



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Members of the City Council
City of Lancaster
Lancaster, California

We have audited, in accordance with the 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Lancaster's basic financial statements, and have issued our report thereon dated May 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

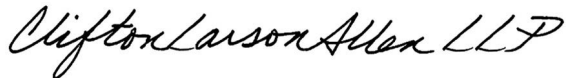
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Lancaster's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Irvine, California
May 22, 2025

**CITY OF LANCASTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

2024– 001

Type of Finding: Material Weakness in Internal Control over Financial Statement Close

Condition: As part of the audit, material adjustments were proposed to adjust land held for resale and beginning fund balances/net position.

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions.

Effect: Prior to the audit adjustments being recorded, the City's financial statements were materially misstated. \$3.65M was donated to a non-profit organization in fiscal year 2023 and was not properly expensed. \$2.35M relates to land sold in fiscal year 2023, with the proceeds reported as a gain on sale. \$1M relates to correction of an error due to improper financial statement classification. Prior period land acquisitions includes \$5M of land erroneously expensed to land acquisitions rather than capitalized and \$6.5M of donated land was not properly recorded in the general ledger.

Cause: The City's internal controls over financial statement close surrounding land held for resale did not operate as designed.

Repeat finding: No

Recommendation: We recommend that the City review its internal control procedures over financial statement close surrounding land held for resale to ensure that they operate as designed.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will implement a corrective action plan to ensure that internal controls are in place to capture and record all land/land held for resale transactions to the correct accounts and are being tracked accurately. In response to the audit finding, the City has been diligently working on improving policies and procedures related to year-end transactions, specifically over land held for resale.