

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

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



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF 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), 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, 2018 and 2017, and Measure M Local Return Fund (MMLRF) (the Fund) of the City of Signal Hill, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of Signal Hill, California, as of June 30, 2018 and 2017, and MMLRF of the City of Signal Hill, California, as of June 30, 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 18, 2018, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California
December 18, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 732,185	\$ 663,133
Accounts receivable	20	-
Prepaid items	-	5,644
Total assets	\$ 732,205	\$ 668,777
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 18,788	\$ 6,604
Accrued wages	-	5,986
Total liabilities	18,788	12,590
 Fund Balance		
Restricted - Citywide Bus Stop Pad (Note 8)	380,000	-
Restricted	333,417	656,187
Total fund balance	713,417	656,187
Total liabilities and fund balance	\$ 732,205	\$ 668,777

The accompanying notes are an integral part of 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

	2018	2017
REVENUES		
Proposition A	\$ 217,739	\$ 211,395
Interest income	8,572	2,514
Project generated revenue (Note 9)	1,569	1,142
Total revenues	227,880	215,051
 EXPENDITURES		
Various projects	170,650	158,814
Total expenditures	170,650	158,814
 Excess of revenues over expenditures	57,230	56,237
 Fund balance at beginning of year	656,187	599,950
 Fund balance at end of year	\$ 713,417	\$ 656,187

The accompanying notes are an integral part of 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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-02	Fixed Route Subsidy	\$ 46,000	\$ 46,396	\$ (396)	\$ 45,237
120-02	Dial-A-Lift	17,500	18,787	(1,287)	20,824
120-05	Dial-A-Taxi	8,000	8,109	(109)	6,870
140-03	Recreation Transit	30,000	* 37,798	(7,798)	26,829
170-07	Bus Shelter Maintenance	32,500	32,770	(270)	33,420
250-04	Bus Fare Subsidy	2,500	1,932	568	1,368
270-10	Oversight Committee for I-710 EIR/EIS Alternative Route Improvements	10,000	9,000	1,000	9,000
380-01	City Wide Bus Stop Pads	380,000	400	379,600	-
480-06	Staff Administration	32,730	15,458	17,272	15,266
	Total expenditures	\$ 559,230	\$ 170,650	\$ 388,580	\$ 158,814

* Metro subsequently approved the budget increase to \$37,798

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 468,252	\$ 355,139
Total assets	\$ 468,252	\$ 355,139
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	468,252	355,139
Total fund balance	468,252	355,139
Total liabilities and fund balance	\$ 468,252	\$ 355,139

The accompanying notes are an integral part of 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

	2018	2017
REVENUES		
Proposition C	\$ 181,762	\$ 174,186
Interest income	6,351	1,633
Total revenues	188,113	175,819
 EXPENDITURES		
Various projects	75,000	275,200
Total expenditures	75,000	275,200
 Excess (deficiency) of revenues over (under) expenditures	113,113	(99,381)
 Fund balance at beginning of year	355,139	454,520
 Fund balance at end of year	\$ 468,252	\$ 355,139

The accompanying notes are an integral part of 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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
400-02	Traffic Signal Synchronization	\$ -	\$ -	\$ -	50,000
440-03	Traffic Corridor Street Improvements	-	-	-	25,200
440-04	Willow Street Overlay	75,000	75,000	-	200,000
	Total expenditures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>275,200</u>

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 534,500	\$ 395,693
Total assets	\$ 534,500	\$ 395,693
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	534,500	395,693
Total fund balance	534,500	395,693
Total liabilities and fund balance	\$ 534,500	\$ 395,693

The accompanying notes are an integral part of 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

	2018	2017
REVENUES		
Measure R	\$ 135,274	\$ 131,542
Interest income	6,187	1,501
Total revenues	141,461	133,043
 EXPENDITURES		
Pavement Management	2,654	14,733
Total expenditures	2,654	14,733
 Excess of revenues over expenditures	138,807	118,310
 Fund balance at beginning of year	395,693	277,383
 Fund balance at end of year	\$ 534,500	\$ 395,693

The accompanying notes are an integral part of 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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement Management	\$ 718,080	\$ 2,654	\$ 715,426	\$ 14,733
	Total expenditures	\$ 718,080	\$ 2,654	\$ 715,426	\$ 14,733

