

***CITY OF EL SEGUNDO
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2019 AND 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

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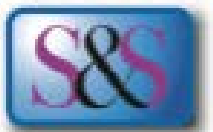
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FINANCIAL SECTION



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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), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of El Segundo, California (the City) as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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, MMLRF and TDAA3F of the City of El Segundo, California, as of September 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of El Segundo, California, as of September 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 9, 2019, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California
December 9, 2019

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

	2019	2018
ASSETS		
Cash and investments	\$ 807,736	\$ 694,011
Due from Metro	-	32,446
Total assets	\$ 807,736	\$ 726,457
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,817	\$ 2,297
Wages payable	4,828	3,925
Total liabilities	6,645	6,222
 Fund Balance		
Restricted	801,091	720,235
Total fund balance	801,091	720,235
Total liabilities and fund balance	\$ 807,736	\$ 726,457

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
Proposition A	\$ 301,566	\$ 351,698
Investment income	28,515	4,892
Project generated revenue (Note 8)	2,097	3,083
Total revenues	332,178	359,673
 EXPENDITURES		
Various projects	251,322	272,190
Total expenditures	251,322	272,190
 Excess of revenues over expenditures	80,856	87,483
 Fund balance at beginning of year	720,235	632,752
 Fund balance at end of year	\$ 801,091	\$ 720,235

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Beach Shuttle	\$ 23,500	\$ 2,580	\$ 20,920	\$ 12,861
120-03	Dial-A-Ride	232,000	214,818	17,182	232,647
140-02	Recreation Trips	26,300	13,828	12,472	10,169
180-01	Equipment Replacement Fund	34,683	-	34,683	-
250-05	MTA Pass Buy Down	5,000	3,783	1,217	5,082
480-04	Prop A Administration	27,565	16,313	11,252	11,431
	Total expenditures	\$ 349,048	\$ 251,322	\$ 97,726	\$ 272,190

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
September 30, 2019

Date Acquired	Description	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
1997	Mini Bus (Unit #6476)	\$ 22,133	\$ -	\$ -	\$ 22,133
2011	Mini Bus (Unit #6480)	57,273	-	-	57,273
2011	Mini Bus (Unit #6486)	57,273	-	-	57,273
2016	2016 Champion Challenger	90,920	-	-	90,920
Total		\$ <u>227,599</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>227,599</u>

See accompanying independent auditor's report.

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

	2019	2018
ASSETS		
Cash and investments	\$ 789,209	\$ 618,154
Total assets	\$ 789,209	\$ 618,154
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 460	\$ -
Wages payable	1,520	1,723
Total liabilities	1,980	1,723
 Fund Balance		
Restricted	787,229	616,431
Total fund balance	787,229	616,431
Total liabilities and fund balance	\$ 789,209	\$ 618,154

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
Proposition C	\$ 277,062	\$ 264,852
Investment income	27,344	6,282
Total revenues	304,406	271,134
 EXPENDITURES		
Various projects	133,608	256,453
Total expenditures	133,608	256,453
 Excess of revenues over expenditures	170,798	14,681
 Fund balance at beginning of year	616,431	601,750
 Fund balance at end of year	\$ 787,229	\$ 616,431

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-02	Beach Cities Transit	\$ 44,000	\$ 2,196	\$ 41,804	\$ 31,335
110-04	Lunchtime Shuttle	70,000	57,664	12,336	32,862
180-01	Equipment Replacement Fund	6,800	-	6,800	-
440-03	Arterial Streets Rehabilitation Program	60,000	73,748	(13,748)	349,887
480-07	Proposition C Administration	11,200	-	11,200	-
	Total expenditures	\$ <u>192,000</u>	\$ <u>133,608</u>	\$ <u>58,392</u>	\$ <u>414,084</u>

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
September 30, 2019

Date Acquired	Description	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
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

