

***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, 2020 AND 2019***



**Metro<sup>®</sup>**



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), 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, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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, 2020 and 2019, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of El Segundo, California, as of September 30, 2020 and 2019, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated November 25, 2020, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California  
November 25, 2020

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 902,124	\$ 807,736
Total assets	\$ 902,124	\$ 807,736
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 862	\$ 1,817
Wages payable	325	4,828
Total liabilities	1,187	6,645
 <b>Fund Balance</b>		
Restricted	900,937	801,091
Total fund balance	900,937	801,091
Total liabilities and fund balance	\$ 902,124	\$ 807,736

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

	2020	2019
<b>REVENUES</b>		
Proposition A	\$ 324,058	\$ 301,566
Investment income	7,033	28,515
Project generated revenue (Note 8)	595	2,097
Total revenues	331,686	332,178
 <b>EXPENDITURES</b>		
Various projects	231,840	251,322
Total expenditures	231,840	251,322
 Excess of revenues over expenditures	99,846	80,856
 Fund balance at beginning of year	801,091	720,235
 Fund balance at end of year	\$ 900,937	\$ 801,091

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

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Beach Shuttle	\$ 27,200	\$ -	\$ 27,200	\$ 2,580
120-03	Dial-A-Ride	251,517	218,141	33,376	214,818
140-02	Recreation Trips	27,700	3,430	24,270	13,828
180-01	Equipment Replacement Fund	5,000	-	5,000	-
250-05	MTA Pass Buy Down	36,883	1,194	35,689	3,783
480-04	Prop A Administration	28,000	9,075	18,925	16,313
	Total expenditures	\$ 376,300	\$ 231,840	\$ 144,460	\$ 251,322

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
September 30, 2020

Date <u>Acquired</u>	<u>Description</u>	Balance <u>10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/2020</u>
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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 865,992	\$ 789,209
Due from Metro	24,815	-
Total assets	\$ 890,807	\$ 789,209
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 8,446	\$ 460
Wages payable	-	1,520
Total liabilities	8,446	1,980
 <b>Fund Balance</b>		
Restricted	882,361	787,229
Total fund balance	882,361	787,229
Total liabilities and fund balance	\$ 890,807	\$ 789,209

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

	2020	2019
<b>REVENUES</b>		
Proposition C	\$ 268,797	\$ 277,062
Investment income	8,021	27,344
Total revenues	276,818	304,406
 <b>EXPENDITURES</b>		
Various projects	181,686	133,608
Total expenditures	181,686	133,608
 Excess of revenues over expenditures	95,132	170,798
 Fund balance at beginning of year	787,229	616,431
 Fund balance at end of year	\$ 882,361	\$ 787,229

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

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-02	Beach Cities Transit	\$ 24,000	\$ 22,633	\$ 1,367	\$ 2,196
110-04	Lunchtime Shuttle	70,000	-	70,000	57,664
440-03	Arterial Streets Rehabilitation Program	1	-	1	73,748
450-08	El Segundo Boulevard Improvements Project	110,000	159,053	(49,053) *	-
480-07	Proposition C Administration	11,200	-	11,200	-
	Total expenditures	\$ 215,201	\$ 181,686	\$ 33,515	\$ 133,608

\* This is a capital project.

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
September 30, 2020

Date Acquired	Description	Balance 10/1/2019	Additions	Deletions	Balance 9/30/2020
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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ <u>879,942</u>	\$ <u>608,763</u>
Total assets	\$ <u><u>879,942</u></u>	\$ <u><u>608,763</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>118,099</u>
Total liabilities	<u>-</u>	<u>118,099</u>
<b>Fund Balance</b>		
Restricted	<u>879,942</u>	<u>490,664</u>
Total fund balance	<u>879,942</u>	<u>490,664</u>
Total liabilities and fund balance	\$ <u><u>879,942</u></u>	\$ <u><u>608,763</u></u>

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

	2020	2019
<b>REVENUES</b>		
Measure R	\$ 201,318	\$ 187,565
Investment income	8,065	32,418
Measure R South Bay Highway Grant (Note 9)	181,420	-
Total revenues	390,803	219,983
<b>EXPENDITURES</b>		
Various projects	1,525	592,271
Total expenditures	1,525	592,271
Excess (deficiency) of revenues over expenditures	389,278	(372,288)
Fund balance at beginning of year, as restated	490,664	862,952
Fund balance at end of year	\$ 879,942	\$ 490,664

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

Project Code	Project Name	2020			2019 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Park Place Roadway Extension	\$ 100,000	\$ 1,530	\$ 98,470	\$ 50,541
1.05	Local Street Rehabilitation	500,000	(5) *	500,005	541,730
	Total expenditures	\$ 600,000	\$ 1,525	\$ 598,475	\$ 592,271

\* It was related to a refund of construction costs paid in fiscal year 2019 for Project 1.05, Local Street Rehabilitation.

