

***CITY OF SIGNAL HILL
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
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF SIGNAL HILL
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CITY OF SIGNAL HILL

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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 Signal Hill, 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), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Signal Hill, California (the City) as of and for the years ended June 30, 2019 and 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 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 Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City of Signal Hill, California, as of June 30, 2019 and 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 and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Signal Hill, California, as of June 30, 2019 and 2018, 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 5, 2019, 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 5, 2019

CITY OF SIGNAL HILL
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 468,221	\$ 732,185
Accounts receivable	-	20
Total assets	\$ 468,221	\$ 732,205
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 22,742	\$ 18,788
Due to other funds	5,644	-
Total liabilities	28,386	18,788
 Fund Balance		
Restricted - Citywide Bus Stop Pad (Note 8)	380,000	380,000
Restricted - Others	59,835	333,417
Total fund balance	439,835	713,417
Total liabilities and fund balance	\$ 468,221	\$ 732,205

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

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

	2019	2018
REVENUES		
Proposition A	\$ 233,063	\$ 217,739
Interest income	20,574	8,572
Project generated revenue (Note 9)	1,483	1,569
Total revenues	255,120	227,880
EXPENDITURES		
Various projects	528,702	170,650
Total expenditures	528,702	170,650
 (Deficiency) excess of revenues (under) over expenditures	 (273,582)	 57,230
 Fund balance at beginning of year	 713,417	 656,187
 Fund balance at end of year	 \$ 439,835	 \$ 713,417

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

CITY OF SIGNAL HILL
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-02	Fixed Route Subsidy	\$ 53,568	\$ 49,854	\$ 3,714	\$ 46,396
120-02	Dial-A-Lift	42,790	37,191	5,599	18,787
120-05	Dial-A-Taxi	10,500	6,675	3,825	8,109
140-03	Recreation Transit	42,000	53,686	(11,686) *	37,798
170-07	Bus Shelter Maintenance	-	-	-	32,770
250-04	Bus Fare Subsidy	2,000	1,296	704	1,932
270-10	Oversight Committee for I-710 EIR/EIS				
	Alternative Route Improvements	-	-	-	9,000
380-01	City Wide Bus Stop Pads	-	-	-	400
405-01	Fund Exchange with Long Beach (Note 10)	380,000	380,000	-	-
480-06	Staff Administration	-	-	-	15,458
	Total expenditures	\$ 530,858	\$ 528,702	\$ 2,156	\$ 170,650

* On December 10, 2019, Metro subsequently approved the budget increase for Recreation Transit Project to \$53,686.

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 498,694	\$ 468,252
Total assets	\$ 498,694	\$ 468,252
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	498,694	468,252
Total fund balance	498,694	468,252
Total liabilities and fund balance	\$ 498,694	\$ 468,252

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

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

	2019	2018
REVENUES		
Proposition C	\$ 193,320	\$ 181,762
Interest income	16,622	6,351
Total revenues	209,942	188,113
 EXPENDITURES		
Various projects	179,500	75,000
Total expenditures	179,500	75,000
 Excess of revenues over expenditures	30,442	113,113
 Fund balance at beginning of year	468,252	355,139
 Fund balance at end of year	\$ 498,694	\$ 468,252

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

CITY OF SIGNAL HILL
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
440-04	Willow Street Overlay	\$ -	\$ -	\$ -	\$ 75,000
440-05	Various Street Repairs within City Boundary	179,320	179,500	(180)	-
480-06	Staff Administration	5,000	-	5,000	-
	Total expenditures	\$ <u>184,320</u>	\$ <u>179,500</u>	\$ <u>4,820</u>	\$ <u>75,000</u>

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 421,186	\$ 534,500
Total assets	\$ 421,186	\$ 534,500
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Balance		
Restricted	421,186	534,500
Total fund balance	421,186	534,500
Total liabilities and fund balance	\$ 421,186	\$ 534,500