	2019	2018 As Restated
ASSETS		
Cash and investments	\$ 608,763	\$ 1,042,706
Due from Metro	-	20,246
Total assets	\$ 608,763	\$ 1,062,952
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable (Note 9)	\$ 118,099	\$ 200,000
Total liabilities	118,099	200,000
Fund Balance		
Restricted	490,664	862,952
Total fund balance	490,664	862,952
Total liabilities and fund balance	\$ 608,763	\$ 1,062,952

The accompanying notes are an integral part to 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

	2019	2018
		As Restated
REVENUES		
Measure R	\$ 187,565	\$ 196,629
Investment income	32,418	5,544
Total revenues	219,983	202,173
EXPENDITURES		
Various projects	592,271	116,377
Total expenditures	592,271	116,377
(Deficiency) excess of revenues (under) over expenditures	(372,288)	85,796
Fund balance at beginning of year, as restated	862,952	777,156
Fund balance at end of year	\$ 490,664	\$ 862,952

The accompanying notes are an integral part to 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, 2019
(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2018)

Project Code	Project Name	2019			2018 Actual (As Restated)
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Park Place Roadway Extension	\$ 100,000	\$ 50,541	\$ 49,459	\$ 15,700
1.05	Sidewalk Repair and Maintenance	-	-	-	100,677 *
1.05	Local Street Rehabilitation	500,000	541,730	(41,730)	-
	Total expenditures	\$ 600,000	\$ 592,271	\$ 7,729	\$ 116,377

* Expenditures for the Sidewalk Repair and Maintenance Project Code 1.05 for fiscal year ended September 30, 2018 was restated by \$200,000 from \$(99,323) to \$100,677 to account for certain expenditures that were not previously reported. See Note 9.

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
September 30, 2019

Date Acquired	Description	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
September 30

	2019	2018
ASSETS		
Cash and investments	\$ 506,678	\$ 258,979
Due from Metro	-	22,499
Total assets	\$ 506,678	\$ 281,478
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	506,678	281,478
Total fund balance	506,678	281,478
Total liabilities and fund balance	\$ 506,678	\$ 281,478

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

CITY OF EL SEGUNDO
MEASURE M LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended September 30

	2019	2018
REVENUES		
Measure M	\$ 210,372	\$ 281,478
Investment income	14,828	-
Total revenues	225,200	281,478
EXPENDITURES		
Various projects	-	-
Total expenditures	-	-
Excess of revenues over expenditures	225,200	281,478
Fund balance at beginning of year	281,478	-
Fund balance at end of year	\$ 506,678	\$ 281,478

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

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

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
None		\$ -	\$ -	\$ -	-
	Total expenditures	\$ -	\$ -	\$ -	-

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
September 30, 2019

Date Acquired	Description	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
	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

	2019	2018
ASSETS		
Cash and investment	\$ <u>47,255</u>	\$ <u>43,633</u>
Total assets	\$ <u><u>47,255</u></u>	\$ <u><u>43,633</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ <u>1,100</u>	\$ <u>1,264</u>
Total liabilities	<u>1,100</u>	<u>1,264</u>
 Fund Balance		
Restricted	<u>46,155</u>	<u>42,369</u>
Total fund balance	<u>46,155</u>	<u>42,369</u>
Total liabilities and fund balance	\$ <u><u>47,255</u></u>	\$ <u><u>43,633</u></u>

The accompanying notes are an integral part to 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

	2019	2018
REVENUES		
TDA 3	\$ 44,256	\$ -
Investment income	1,713	436
Total revenues	45,969	436
 EXPENDITURES		
Various projects	42,183	18,595
Total expenditures	42,183	18,595
 Excess (deficiency) of revenues over (under) expenditures	3,786	(18,159)
 Fund balance at beginning of year	42,369	60,528
 Fund balance at end of year	\$ 46,155	\$ 42,369

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

CITY OF EL SEGUNDO
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended September 30, 2019

<u>Project Description</u>	<u>Program</u> <u>Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended</u> <u>Allocations</u>	<u>Project</u> <u>Status</u>
Local allocations					
Class 3 Bike Route	2018-19	\$ <u>44,256</u>	\$ <u>42,183</u>	\$ 2,073	Ongoing
	Total	\$ <u>44,256</u>	\$ <u>42,183</u>		
Unexpended interest accumulated to date				1,713	
Fund balance at beginning of year				<u>42,369</u>	
Fund balance at end of year				\$ <u>46,155</u>	*

* The City has encumbered the remaining fund balance of \$46,155 for Class 3 Bike Route project as of September 30, 2019.

