$ <u>6,150,445</u>	\$ <u>6,137,530</u>

NOTE 14 – TDA FUNDS RESERVED

In accordance with state guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2018, and 2017, the City has funds on reserve as follows:

TDA Article 3 Fund

	2018	2017
FY 2014-15 allocation	\$ 49,569	\$ 49,569
FY 2015-16 allocation	99,169	99,169
FY 2016-17 allocation	104,017	104,017
FY 2017-18 allocation	104,231	-
Available reserve balance	\$ <u>356,986</u>	\$ <u>252,755</u>

For fiscal year 2017-18, any TDA Article 3 funds left on reserve for FY 2013-14 or prior, are subject to lapse if not by claimed by the City by June 30, 2018. There were no lapsed funds in FY 2017-18.

TDA Article 8 Fund

	2018	2017
FY 2016-17 allocation	\$ -	\$ -
FY 2017-18 allocation	-	-
Available reserve balance	\$ <u>-</u>	\$ <u>-</u>

For fiscal year 2017-18, any TDA Article 8 funds left on reserve for FY 2013-14 or prior, are subject to lapse if not by claimed by the City by June 30, 2018. There were no lapsed funds in FY 2017-18.

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through December 19, 2018, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, Transportation Development Act Article 3 Fund and Transportation Development Act Article 8 Fund (collectively, the Funds) of the City of Palmdale, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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



Compliance and Other Matters

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

Purpose of this Report

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

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

Los Angeles, California
December 19, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON

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FOUNDING PARTNERS
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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Palmdale, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds, and the Los Angeles County Metropolitan Transportation Authority Guidelines to the Administration of Transportation Development Act Article 8 (collectively, the Guidelines) for the year ended June 30, 2018.

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, 2018.



Report on Internal Control Over Compliance

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

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

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

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

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

Los Angeles, California
December 19, 2018

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).			X	None	There were no expenditures that exceeded 25% of approved project budget.
5.	Administrative expenditures are within the 20% cap of the total annual Local Return Expenditures.			X	None	There were no administrative expenditures in FY 2017/18.
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	X			None	
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2018
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.	X			None	
13.	Recreational transit form was submitted on time.	X			None	

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2018
(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	There were no expenditures in FY 2017/18.
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	There were no expenditures in FY 2017/18.
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.			X	None	There were no expenditures in FY 2017/18.
7.	Expenditure Plan (Form One) was submitted on time.			X	None	There were no expenditures in FY 2017/18.
8.	Expenditure Report (Form Two) was submitted on time.			X	None	There were no expenditures in FY 2017/18.
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no expenditures in FY 2017/18.
13.	Recreational transit form was submitted timely.			X	None	There were no expenditures in FY 2017/18.

CITY OF PALMDALE
COMPLIANCE MATRIX
Year Ended June 30, 2018
(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, 2018

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, 2018

An exit conference was held on December 19, 2018 with the City of Palmdale. Those in attendance were:

Simpson & Simpson Representative:

Debra M. Hughes, Auditor

City's Representative:

Joyce Workman, Senior Financial Analyst

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and non-compliance issues with Metro Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Joyce Workman, Senior Financial Analyst

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

RE: CITY OF PALMDALE ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 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