

***CITY OF EL SEGUNDO
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
SEPTEMBER 30, 2016 AND 2015***



Metro®



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF EL SEGUNDO
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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 El Segundo, 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 (TDAA3F) Fund of the City of El Segundo, California (City) as of and for the year ended September 30, 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 audit. We conducted our audit 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 El Segundo, California, as of September 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the PALRF, PCLRF, MRLRF, and TDAA3F as of and for the year ended September 30, 2015, were audited by other auditors, whose report, dated April 28, 2016, expressed an unmodified opinion on those statements.

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 El Segundo, California, as of September 30, 2016 and 2015, 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 El Segundo, 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 the 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 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, and 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 black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
January 31, 2017

CITY OF EL SEGUNDO
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
SEPTEMBER 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 503,577	\$ 413,468
Total assets	\$ <u>503,577</u>	\$ <u>413,468</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,788	\$ 6,261
Accrued liabilities	<u>3,003</u>	<u>3,513</u>
Total liabilities	<u>4,791</u>	<u>9,774</u>
 Fund Balance		
Restricted	<u>498,786</u>	<u>403,694</u>
Total fund balance	<u>498,786</u>	<u>403,694</u>
 Total liabilities and fund balance	\$ <u>503,577</u>	\$ <u>413,468</u>

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

CITY OF EL SEGUNDO

PROPOSITION A LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended September 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Proposition A	\$ 304,874	\$ 299,781
Investment income	4,566	4,671
Project generated revenue	3,759	3,350
Miscellaneous revenue	<u>595</u>	<u>-</u>
Total revenues	<u>313,794</u>	<u>307,802</u>
EXPENDITURES		
Various projects	<u>218,702</u>	<u>229,574</u>
Total expenditures	<u>218,702</u>	<u>229,574</u>
Excess of revenues over expenditures	95,092	78,228
Fund balance at beginning of year	<u>403,694</u>	<u>325,466</u>
Fund balance at end of year	\$ <u><u>498,786</u></u>	\$ <u><u>403,694</u></u>

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

CITY OF EL SEGUNDO

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended September 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2015)

Project Code	Project Name	2016		Variance Favorable (Unfavorable)	2015 Actual
		Metro Budget	Actual		
110-01	Beach Shuttle	\$ 23,500	\$ 18,482	\$ 5,018	\$ 22,743
120-03	Dial-A-Ride	215,000	163,808	51,192	176,005
140-02	Recreation Trips	26,300	13,950	12,350	16,988
180-01	Equipment Replacement Fund	19,725	-	19,725	-
250-05	Mta Pass Buy Down	5,000	4,599	401	4,085
480-04	Prop A Administration	35,200	17,863	17,337	9,753
		<u>\$ 324,725</u>	<u>\$ 218,702</u>	<u>\$ 106,023</u>	<u>\$ 229,574</u>

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

September 30, 2016

Date Acquired	Description	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016
1,997	Mini Bus (Unit #6476)	\$ 22,133	\$ -	\$ -	\$ 22,133
2,003	Mini Bus (Unit #6481)	63,783	-	-	63,783
2,011	Mini Bus (Unit #6480)	57,273	-	-	57,273
2,011	Mini Bus (Unit #6486)	57,273	-	-	57,273
	Total	\$ 200,462	\$ -	\$ -	\$ 200,462

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
SEPTEMBER 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 763,079	\$ 575,038
Total assets	<u>\$ 763,079</u>	<u>\$ 575,038</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 10,545	\$ 1,767
Accrued liabilities	943	1,402
Retention payable	<u>-</u>	<u>2,795</u>
Total liabilities	<u>11,488</u>	<u>5,964</u>
 Fund Balance		
Restricted	<u>751,591</u>	<u>569,074</u>
Total fund balance	<u>751,591</u>	<u>569,074</u>
 Total liabilities and fund balance	<u>\$ 763,079</u>	<u>\$ 575,038</u>

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

CITY OF EL SEGUNDO

PROPOSITION C LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended September 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Proposition C	\$ 252,792	\$ 248,509
Investment income	<u>6,770</u>	<u>6,254</u>
Total revenues	<u>259,562</u>	<u>254,763</u>
EXPENDITURES		
Various projects	<u>77,045</u>	<u>98,874</u>
Total expenditures	<u>77,045</u>	<u>98,874</u>
Excess of revenues over expenditures	182,517	155,889
Fund balance at beginning of year	<u>569,074</u>	<u>413,185</u>
Fund balance at end of year	\$ <u><u>751,591</u></u>	\$ <u><u>569,074</u></u>

