

***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, 2020 AND 2019***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF SIGNAL HILL***  
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***FINANCIAL SECTION***

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

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

## **Independent Auditor's Report**

To the Honorable Members of the City Council of the  
City of 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 November 25, 2020, 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 &amp; Simpson".

Los Angeles, California  
November 25, 2020

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 505,101	\$ 468,221
Total assets	\$ 505,101	\$ 468,221
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,989	\$ 22,742
Due to other funds	5,644	5,644
Total liabilities	11,633	28,386
 <b>Fund Balance</b>		
Restricted - Citywide Bus Stop Pad (Note 8)	-	380,000
Restricted - Others	493,468	59,835
Total fund balance	493,468	439,835
Total liabilities and fund balance	\$ 505,101	\$ 468,221

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

	2020	2019
<b>REVENUES</b>		
Proposition A	\$ 224,398	\$ 233,063
Interest income	11,764	20,574
Project generated revenue (Note 9)	1,881	1,483
Total revenues	238,043	255,120
 <b>EXPENDITURES</b>		
Various projects	184,410	528,702
Total expenditures	184,410	528,702
 Excess (deficiency) of revenues over expenditures	53,633	(273,582)
 Fund balance at beginning of year	439,835	713,417
 Fund balance at end of year	\$ 493,468	\$ 439,835

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, 2020**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-02	Fixed Route Subsidy	\$ 53,568	\$ 53,640	\$ (72)	\$ 49,854
120-02	Dial-A-Lift	42,790	30,264	12,526	37,191
120-05	Dial-A-Taxi	10,500	12,060	(1,560)	6,675
140-03	Recreation Transit	38,000	31,692	6,308	53,686
170-07	Bus Shelter Maintenance	32,500	32,436	64	-
250-04	Bus Fare Subsidy	1,500	1,056	444	1,296
270-10	Oversight Committee for I-710 EIR/EIS Alternative Route Improvements	9,000	9,000	-	-
405-01	Fund Exchange with Long Beach (Note 10)	-	-	-	380,000
480-06	Staff Administration	16,768	14,262	2,506	-
Total expenditures		\$ 204,626	\$ 184,410	\$ 20,216	\$ 528,702

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 515,869	\$ 498,694
Total assets	\$ 515,869	\$ 498,694
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	515,869	498,694
Total fund balance	515,869	498,694
Total liabilities and fund balance	\$ 515,869	\$ 498,694

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

	2020	2019
<b>REVENUES</b>		
Proposition C	\$ 186,139	\$ 193,320
Interest income	15,094	16,622
Total revenues	201,233	209,942
 <b>EXPENDITURES</b>		
Various projects	184,058	179,500
Total expenditures	184,058	179,500
 Excess of revenues over expenditures	17,175	30,442
 Fund balance at beginning of year	498,694	468,252
 Fund balance at end of year	\$ 515,869	\$ 498,694

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, 2020  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
440-05	Various Street Repairs within City	\$ 179,320	\$ 179,500	\$ (180)	\$ 179,500
480-06	Staff Administration	5,000	4,558	442	-
	Total expenditures	\$ <u>184,320</u>	\$ <u>184,058</u>	\$ <u>262</u>	\$ <u>179,500</u>

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 477,894	\$ 421,186
Total assets	\$ 477,894	\$ 421,186
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	477,894	421,186
Total fund balance	477,894	421,186
Total liabilities and fund balance	\$ 477,894	\$ 421,186

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

	2020	2019
<b>REVENUES</b>		
Measure R	\$ 139,404	\$ 145,031
Interest income	12,607	17,566
Total revenues	152,011	162,597
<b>EXPENDITURES</b>		
Various projects	95,303	275,911
Total expenditures	95,303	275,911
Excess (deficiency) of revenues over expenditures	56,708	(113,314)
Fund balance at beginning of year	421,186	534,500
Fund balance at end of year	\$ 477,894	\$ 421,186

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, 2020  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement Management	\$ 1,577	\$ 3,457	\$ (1,880)	\$ 224,254
1.90	Other Streets & Roads	60,817	91,846	(31,029)	51,657
	Total expenditures	\$ 62,394	\$ 95,303	\$ (32,909)	\$ 275,911

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 412,000	\$ 246,559
Total assets	\$ 412,000	\$ 246,559
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	412,000	246,559
Total fund balance	412,000	246,559
Total liabilities and fund balance	\$ 412,000	\$ 246,559

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

	2020	2019
<b>REVENUES</b>		
Measure M	\$ 156,848	\$ 163,416
Interest income	8,593	4,988
Total revenues	165,441	168,404
 <b>EXPENDITURES</b>		
Street Repaired and Maintenance	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	165,441	168,404
 Fund balance at beginning of year	246,559	78,155
 Fund balance at end of year	\$ 412,000	\$ 246,559

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, 2020  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
None		\$ -	\$ -	\$ -	-
	Total expenditures	\$ -	\$ -	\$ -	-

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

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**

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ -	\$ 11,523
Total assets	\$ -	\$ 11,523
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<b>Fund Balance</b>		
Restricted	-	11,523
Total fund balance	-	11,523
Total liabilities and fund balance	\$ -	\$ 11,523

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

	2020	2019
<b>REVENUES</b>		
TDA 3	\$ -	\$ 12,826
Interest income	-	274
Total revenues	-	13,100
<b>EXPENDITURES</b>		
General Sidewalk Repair	11,523	9,077
Total expenditures	11,523	9,077
Excess (deficiency) of revenues over expenditures	(11,523)	4,023
Fund balance at beginning of year	11,523	7,500
Fund balance at end of year	\$ -	\$ 11,523

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, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
General Sidewalk Repair	2019-20	\$ -	\$ 11,523	\$ (11,523)	Completed
Total		<u>\$ -</u>	<u>\$ 11,523</u>		
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				<u>11,523</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2020 and 2019

**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 the spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. The statement of revenues, expenditures and changes in fund balance for Special Revenue Funds generally presents increases (revenues 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, 2020 and 2019  
(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 2020 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, 2020:

- 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, 2020 and 2019  
(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.