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

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

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

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

The accompanying notes are an integral part of 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, 2018

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

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

	2018	2017
ASSETS		
Cash and investment	\$ 7,500	\$ -
Due from Metro	-	7,500
Total assets	\$ 7,500	\$ 7,500
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to General Fund	\$ -	\$ 7,500
Total liabilities	-	7,500
 Fund Balance		
Restricted	7,500	-
Total fund balance	7,500	-
Total liabilities and fund balance	\$ 7,500	\$ 7,500

The accompanying notes are an integral part of 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

	2018	2017
REVENUES		
TDA 3	\$ 15,000	\$ 7,500
Total revenues	15,000	7,500
 EXPENDITURES		
Annual Sidewalk Program	7,500	7,500
Total expenditures	7,500	7,500
 Excess of revenues over expenditures	7,500	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ 7,500	\$ -

The accompanying notes are an integral part of 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, 2018

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Annual Sidewalk Program	2017-18	\$ 15,000	\$ 7,500	\$ 7,500	Complete
Total		<u>\$ 15,000</u>	<u>\$ 7,500</u>	7,500	
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ 7,500</u>	

See accompanying independent auditor's report.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) 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.

Transportation Development Act Article 3 Fund (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 revenues, expenditures and change 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, 2018 and 2017
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

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

Refer to City's 2018 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement.

Fund Balance Reporting

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2018:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

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

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF 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, 2018 and 2017
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs. See accompanying Compliance Matrix.

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. The first revenue allocation was received in the current period. See accompanying Compliance Matrix.

NOTE 6 – 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 monthly 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, 2018 and 2017
(Continued)

NOTE 9 – PROJECT GENERATED REVENUES UNDER PALRF

Project generated revenues for the year ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
Senior Bus Pass	\$ 230	\$ 169
Dial-A-Taxi Fares	1,339	973
Total	<u>\$ 1,569</u>	<u>\$ 1,142</u>

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	2018	2017
FY 2013-14 allocation	\$ -	\$ 5,316
FY 2014-15 allocation	5,234	2,184
FY 2015-16 allocation	7,286	-
FY 2016-17 allocation	2,480	-
Total payment requested	<u>\$ 15,000</u>	<u>\$ 7,500</u>

NOTE 11 – 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, 2018, and 2017, the City has funds on reserve as follows:

	2018	2017
FY 2014-15 allocation	\$ -	\$ 5,234
FY 2015-16 allocation	-	7,286
FY 2016-17 allocation	5,210	7,690
FY 2017-18 allocation	7,616	-
Available reserve balance	<u>\$ 12,826</u>	<u>\$ 20,210</u>

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through December 18, 2018, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 18, 2018

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, 2018.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act 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, 2018.



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 Findings No. 2018-001 to No. 2018-005. 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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify a deficiency in internal control over compliance that we consider to be material weaknesses. We did identify certain deficiency in internal control over compliance described in the accompanying schedule of findings and recommendations as Finding No. 2018-003 that we consider to be a significant deficiency.

The response by the City to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The response by the City was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.



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

Simpson & Simpson

Los Angeles, California
December 18, 2018

CITY OF SIGNAL HILL
COMPLIANCE MATRIX
Year Ended June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).		X		None	See Finding No. 2018-001 on the Schedule of Findings and Recommendations.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
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. 2018-002 on the Schedule of Findings and Recommendations.
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		\$15,458	See Finding No. 2018-003 on the Schedule of Findings and Recommendations.
11.	Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.			X	None	There was no Street Maintenance or Improvement Projects Expenditures in FY 2017/18.
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 was no Intelligent Transportation Systems projects in FY 2017/18.
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, 2018
(Continued)

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

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

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund 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	See Finding No. 2018-004 on the Schedule of Findings and Recommendations.
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 FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY 2017/18.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2017/18.