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

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

Budgets and Budgetary Accounting

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

CITY OF EL SEGUNDO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2019 and 2018
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

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

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classifications as of September 30, 2019:

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

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

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF EL SEGUNDO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2019 and 2018
(Continued)

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

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

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

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

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

NOTE 7 – CASH AND INVESTMENTS

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

CITY OF EL SEGUNDO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2019 and 2018
(Continued)

NOTE 8 – PROJECT GENERATED REVENUE – PALRF

Project generated revenue under PALRF for the years ended September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Bus pass sales proceeds	\$ -	\$ 972
Beach shuttle passenger fares	2,082	1,761
Dial-A-Ride fares	-	350
Total	<u>\$ 2,082</u>	<u>\$ 3,083</u>

NOTE 9 – RESTATEMENT OF MRLRF’s 2018 FINANCIAL STATEMENTS

The 2018 financial statements of MRLRF were restated to report for certain expenditures for the Sidewalk Repair and Maintenance Project Code 1.05 that were not reported in fiscal year ended September 30, 2018.

	Accounts		
	<u>Payable</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, as previously reported	\$ -	\$ (83,623)	\$ 1,062,952
Adjustment	200,000	200,000	(200,000)
Balance, as restated	<u>\$ 200,000</u>	<u>\$ 116,377</u>	<u>\$ 862,952</u>

NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

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

	<u>2019</u>	<u>2018</u>
FY 2015-16 allocation	\$ 10,780	\$ -
FY 2016-17 allocation	11,277	-
FY 2017-18 allocation	10,854	-
FY 2018-19 allocation	11,345	-
Total payment requested	<u>\$ 44,256</u>	<u>\$ -</u>

CITY OF EL SEGUNDO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2019 and 2018
(Continued)

NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of September 30, 2019, and 2018, the City has funds on reserve as follows:

	2019	2018
FY 2015-16 allocation	\$ -	\$ 10,780
FY 2016-17 allocation	-	11,277
FY 2017-18 allocation	-	10,854
FY 2018-19 allocation	-	-
Available reserve balance	\$ -	\$ 32,911

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to September 30, 2019 through December 9, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
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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, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of El Segundo, California (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Simpson & Simpson".

Los Angeles, California
December 9, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

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

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended September 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001 to Finding No. 2019-004. Our opinion on each local return program and Transportation Development Act Article 3 program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Los Angeles, California
December 9, 2019

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).			X	None	There were no expenditures that exceeded 25% of approved project budget in FY 2018/19.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.		X		None	See Finding No. 2019-001 on the Schedule of Findings and Recommendation.
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.		X		\$11,658	See Finding No. 2019-002 on the Schedule of Findings and Recommendation.
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects or elements in FY 2018/19.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.		X		None	See Finding No. 2019-003 on the Schedule of Findings and Recommendation.
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY 2018/19.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2018/19.

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.			X	None	There were no expenditures in FY 2018/19.
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a funding shortfall.			X	None	There were no expenditures in FY 2018/19.
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.			X	None	There were no expenditures in FY 2018/19.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.		X		None	See Finding No. 2019-004 on the Schedule of Findings and Recommendation.
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.	X			None	There were no expenditures in FY 2018/19.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2018/19.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There was no capital reserve in FY 2018/19.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2018/19.

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended September 30, 2019
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.	X			None	
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, 2019

PALRF and PCLRF: Finding No. 2019-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section III, “On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify LACMTA of previous year Local Return fund receipts and expenditures.”
Condition	The City did not meet the October 15, 2019 deadline for submission of Form C. However, the City submitted the Form C on October 28, 2019.
Cause	This was an oversight by the City in submitting Form C before the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City’s fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted the Form C on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit Form C by the October 15 th deadline to ensure compliance with the regulations.
Finding Corrected During the Audit	The City’s Form C was submitted on October 28, 2019. No follow-up is required.

