

***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, 2017 AND 2016***



**Metro<sup>®</sup>**



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) of the City of Signal Hill, California (City) as of and for the years ended June 30, 2017 and 2016, 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 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, and TDAA3F of the City of Signal Hill, California, as of June 30, 2017 and 2016, 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, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Signal Hill, California, as of June 30, 2017 and 2016, and the changes in financial position thereof 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Signal Hill, California’s PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. 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 financial statements.

The supplementary 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 financial statements or to the 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 the 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 30 , 2017, on our consideration of the City’s internal control over 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 financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over 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 financial reporting and compliance.

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

Los Angeles, California  
November 30, 2017

**CITY OF SIGNAL HILL**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 663,133	\$ 655,189
Prepaid items	<u>5,644</u>	<u>-</u>
Total assets	<u>\$ 668,777</u>	<u>\$ 655,189</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,604	\$ 54,999
Wages payable	<u>5,986</u>	<u>240</u>
Total liabilities	<u>12,590</u>	<u>55,239</u>
 <b>Fund Balance</b>		
Restricted	<u>656,187</u>	<u>599,950</u>
Total fund balance	<u>656,187</u>	<u>599,950</u>
 Total liabilities and fund balance	<u>\$ 668,777</u>	<u>\$ 655,189</u>

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Proposition A	\$ 211,395	\$ 205,971
Interest income	2,514	3,671
Project generated revenues (Note 7)	<u>1,142</u>	<u>1,854</u>
Total revenues	<u>215,051</u>	<u>211,496</u>
<b>EXPENDITURES</b>		
Various projects	<u>158,814</u>	<u>153,291</u>
Total expenditures	<u>158,814</u>	<u>153,291</u>
Excess of revenues over expenditures	56,237	58,205
Fund balance at beginning of year	<u>599,950</u>	<u>541,745</u>
Fund balance at end of year	<u><u>\$ 656,187</u></u>	<u><u>\$ 599,950</u></u>

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-02	Fixed Route Subsidy	\$ 46,000	\$ 45,237	\$ 763	\$ 43,440
120-02	Dial-A-Lift	17,500	20,824	(3,324)	20,900
120-05	Dial-A-Taxi	10,000	6,870	3,130	7,185
140-03	Recreation Transit	45,000	26,829	18,171	22,142
170-07	Bus Shelter Maintenance	32,500	33,420	(920)	33,283
250-04	Bus Fare Subsidy	4,800	1,368	3,432	1,608
270-10	Oversight Committee for I-710 EIR/EIS alternative route improvements	10,000	9,000	1,000	10,000
480-06	Staff Administration	32,730	15,266	17,464	14,733
	Total expenditures	<u>\$ 198,530</u>	<u>\$ 158,814</u>	<u>\$ 39,716</u>	<u>\$ 153,291</u>

See accompanying independent auditor's report.



*CITY OF SIGNAL HILL*

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2017

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 355,139	\$ 454,520
Total assets	\$ <u>355,139</u>	\$ <u>454,520</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>355,139</u>	<u>454,520</u>
Total fund balance	<u>355,139</u>	<u>454,520</u>
 Total liabilities and fund balance	\$ <u>355,139</u>	\$ <u>454,520</u>

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Proposition C	\$ 174,186	\$ 169,714
Interest income	<u>1,633</u>	<u>1,982</u>
Total revenues	<u>175,819</u>	<u>171,696</u>
<b>EXPENDITURES</b>		
Street Overlay	<u>275,200</u>	<u>73,632</u>
Total expenditures	<u>275,200</u>	<u>73,632</u>
(Deficiency) excess of revenues over expenditures	(99,381)	98,064
Fund balance at beginning of year	<u>454,520</u>	<u>356,456</u>
Fund balance at end of year	<u><u>\$ 355,139</u></u>	<u><u>\$ 454,520</u></u>

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
270-07	Transportation Planning	\$ 2,000	\$ -	\$ 2,000	\$ -
400-02	Traffic Signal Synchronization	50,000	50,000	-	45,974
440-03	Traffic Corridor Street Improvements	25,200	25,200	-	25,200
440-04	Willow Street Overlay	275,000	200,000	75,000	-
500-05	Membership Dues - Gateway Cities	4,000	-	4,000	2,458
	Total expenditures	<u>\$ 356,200</u>	<u>\$ 275,200</u>	<u>\$ 81,000</u>	<u>\$ 73,632</u>