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

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

	2019	2018
REVENUES		
Measure R	\$ 145,031	\$ 135,274
Interest income	17,566	6,187
Total revenues	162,597	141,461
 EXPENDITURES		
Various projects	275,911	2,654
Total expenditures	275,911	2,654
 (Deficiency) excess of revenues (under) over expenditures	 (113,314)	 138,807
 Fund balance at beginning of year	 534,500	 395,693
 Fund balance at end of year	 \$ 421,186	 \$ 534,500

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

CITY OF SIGNAL HILL
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement Management	\$ 250,000	\$ 224,254	\$ 25,746	\$ 2,654
1.90	Other Streets & Roads	42,500	51,657	(9,157)	-
	Total expenditures	\$ 292,500	\$ 275,911	\$ 16,589	\$ 2,654

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 246,559	\$ 78,155
Total assets	\$ 246,559	\$ 78,155
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	246,559	78,155
Total fund balance	246,559	78,155
Total liabilities and fund balance	\$ 246,559	\$ 78,155

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

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

	2019	2018
REVENUES		
Measure M	\$ 163,416	\$ 122,590
Interest income	4,988	2,626
Total revenues	168,404	125,216
 EXPENDITURES		
Street Repaired and Maintenance	-	47,061
Total expenditures	-	47,061
 Excess of revenues over expenditures	168,404	78,155
 Fund balance at beginning of year	78,155	-
 Fund balance at end of year	\$ 246,559	\$ 78,155

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

CITY OF SIGNAL HILL
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repaired and Maintenance	\$ -	\$ -	\$ -	\$ 47,061
	Total expenditures	\$ -	\$ -	\$ -	\$ 47,061

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2019

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)
BALANCE SHEETS
June 30

	2019	2018
ASSETS		
Cash and investments	\$ 11,523	\$ 7,500
Total assets	\$ 11,523	\$ 7,500
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	11,523	7,500
Total fund balance	11,523	7,500
Total liabilities and fund balance	\$ 11,523	\$ 7,500

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

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

	2019	2018
REVENUES		
TDA 3	\$ 12,826	\$ 15,000
Interest income	274	-
Total revenues	13,100	15,000
 EXPENDITURES		
General Sidewalk Repair	9,077	7,500
Total expenditures	9,077	7,500
 Excess of revenues over expenditures	4,023	7,500
 Fund balance at beginning of year	7,500	-
 Fund balance at end of year	\$ 11,523	\$ 7,500

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

CITY OF SIGNAL HILL
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2019

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
General Sidewalk Repair	2018-19	\$ 12,826	\$ 9,077	\$ 3,749	Ongoing
Total		<u>\$ 12,826</u>	<u>\$ 9,077</u>		
Unexpended interest accumulated to date				274	
Fund balance at beginning of year				<u>7,500</u>	
Fund balance at end of year				<u>\$ 11,523</u>	

See accompanying independent auditor's report.

CITY OF SIGNAL HILL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018

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

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, MMLRF and TDAA3F 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 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 SIGNAL HILL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(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 2019 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 and TDAA3F report the following fund balance classifications as of June 30, 2019:

- 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 and TDAA3F 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 and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF SIGNAL HILL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(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 – TRANSPORTATION DEVELOPMENT ACT 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 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F'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.

NOTE 8 – CAPITAL RESERVE – PALRF

On June 20, 2018, Metro and the City entered into a capital reserve agreement to establish a capital reserve account (Account) for the Citywide Bus Stop Pads Project amounting to \$380,000. The Account is funded with the Proposition A Local Return funds allocated to the City. The agreement is set to expire on June 30, 2023.

CITY OF SIGNAL HILL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 9 – PROJECT GENERATED REVENUES UNDER PALRF

Project generated revenues for the year ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Senior Bus Pass	\$ 81	\$ 230
Dial-A-Taxi Fares	1,402	1,339
Total	<u>\$ 1,483</u>	<u>\$ 1,569</u>

NOTE 10 – PROPOSITION A LOCAL RETURN FUND EXCHANGE

On May 14, 2019, the City entered into an agreement with Long Beach Transit to exchange \$380,000 of the City’s Proposition A Local Return funds in one lump sum payment for certain transit operational support services it will provide to the City. Long Beach Transit shall construct and install certain future bus stop and shelter improvements within the City through alternate capital funding.