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

CITY OF EL SEGUNDO

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended September 30, 2016

(With Comparitve Actual Amount for the Fiscal Year Ended September 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-03	Beach Cities Transit (BCT)	\$ 37,000	\$ 31,984	\$ 5,016	\$ 16,591
110-04	Lunchtime Shuttle	67,500	45,022	22,478	49,298
180-01	Equipment Replacement Fund	4,600	-	4,600	-
440-03	Aterial Streets Rehabilitation Program	120,000	-	120,000	32,048
480-07	Administration	11,200	39	11,161	937
		<u>\$ 240,300</u>	<u>\$ 77,045</u>	<u>\$ 163,255</u>	<u>\$ 98,874</u>

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

PROPOSITION C LOCAL RETURN FUND

**SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

September 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
2003	Mini Bus (Unit#6482)	\$ 64,417	\$ -	\$ -	\$ 64,417
	Total	\$ 64,417	\$ -	\$ -	\$ 64,417

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
SEPTEMBER 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 801,025	\$ 617,431
Due from LACMTA	<u>-</u>	<u>17,609</u>
Total assets	\$ <u><u>801,025</u></u>	\$ <u><u>635,040</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,880	\$ 18,760
Contract retention payable	<u>-</u>	<u>7,065</u>
Total liabilities	<u>1,880</u>	<u>25,825</u>
Fund Balance		
Restricted	<u>799,145</u>	<u>609,215</u>
Total fund balance	<u>799,145</u>	<u>609,215</u>
Total liabilities and fund balance	\$ <u><u>801,025</u></u>	\$ <u><u>635,040</u></u>

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

CITY OF EL SEGUNDO

MEASURE R LOCAL RETURN FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended September 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Measure R Local Return Fund	\$ 190,016	\$ 186,596
Investment Income	<u>7,128</u>	<u>6,515</u>
Total revenues	<u>197,144</u>	<u>193,111</u>
EXPENDITURES		
Project expenditures funded by MRLRF	7,214	-
Project expenditures funded by Measure R Highway	<u>-</u>	<u>85,530</u>
Total expenditures	<u>7,214</u>	<u>85,530</u>
Excess of revenues over expenditures	189,930	107,581
Fund balance at beginning of year	<u>609,215</u>	<u>501,634</u>
Fund balance at end of year	<u><u>\$ 799,145</u></u>	<u><u>\$ 609,215</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF EL SEGUNDO

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended September 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Imperial Highway Overlay	\$ 396,452	\$ 7,214	\$ 389,238	\$ -
	Total expenditures	<u>\$ 396,452</u>	<u>\$ 7,214</u>	<u>\$ 389,238</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

September 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
	None	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

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

BALANCE SHEETS

September 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 60,115	\$ 58,642
Due from LACMTA	-	925
Total assets	<u>\$ 60,115</u>	<u>\$ 59,567</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
 Fund Balance		
Restricted	<u>60,115</u>	<u>59,567</u>
Total fund balance	<u>60,115</u>	<u>59,567</u>
Total liabilities and fund balance	<u>\$ 60,115</u>	<u>\$ 59,567</u>

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

CITY OF EL SEGUNDO

TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

**STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended September 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Intergovernmental allocations: TDA Article 3	\$ -	\$ 59,324
Interest income	<u>548</u>	<u>301</u>
Total revenues	<u>548</u>	<u>59,625</u>
EXPENDITURES		
Construction/Maintenance	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	548	59,625
Other financing use		
Funds returned to LACMTA	<u>-</u>	<u>(10,713)</u>
Excess of revenues over expenditures and other financing use	548	48,912
Fund balance at beginning of year	59,567	10,655
Fund balance at end of year	\$ <u><u>60,115</u></u>	\$ <u><u>59,567</u></u>

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

CITY OF EL SEGUNDO

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTAL INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended September 30, 2016

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Bikeways Installation	2015-16	\$ -	\$ -	\$ -	Ongoing
Total		<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Unexpended interest accumulated to date				548	*
Fund balance at beginning of year MTA -				59,567	*
TDA Article 3 Reserve Account Fund					
balance at end of year				<u>\$ 60,115</u>	

* The beginning fund balance at October 1, 2015 was fully encumbered as of September 30, 2015; the Bikeway Design and installation project did not break ground during FY 16 and is scheduled to commence during FY 17. As such, these funds are still encumbered for the Bikeways Installation Project. The CY interest will be used on this project during FY 17. The fund balance at September 30, 2016 of \$60,115 was fully encumbered at year end.