CITY OF EL SEGUNDO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2019
(Continued)

PALRF: Finding No. 2019-002

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, :It is the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund (PALRF), all expenditures should be based on actual amounts incurred and supported by properly executed invoice, purchase order, contract, or other official documentation evidencing in proper detail the nature of the charges. Our review of expenditures charged to Dial-A-Ride Project funded by PALRF identified that equipment replacement cost in the amount of \$11,658 was allocated to PALRF without supporting documentation.
Cause	The City was not aware that charging estimated amounts to PALRF is not allowed.
Effect	The City allocated PALRF for equipment replacement cost by \$11,658 based on estimated amount.
Recommendation	We recommend that the City reimburse its PALRF by \$11,658. In addition, we recommend that the City ensure all expenditures charge to PALRF are based on actual amounts and have supporting documentation.

CITY OF EL SEGUNDO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2019
(Continued)

PALRF: Finding No. 2019-002 (Continued)

Management's Response	<p>When the City purchases capital equipment, the equipment is placed on an equipment replacement schedule. The purpose of the equipment replacement schedule is to accumulate funds to replace the equipment at the end of its useful life. The charge to the fund for the replacement of the equipment is based on the original cost of the equipment plus an estimated inflation factor for the remaining useful life of the equipment. When the funds have been accumulated to replace the equipment at the estimated replacement cost, the charge to the fund for the equipment will stop. The City provided the auditors the equipment replacement schedule documenting the charges to the fund for the equipment. The charges were based on the original cost of the equipment. Due to employee turnover at the City and the time period the equipment was purchased, the City was not able to document how the replacement cost for the equipment was calculated. In the future the City will create a policy and document how the replacement cost of the equipment is calculated for equipment purchased with grant funds.</p>
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CITY OF EL SEGUNDO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2019
(Continued)

MRLRF: Finding No. 2019-003

Compliance Requirement	According to Measure R Local Return Guidelines, Section B Administrative: Reporting Requirements – Expenditure Report (Form Two), “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R Local Return program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year).
Condition	The City did not meet the October 15, 2019 deadline for submission of Form Two. However, the City submitted the Form Two on October 28, 2019.
Cause	This was an oversight by the City.
Effect	The City did not comply with Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15 to meet Measure R Local Return Guidelines.
Management’s Response	The City’s fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted the Form Two on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit Form Two by the October 15 th deadline to ensure compliance with the regulations.
Finding Corrected During the Audit	The City’s Form Two was submitted on October 28, 2019. No follow-up is required.

CITY OF EL SEGUNDO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2019
(Continued)

MMLRF: Finding No. 2019-004

Compliance Requirement	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year).
Condition	The City did not meet the October 15, 2019 deadline for submission of Form M-Two. However, the City submitted the Form M-Two on October 28, 2019.
Cause	This was an oversight by the City.
Effect	The City did not comply with Measure M Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15 to meet Measure M Local Return Guidelines.
Management’s Response	The City’s fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted Form M-Two on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit the Form M-Two by the October 15 th deadline to ensure compliance with the regulations.
Finding Corrected During the Audit	The City’s From M-Two was submitted on October 28, 2019. No follow-up is required.

EXIT CONFERENCE

CITY OF EL SEGUNDO
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
September 30, 2019

An exit conference was held on November 14, 2019 with the City of El Segundo. Those in attendance were:

Simpson & Simpson Representatives:

Mark Frishwasser, Senior Auditor
Steve Quon, Senior Auditor

City's Representatives:

David Davis, Finance Manager
Vicky Cao, Accountant

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and four (4) non-compliance issues with Metro Guidelines.

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

David Davis, Finance Manager
Vick Cao, Accountant

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, MEASURE M LOCAL RETURN FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019 AND 2018

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund for the years ended September 30, 2019 and 2018 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