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
FY 2014-15 allocation	\$ -	\$ 5,234
FY 2015-16 allocation	-	7,286
FY 2016-17 allocation	5,210	2,480
FY 2017-18 allocation	7,616	-
Total payment requested	<u>\$ 12,826</u>	<u>\$ 15,000</u>

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) 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, 2019, and 2018, the City has funds on reserve as follows:

	<u>2019</u>	<u>2018</u>
FY 2016-17 allocation	\$ -	\$ 5,210
FY 2017-18 allocation	-	7,616
FY 2018-19 allocation	7,883	-
Available reserve balance	<u>\$ 7,883</u>	<u>\$ 12,826</u>

CITY OF SIGNAL HILL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2019 and 2018
(Continued)

NOTE 13 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through December 5, 2019, 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.



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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 Signal Hill, 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, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Signal Hill, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2019.

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 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 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 5, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
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Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Signal Hill, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

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 Article 3 Program 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 and Transportation Development Act Article 3

In our opinion, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001 to Finding No. 2019-006. Our opinion on each local return and Transportation Development Act Article 3 program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001, Finding No. 2019-002 and Finding No. 2019-006.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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.

Simpson & Simpson

Los Angeles, California
December 5, 2019

CITY OF SIGNAL HILL
COMPLIANCE MATRIX
Year Ended June 30, 2019

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	See Finding No.2019-001 on the Schedule of Findings and Recommendations.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.			X	None	There were no administrative expenses in FY 18/19.
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	See Finding No. 2019-002 on the Schedule of Findings and Recommendations.
8.	Annual Expenditure Report (Form C) was submitted on time.		X		None	See Finding No. 2019-003 on the Schedule of Findings and Recommendations.
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects in FY 18/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF SIGNAL HILL
COMPLIANCE MATRIX
Year Ended June 30, 2019
(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	See Finding No. 2019-004 on the Schedule of Findings and Recommendations.
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenditures in FY18/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY18/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY18/19.

CITY OF SIGNAL HILL
COMPLIANCE MATRIX
Year Ended June 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.			X	None	There were no expenditures in FY18/19.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.		X		None	See Finding No. 2019-005 on the Schedule of Findings and Recommendations.
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY18/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY18/19.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY18/19.

CITY OF SIGNAL HILL
COMPLIANCE MATRIX
Year Ended June 30, 2019
(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	See Finding No. 2019-006 on the Schedule of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2019

PALRF: Finding No. 2019-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	The City exceeded more than 25 percent of LACMTA approved budget on PALRF Project Code 140-03, Recreation Transit in the amount of \$1,186. This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City’s program department. The City initially requested the budget increased from \$34,000 to \$42,000; however, the amended amount was not enough to cover the expenditures.
Effect	The City’s PALRF project expenditures exceeded 25 percent of LACMTA’s approved budget without LACMTA’s approval. The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget. If the City expects project expenditures will be in excess of 25 percent of approved budget, the City should submit an amended Form A before incurring expenditures
Management’s Response	Staff anticipated an increase in recreational transit trips, but the amended amount from \$34,000 to \$42,000 was still not enough.
Finding Corrected During the Audit	The City’s amended Form A was submitted and retroactively approved by LACMTA on December 10, 2019. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

PALRF & PCLRF: Finding No. 2019-002

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section C, “Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects.”
Condition	The City did not meet the August 1, 2018 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 15, 2018. This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight.
Effect	The City’s Form B was not submitted timely. The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st in accordance with Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form B was submitted to LACMTA.
Finding Corrected During the Audit	The City’s Form B was submitted and retroactively approved by LACMTA on August 15, 2018. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