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended September 30, 2016 and 2015

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) 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 spending or "financial flow" measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally present increase (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF EL SEGUNDO

NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended September 30, 2016 and 2015 (Continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurement

In accordance with GASB Statement No. 72, Fair Value measurement and Application, which became effective for the fiscal year ended September 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 city's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the city's investments policy and fair value measurements.

Fund Balance Reporting

Governmental Accounting Standard 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 resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of September 30, 2016:

- **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 balance 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 EL SEGUNDO

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2016 and 2015
(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 and investment 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 monthly balances to the total of the pooled cash and investments.

NOTE 7- PROJECT GENERATED REVENUE- PALRF

Project Generated Revenue for the year ended September 30, 2016 and 2015 consisted of the following:

	2016	2015
Bus pass sales proceeds	\$ 1,311	\$ 1,024
Beach shuttle passenger fares	1,725	1,966
Dial A Ride Fare (DAR)	723	360
Total	\$ 3,759	\$ 3,350

CITY OF EL SEGUNDO

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2016 and 2015
(Continued)

NOTE 8- TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocation for the years ended September 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2009/10 allocation	\$ -	\$ 7,356
FY 2010/11 allocation	-	6,862
FY 2011/12 allocation	-	8,234
FY 2012/13 allocation	-	12,142
FY 2013/14 allocation	-	13,627
FY 2014/15 allocation	-	11,103
FY 2015/16 allocation	-	-
Total	\$ -	\$ 59,324

NOTE 9- TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of September 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2012/13 reserve	\$ -	\$ -
FY 2013/14 reserve	-	-
FY 2014/15 reserve	-	-
FY 2015/16 reserve	10,780	-
Total available reserve balance	\$ 10,780	\$ -

NOTE 10- SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to September 30, 2016 through January 31, 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 adjustments 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 El Segundo, 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 El Segundo, California (City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 31, 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 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 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. We did identify a deficiency in internal control described in the Schedule of Findings on Internal Control over Financial Reporting and on Compliance as Finding No. 2016-001 that we consider to be a material weakness.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

City's Response to Finding

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings on Internal Control over Financial Reporting and on Compliance. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
January 31, 2017

CITY OF EL SEGUNDO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
On Internal Control over Financial Reporting and Compliance
September 30, 2016

Finding No. 2016-001: Cash Management and Bank Reconciliation

Condition	<p>During our audit, we noted that the City had not prepared its monthly bank reconciliations for the last quarter of FY 2016 (July 2016-Sept 2016) as of December 31, 2016; the city completed the bank reconciliations for the final quarter of FY 16 by the end of field work, January 31, 2017. The reconciliation of bank account statements with accounting records is an essential element of an effective internal control system for cash. This process should take place monthly to ensure proper control over cash activity.</p> <p>This is a repeat finding.</p>
Cause	The City has gone through a turnover of staff in various departments. As such, there were no staff members available to prepare the monthly bank reconciliations for several months during the fiscal year.
Effect	By not ensuring that the bank statements are reconciled to the accounting records timely there is an increased risk that material errors impacting the cash account will not be detected or corrected in a timely manner. Additionally, the lack of timely preparation of the bank reconciliation increases the risk of misappropriation of assets and impairs management's ability to manage the cash activity of the City.
Criteria	A material weakness is a deficiency, or a combination of deficiencies, in internal control that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. GAAP 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.
Recommendation	We recommend that bank reconciliations be prepared monthly and completed no later than 30 days after the end of the previous month. The City should review its internal control procedures to determine what changes are necessary to ensure that bank reconciliations are performed on a timely basis.
Management Response	The City agrees with the auditor's recommendation that bank and cash reconciliations should be performed monthly. With the turnover of staff, outside consultants were used to perform the bank reconciliations. Permanent city staff will be taking over the role of performing the bank reconciliations on a monthly basis.