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2017	2016
<b>ASSETS</b>		
Cash and investments	\$ 395,693	\$ 277,383
Total assets	\$ 395,693	\$ 277,383
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	395,693	277,383
Total fund balance	395,693	277,383
Total liabilities and fund balance	\$ 395,693	\$ 277,383

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Measure R	\$ 131,542	\$ 128,213
Interest income	<u>1,501</u>	<u>1,546</u>
Total revenues	<u>133,043</u>	<u>129,759</u>
<b>EXPENDITURES</b>		
Pavement Management	<u>14,733</u>	<u>49,422</u>
Total expenditures	<u>14,733</u>	<u>49,422</u>
Excess of revenues over expenditures	118,310	80,337
Fund balance at beginning of year	<u>277,383</u>	<u>197,046</u>
Fund balance at end of year	<u>\$ 395,693</u>	<u>\$ 277,383</u>

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, 2017

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2016)

Project Code	Project Name	2017			2016 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Pavement Management	\$ 252,503	\$ 14,733	\$ 237,770	\$ 49,422
	Total expenditures	<u>\$ 252,503</u>	<u>\$ 14,733</u>	<u>\$ 237,770</u>	<u>\$ 49,422</u>

See accompanying independent auditor's report.



**CITY OF SIGNAL HILL**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**CITY OF SIGNAL HILL**

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS  
JUNE 30**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Due from LACMTA	\$ <u>7,500</u>	\$ <u>7,500</u>
Total assets	\$ <u><u>7,500</u></u>	\$ <u><u>7,500</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to general fund	\$ <u>7,500</u>	\$ <u>7,500</u>
Total liabilities	<u>7,500</u>	<u>7,500</u>
 <b>Fund Balance</b>		
Reserved	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 \$ <u><u>7,500</u></u>	 \$ <u><u>7,500</u></u>

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
TDA 3 (Note 8)	\$ 7,500	\$ 7,500
Total revenues	<u>7,500</u>	<u>7,500</u>
<b>EXPENDITURES</b>		
Construction/Maintenance	<u>7,500</u>	<u>7,500</u>
Total expenditures	<u>7,500</u>	<u>7,500</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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, 2017

<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	2017	\$ 7,500	\$ 7,500	\$ -	Ongoing
Total		<u>\$ 7,500</u>	<u>\$ 7,500</u>	-	
Unexpended interest accumulated to date				-	
Fund balance at beginning of year				-	
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, 2017 and 2016**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### *Fund Accounting*

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

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, 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 a 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. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present 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, 2017 and 2016  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fair Value Measurement*

In accordance with 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 investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's 2017 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurements.

*Fund Balance Reporting*

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

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2017:

- Restricted – Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

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, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R 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, 2017 and 2016  
(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.

**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.

**NOTE 5 – 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.

**NOTE 6 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

**NOTE 7 – PROJECT GENERATED REVENUES UNDER PALRF**

Project generated revenues for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Senior Bus Pass	\$ <u>169</u>	\$ <u>242</u>
Dial-A-Taxi Fares	973	1,612
Total payment requested	\$ <u><u>1,142</u></u>	\$ <u><u>1,854</u></u>

**CITY OF SIGNAL HILL**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2017 and 2016  
(Continued)

**NOTE 8 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
FY 2012-13 allocation	\$ -	\$ 3,715
FY 2013-14 allocation	5,316	3,785
FY2014-15 allocation	2,184	-
Total payment requested	\$ <u>7,500</u>	\$ <u>7,500</u>

**NOTE 9 – 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, 2017 and 2016, the City has funds on reserve as follows:

	2017	2016
FY 2013-14 allocation	\$ -	\$ 5,316
FY 2014-15 allocation	5,234	7,418
FY 2015-16 allocation	7,286	7,286
FY 2016-17 allocation	7,690	-
Available reserve balance	\$ <u>20,210</u>	\$ <u>20,020</u>

**NOTE 10 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2017 through November 30, 2017, 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 (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Signal Hill, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F 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 any 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 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
November 30, 2017

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*COMPLIANCE SECTION*

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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 (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R 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 (Guidelines) for the year ended June 30, 2017.

### *Management's Responsibility*

Management is responsible for the City's compliance with those 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 a local return program and the Transportation Development Act Article 3 occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

### *Opinion on Each Local Return Program and Transportation Development Act Article 3*

In our opinion, the City of Signal Hill complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2017.



### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Compliance Matrix. Our opinion on each local return 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 response.