PALRF & PCLRF: Finding No. 2019-003

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section C, “On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify Metro of previous year LR fund receipts and expenditures.”
Condition	The City did not meet the October 15, 2019 deadline for submission of the Annual Expenditure Report (Form C). However, the City submitted the Form C on October 23, 2019.
Cause	It was due to an oversight.
Effect	The City’s Form C was not submitted timely. The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15th in accordance with Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form C was submitted to LACMTA.
Finding Corrected During the Audit	The City’s Form C was submitted and retroactively approved by LACMTA on October 23, 2019. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MRLRF: Finding No. 2019-004

Compliance Requirement	According to Measure R Local Return Guidelines, Section B, “Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year).”
Condition	The City did not meet the October 15, 2019 deadline for submission of the Expenditure Report (Form Two). However, the City submitted the Form Two on October 23, 2019.
Cause	It was due to an oversight.
Effect	The City’s Form Two was not submitted timely. The City did not comply with Measure R Local Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15 th in accordance with Measure R Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form Two was submitted to LACMTA.
Finding Corrected During the Audit	The City’s Form Two was submitted and retroactively approved by LACMTA on October 23, 2019. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

MMLRF: Finding No. 2019-005

Compliance Requirement	According to Measure M Local Return Guidelines, Section XXV, “Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year).”
Condition	The City did not meet the October 15, 2019 deadline for submission of the Expenditure Report (Form M-Two). However, the City submitted the Form M-Two on October 23, 2019.
Cause	It was due to an oversight.
Effect	The City’s Form M-Two was not submitted timely.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15th in accordance with Measure M Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form M-Two was submitted to LACMTA.
Finding Corrected During the Audit	The City’s Form M-Two was submitted and retroactively approved by LACMTA on October 23, 2019. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2019
 (Continued)

TDAA3F: Finding No. 2019-006

Compliance Requirement	According to Los Angeles County Metropolitan Transportation Authority’s Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (TDA Article 3 Guidelines), “Agencies may only draw down local return funds if they will be fully spent or encumbered before the end of the fiscal year (June 30) in which they were allocated.”
Condition	<p>During the fiscal year ended June 30, 2019, the City claimed \$12,826 from its reserve balance. However, the City only incurred \$9,077 for its Annual Sidewalk Program, which provided for unexpended funds of \$3,749 at June 30, 2019. In addition, the City had interest income of \$274 in FY19 and also carried forward a fund balance of \$7,500 from FY18. The City had a remaining fund balance of \$11,523 that was not spent or encumbered on any projects as of June 30, 2019. These funds should have been placed back on reserve, however, on December 11, 2019, LACMTA granted the City an extension on the usage of unspent funds until May 31, 2020.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The City earmarked these funds to be utilized for pedestrian related projects during the FY19, but the funds were not fully utilized during the fiscal year.
Effect	Because these funds were not expended within the required timeline per the TDA Article 3 Guidelines and have not been returned to LACMTA to be placed on reserve, the City did not comply with the TDA Article 3 Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that all TDA Article 3 funds drawn are fully spent or encumbered before the end of fiscal year. If there are any funds not spent during the fiscal year, the City should return the TDA Article 3 funds to LACMTA to be placed on reserve.
Management’s Response	Sidewalk repairs was less than expected, but we have more sidewalk repairs to do which will be completed prior to May 31, 2020 extension deadline.
Finding Corrected During the Audit	On December 11, 2019, LACMTA granted the City an extension on the usage of unspent funds until May 31, 2020 for both the \$7,500 from FY18 and \$4,023 from FY19.

EXIT CONFERENCE

CITY OF SIGNAL HILL
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2019

An exit conference was held on October 30, 2019 with the City of Signal Hill. Those in attendance were:

Simpson & Simpson Representatives:

Wanda Molina, Audit Supervisor
Yiduo Dong, Staff Auditor

City's Representatives:

Jessica Alcaraz, Accountant
Kim Engel, Accounting Manager

Matters Discussed:

Results of the audit disclosed (3) significant control deficiencies and (6) 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:

Hannah Shin-Heydorn, City Manager

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

RE: CITY OF SIGNAL HILL 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 AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

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 and Transportation Development Act Article 3 Fund for the years ended June 30, 2019 and 2018 for the City of Signal Hill and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date