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 El Segundo, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of El Segundo, 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 (collectively, the Guidelines) for the year ended September 30, 2016.

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 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. 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 El Segundo 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 September 30, 2016.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2016-002, Finding No. 2016-003, Finding No. 2016-004, and Finding No. 2016-005. Our opinion on each local return program is not modified with respect to this matter.

The City's response 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 of El Segundo 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 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 requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading 'Simpson & Simpson' in a cursive script.

Los Angeles, California
January 31, 2017

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2016

Compliance Requirement		In		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
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.	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	See Finding No. 2016-002 on the Schedule of Findings and Recommendations.
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2016
(Continued)

Compliance Requirement		In		Questioned Costs	If no, provide details and management response.
		Yes	No		
B. Measure R Local Return Fund					
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	See Finding No. 2016-004 on the Schedule of Findings and Recommendations.
4.	Funds were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	N/A		None	No administrative expense was charged to the fund during FY16
6.	Expenditure Plan (Form One) was submitted on time.		X	None	See Finding No. 2016-003 on the Schedule of Findings and Recommendations
7.	Expenditure Report (Form Two) was submitted on time.		X	None	See Finding No. 2016-005 on the Schedule of Findings and Recommendations
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			Not Applicable

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2016
(Continued)

Compliance Requirement		In		Questioned Costs	If no, provide details and management response.
		Yes	No		
C. Transportation Development Act Article 3 Fund					
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 EL SEGUNDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

September 30, 2016

PALRF & PCLRF: Finding No. 2016-002

Compliance Requirement	According to Proposition A and C Local Return Guidelines, Section I (C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2016 deadline for submission of Form C. The City submitted the final Form C to the LACMTA on February 1, 2017.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Form C was not submitted timely, in accordance with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form C (Annual Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.

CITY OF EL SEGUNDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

September 30, 2016

MRLRF: Finding No. 2016-003

Compliance Requirement	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit a Form One, to LACMTA annually, by August 1 or each year.
Condition	The City did not meet the August 1, 2015 deadline for submission of Form One. However, on December 28, 2016 the city submitted the Form One (Expenditure Plan) to the LACMTA program manager and received subsequent approval on December 30, 2016.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Form One was not submitted.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1 deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.

CITY OF EL SEGUNDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

September 30, 2016

MRLRF: Finding No. 2016-004

Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The Form One (Expenditure Plan) was not submitted by the required deadline. As such, the expenditures charged to the MRLRF in the amount of \$7,214 were incurred prior to LACMTA's project approval for FY 2016. However, on December 28, 2016 the city submitted the Form One (Expenditure Plan) to the LACMTA program manager and received subsequent approval on December 30, 2016.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The expenditures charged to the Master Plan of Bikeways Installation project were allowable cost per Measure R Guidelines, however, due to the late submission of the annual Form One, the city never received approval from LACMTA to incur the expenditures on that project.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1, deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.
Finding Corrected During the Audit	LACMTA program manager granted retroactive approval of said expenditures on December 30, 2016.

CITY OF EL SEGUNDO

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

September 30, 2016

MRLRF: Finding No. 2016-005

Compliance Requirement	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Form Two. However, on December 30, 2016 the City submitted the Form Two (Expenditure Report) to the LACMTA program manager.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Form Two was not submitted timely, in accordance with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.

EXIT CONFERENCE

CITY OF EL SEGUNDO

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
September 30, 2016**

An exit conference was held on January 30, 2017. Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson, Senior Auditor
Muhammad Riaz, Professional Staff Auditor

City's Representative:

David Davis, CPA, Finance Manager
Evanette F. Gettler, Accounting Supervisor

Matters Discussed:

Results of the audit disclosed one (1) material weakness in internal control over financial reporting and compliance and four (4) instances of non-compliance with LACMTA's Guidelines.

A copy of this report was forwarded to the following City representative for their comments prior to the issuance of the final report:

David Davis, CPA, Finance Manager
Evanette F. Gettler, Accounting Supervisor

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

RE: CITY OF EL SEGUNDO 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 SEPTEMBER 30, 2016 AND 2015

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 September 30, 2016 and 2015 for the City of El Segundo and agree with the contents of the
report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date