**CITY OF SIGNAL HILL**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2020 and 2019  
(Continued)

**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.

During fiscal year 2020, the Citywide Bus Stop project was terminated, and the City received Metro’s approval on March 26, 2020, to return the monies to the PALRF projects. Therefore, the City does not have the capital reserve agreement with Metro, and therefore no fund balance was restricted for the capital reserve at June 30, 2020.

**NOTE 9 – PROJECT GENERATED REVENUES UNDER PALRF**

Project generated revenues for the year ended June 30, 2020 and 2019 consisted of the following:

		2020		2019
Senior Bus Pass	\$	121	\$	81
Dial-A-Taxi Fares		1,760		1,402
Total	\$	1,881	\$	1,483

**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, 2020 and 2019 consisted of the following:

		2020		2019
FY 2016-17 allocation	\$	-	\$	5,210
FY 2017-18 allocation		-		7,616
Total payment requested	\$	-	\$	12,826

**CITY OF SIGNAL HILL**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2020 and 2019  
(Continued)

**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, 2020, and 2019, the City has funds on reserve as follows:

		2020		2019
FY 2018-19 allocation	\$	7,883	\$	7,883
FY 2019-20 allocation		8,364		-
Available reserve balance	\$	16,247	\$	7,883

**NOTE 13 – SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The City has evaluated subsequent events through November 25, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



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

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

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

To the Honorable Members of the City Council of the  
City of 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2020.

**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 &amp; Simpson".

Los Angeles, California  
November 25, 2020



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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON

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

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

## Independent Auditor's Report On Compliance

To the Honorable Members of the City Council of the  
City of 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, 2020.

### *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, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2020.



## 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. 2020-001 to Finding No. 2020-002. 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, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 25, 2020

**CITY OF SIGNAL HILL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2020

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
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	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
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) is in place and being used for Street Maintenance or Improvement Projects Expenditures.		X		None	See Finding No.2020-001 on the Schedule of Findings and Recommendations.
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 19/20.
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, 2020  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
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	See Finding No.2020-002 on the Schedule of Findings and Recommendations.
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 FY19/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY19/20.
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 FY19/20.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY19/20.

**CITY OF SIGNAL HILL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2020  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
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 FY19/20.
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 expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY19/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY19/20.
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 FY19/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY19/20.

**CITY OF SIGNAL HILL**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2020  
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>						
1.	Timely use of funds.	X			None	
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, 2020

**PCLRF: Finding No. 2020-001**

<b>Finding</b>	<b>Entity</b>
<b>Compliance Requirement</b>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II.C.7, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance" or “Bikeway” projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> <li>• Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Inventory of existing Class I bikeways, reviewed and updated triennially;</li> <li>• Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Identification of all pavement sections needing rehabilitation/replacement; and</li> <li>• Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s).</li> </ul> <p>Self-certifications executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA for project codes 430, 440 ,450, and 470.</p>
<b>Condition</b>	<p>The City has incurred expenditures for PCLRF Project Code 440, Street Improvement and Maintenance. However, the City’s latest PMS Certification expired on June 17, 2020.</p> <p>Subsequently, the City submitted the PMS Certification on December 1<sup>st</sup>, 2020.</p>
<b>Cause</b>	It was due to an oversight.
<b>Effect</b>	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
<b>Recommendation</b>	We recommend the City strengthen internal controls to ensure the timely submission of all required forms and documentations.



**CITY OF SIGNAL HILL**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2020  
 (Continued)

**PCLRF: Finding No. 2020-001 (Continued)**

<b>Finding</b>	<b>Entity</b>
<b>Management's Response</b>	There was staff turnover in Public Works Department and the new staff did not know the PMS Certification was to be submitted on time
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the PMS Certification on December 1 <sup>st</sup> , 2020. No follow-up is required.

**CITY OF SIGNAL HILL**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2020  
 (Continued)

**MRLRF: Finding No. 2020-002**

<b>Compliance Requirement</b>	According to Measure R Local Return Guidelines, Section B,II.,1., “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.”
<b>Condition</b>	The City did not meet the August 1, 2019 deadline for submission of the Expenditure Plan (Form One). However, the City submitted the Form One 246 days late on April 3, 2020.
<b>Cause</b>	It was due to an oversight.
<b>Effect</b>	The City did not comply with Measure R Local Return Guidelines.
<b>Recommendation</b>	We recommend the City strengthen internal control procedures to ensure that the Form One is properly prepared and submitted prior to the August 1st deadline 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
<b>Management’s Response</b>	This was due to an oversight in the Public Works Department. As soon as the Finance Department became aware, the Form One was submitted to LACMTA.
<b>Finding Corrected During the Audit</b>	The City’s Form One was submitted and retroactively approved by LACMTA on April 3, 2020. No follow-up is required.

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*EXIT CONFERENCE*

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**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, 2020

An exit conference was held on \_\_\_\_\_, 2020 with the City of Signal Hill. Those in attendance were:

***Simpson & Simpson Representatives:***

Terry Bian, Senior Auditor

***City's Representatives:***

Jessica Alcaraz, Accountant  
Kim Engel, Accounting Manager

***Matters Discussed:***

Results of the audit disclosed no significant control deficiency and (2) 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 5<sup>th</sup> 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, 2020 AND 2019

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, 2020 and 2019 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