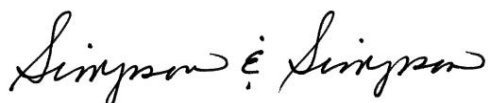
### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 under the Requirements 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 Requirements 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 Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Los Angeles, California  
November 30, 2017

**CITY OF SIGNAL HILL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017

	Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1.	Timely use of funds.		X	None	See Finding No. 2017-001 on the Schedule of Findings and Recommendations
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	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) and listing of Recreational Transit Services, if applicable, were submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.		X	\$15,266	See Finding No. 2017-002 on the Schedule of Findings and Recommendations
11.	Revenues received including allocations, project generated revenues and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

**CITY OF SIGNAL HILL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017  
(Continued)

	Compliance Requirement	In		Questioned Costs	If no, provide details and management response.
		Yes	No		
<b>B. Measure R Local Return Fund</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues and interest income were properly credited to the Measure R Local Return Account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

**CITY OF SIGNAL HILL**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2017  
(Continued)

Compliance Requirement	In		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>C. 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, 2017

**PALRF: Finding No. 2017-001**

<b>Finding</b>	<b>Entity</b>
<b>Compliance Requirement</b>	According to Proposition A & C Guidelines, Section B paragraph (1), "Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
<b>Condition</b>	At June 30, 2017, the City had unspent PALRF funds included in their fund balance from FY 2014 in the amount of \$28,355. However, the City received an extension from LACMTA on November 20, 2017, to expend these funds; the funds must be expended by June 30, 2018.
<b>Cause</b>	The City was not aware of the necessity to monitor lapsing of Proposition A funds to ensure that they are spent within three fiscal years of the year of allocation.
<b>Effect</b>	As the City did not expend all its fiscal year 2013-14 allocation as of June 30, 2017, those funds were not expended timely as per the Guidelines and were subject to lapse at June 30, 2017.
<b>Recommendation</b>	We recommend that the City implement internal control procedures to track the PALRF allocations and expenditures to ensure that all PALR funds are expended within the required timeline per the guidelines.
<b>Management's Response</b>	The City will adhere to extension requirements.
<b>Finding Corrected During the Audit</b>	On November 20, 2017, the City received an extension on the lapsed funds from the LACMTA program manager. Funds must be expended by June 30, 2018.

**CITY OF SIGNAL HILL**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2017

**PALRF: Finding No. 2017-002**

<b>Finding</b>	<b>Entity</b>
<b>Compliance Requirement</b>	<p>According to Proposition A &amp; 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...” 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>(b) A Federal award and non-Federal award (5) Personnel activity reports or equivalent documentation must meet the following standards: (b) They must reflect an after the fact distribution of the actual activity of each employee, (f) 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 governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually 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>
<b>Condition</b>	<p>The salaries and benefits totaling \$15,266 under Project 480-06 Staff Administration, was based on percentages determined by the City departments to be attributable to the 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</p>

**CITY OF SIGNAL HILL**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2017

	Proposition A Local Return projects.
<b>Cause</b>	The City states the amount allocated to PALRF is less than three (3) percent of total payroll expenditure of related employees. Thus, they did not perform a true-up procedure at year end as they felt the difference between the budgeted allocation and actual cost per labor distribution and similar support was immaterial.
<b>Effect</b>	The City did not comply with Proposition A and C Local Return Guidelines. The payroll costs claimed under the Proposition A Local Return Funds projects may include expenditures which may not be an allowable Proposition A project, resulting in questioned cost.
<b>Recommendation</b>	We recommend that the city modify its time sheet reporting format and implement internal control to ensure compliance with guidelines, or perform a true-up calculation at year end to adjusted budgeted payroll cost charged to fund to actual for the fiscal year ended. Additionally, we recommend that the City remit the un-supported payroll cost charged to the PALRF back to PALRF as per the guidelines.
<b>Management's Response</b>	Although detailed time records are not maintained to evidence the actual amount of time by each staff member charged to the program, staff believes that the allocation is below the actual time spent to administer program services.

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***EXIT CONFERENCE***

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***CITY OF SIGNAL HILL***

PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE

June 30, 2017

An exit conference was held on December 26, 2017 with the City of Signal Hill. Those in attendance were:

***Simpson & Simpson Representative:***

Joseph Simpson, Audit Supervisor

***City's Representative:***

Angelina Garcia, Director of Finance

***Matters Discussed:***

Results of the audit disclosed issues of noncompliance with the 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, Director of Finance

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, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2017 and 2016 for the City of Signal Hill and agree with the contents of the report except s indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date