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

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.		X		None	See Finding No. 2018-005 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, 2018

PALRF: Finding No. 2018-001

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 Los Angeles County Metropolitan Transportation Authority’s (LACMTA) approved budget on PALRF Project Code 140-03, Recreation Transit without prior approval from LACMTA. The amount that exceeded the approved budget by more than 25 percent is \$298.
Cause	It was due to an oversight by the City’s program department.
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 the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish 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 (Project Description Form) prior to the expenditure of funds.
Management’s Response	Staff did not anticipate an increase in recreational transit trips in the last quarter of the year.
Finding Corrected During the Audit	The City’s amended Form A was submitted and approved by LACMTA on December 18, 2018. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2018
 (Continued)

PALRF: Finding No. 2018-002

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, 2017 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 6, 2017.
Cause	It was due to an oversight.
Effect	The City’s Form B was not submitted timely.
Recommendation	We recommend the City establish procedures to ensure that the Form B (Annual Project Update) 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 approved on August 6, 2017. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2018
 (Continued)

PALRF: Finding No. 2018-003

<p>Compliance Requirement</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the estimates produce reasonable approximations of the activity performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>
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CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2018
 (Continued)

PALRF: Finding No. 2018-003 (Continued)

Condition	<p>To support the propriety of expenditures being charged to Proposition A and Proposition C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges.</p> <p>The salaries and benefits charged to PALRF totaling \$15,458 under Project 480-06 Staff Administration was based on percentages determined by the City departments to be attributable to LACMTA projects. However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved PALRF projects.</p> <p>This is a repeat finding.</p>
Cause	<p>The City charged payroll to PALRF based on adopted budget.</p>
Effect	<p>The City did not comply with Proposition A and Proposition C Local Return Guidelines. The payroll costs claimed under the PALRF projects may include expenditures which may not be an allowable cost under PALRF project, resulting in a questioned cost of \$15,458.</p>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund accounts for \$15,458.</p> <p>In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.</p>
Management's Response	<p>Staff was under the understanding that salaries and benefits could be allocated on a percentage basis if the City has an approved (adopted) cost allocation plan that follows OMB guidelines.</p>

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2018
 (Continued)

MMLRF: Finding No. 2018-004

Compliance Requirement	According to Measure M Final Guidelines XXV. Local Return, ““...funds were expended with Metro’s approval.”
Condition	The City incurred \$47,061 for Street Repaired and Maintenance Project in FY 2017/18 prior to approval from LACMTA.
Cause	The City did not submit the accurate and complete Expenditure Plan (Form One) with a listing of projects to LACMTA due to an oversight.
Effect	The City’s Measure M funds were expended prior to LACMTA’s approval.
Recommendation	We recommend that the City establish internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Expenditure Plan (Form One) to LACMTA.
Management’s Response	We did not submit corrected form on time with the updated information due to staff turnover.
Finding Corrected During the Audit	The City’s revised Form One was submitted and retroactively approved by LACMTA on December 17, 2018. No follow-up is required.

CITY OF SIGNAL HILL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2018
 (Continued)

TDAA3F: Finding No. 2018-005

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	During the fiscal year ended June 30, 2018, the City claimed \$15,000 from its reserve balance. However, the City only incurred \$7,500 for its Annual Sidewalk Program. The City had a remaining fund balance of \$7,500 that was not spent or encumbered on any projects as of June 30, 2018. These funds should have been placed back on reserve, however, on December 18, 2018, LACMTA granted the City an extension on the usage of unspent funds until June 30, 2019.
Cause	The City earmarked these funds to be utilized for pedestrian related projects during the fiscal year 2017-18, 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 implement 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	Our City submitted a TDA reimbursement request for \$15,000 for FY 2017-18. However, the TDA costs for its portion of sidewalk repairs only came out to be \$7,500, as the remaining portion is scheduled sidewalk repairs in FY 18-19, likely to be completed by 6/30/19.
Finding Corrected During the Audit	On December 18, 2018, LACMTA granted the City an extension on the usage of unspent funds until June 30, 2019.

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, 2018

An exit conference was held on December 18, 2018 with the City of Signal Hill. Those in attendance were:

Simpson & Simpson Representative:

Tian Bian, Staff Auditor

City's Representative:

Angelina Garcia, Deputy Finance Director

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and five (5) 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:

Angelina Garcia, Deputy Finance Director

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, 2018 AND 2017

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund for the years ended June 30, 2018 and 2017 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