See accompanying independent auditor's report.

***CITY OF EL SEGUNDO***  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
September 30, 2020

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 740,529	\$ 506,678
Total assets	\$ 740,529	\$ 506,678
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	740,529	506,678
Total fund balance	740,529	506,678
Total liabilities and fund balance	\$ 740,529	\$ 506,678

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

	2020	2019
<b>REVENUES</b>		
Measure M	\$ 227,495	\$ 210,372
Investment income	6,356	14,828
Total revenues	233,851	225,200
 <b>EXPENDITURES</b>		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	233,851	225,200
 Fund balance at beginning of year	506,678	281,478
 Fund balance at end of year	\$ 740,529	\$ 506,678

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

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	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, 2020

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2020</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2020	2019
<b>ASSETS</b>		
Cash and investment	\$ <u>58,697</u>	\$ <u>47,255</u>
Total assets	\$ <u><u>58,697</u></u>	\$ <u><u>47,255</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>1,100</u>
Total liabilities	<u>-</u>	<u>1,100</u>
 <b>Fund Balance</b>		
Restricted	<u>58,697</u>	<u>46,155</u>
Total fund balance	<u><u>58,697</u></u>	<u><u>46,155</u></u>
Total liabilities and fund balance	\$ <u><u>58,697</u></u>	\$ <u><u>47,255</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

	2020	2019
<b>REVENUES</b>		
TDA 3	\$ 12,137	\$ 44,256
Investment income	405	1,713
Total revenues	12,542	45,969
 <b>EXPENDITURES</b>		
Class 3 Bike Route	-	42,183
Total expenditures	-	42,183
 Excess of revenues over expenditures	12,542	3,786
 Fund balance at beginning of year	46,155	42,369
 Fund balance at end of year	\$ 58,697	\$ 46,155

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, 2020

<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>
<b>Local allocations</b>					
Class 3 Bike Route	2020	\$ <u>12,137</u>	\$ <u>-</u>	\$ 12,137	Ongoing
	Total	\$ <u>12,137</u>	\$ <u>-</u>		
Unexpended interest accumulated to date				405	
Fund balance at beginning of year				<u>46,155</u>	
Fund balance at end of year				<u>\$ 58,697</u>	*

\* The City has encumbered the remaining fund balance of \$58,697 for Class 3 Bike Route Project as of September 30, 2020.

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended September 30, 2020 and 2019

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

*Fund Accounting*

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

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

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

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

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

*Basis of Accounting and Measurement Focus*

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

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

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

*Fair Value Measurement*

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

Refer to City’s 2020 Comprehensive Annual Financial Report for detailed disclosures regarding the City’s investment policy and fair value measurement.

*Fund Balance Reporting*

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

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classifications as of September 30, 2020:

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

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

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

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

**CITY OF EL SEGUNDO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended September 30, 2020 and 2019  
(Continued)

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

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

**NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

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

**NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

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

**NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

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

**NOTE 7 – CASH AND INVESTMENTS**

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

**CITY OF EL SEGUNDO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended September 30, 2020 and 2019  
(Continued)

**NOTE 8 – PROJECT GENERATED REVENUE – PALRF**

Project generated revenue under PALRF for the years ended September 30, 2020 and 2019 consisted of the following:

		2020		2019
Beach shuttle passenger fares	\$	595	\$	2,097

**NOTE 9 – MEASURE R SOUTH BAY HIGHWAY GRANT - MRLRF**

On November 15, 2014, Metro and the City of El Segundo entered in a Funding Agreement for Park Place Roadway Extension and Railroad Grade Separation Project, Metro Project ID# MR312.57 and FTIP# LA0G321. This Project is eligible for funding under Line 33, I-110, I-105 and SR-91 Ramp and Interchange Improvements (South Bay), of the Measure R Expenditure Plan. The City received \$181,420 for the fiscal year ended June 30, 2020.

**NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended September 30, 2020 and 2019 consisted of the following:

		2020		2019
FY 2015-16 allocation	\$	-	\$	10,780
FY 2016-17 allocation		-		11,277
FY 2017-18 allocation		-		10,854
FY 2018-19 allocation		-		11,345
FY 2019-20 allocation		12,137		-
Total payment requested	\$	12,137	\$	44,256

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

		2020		2019
FY 2019-20 allocation	\$	-	\$	-
Available reserve balance	\$	-	\$	-

***CITY OF EL SEGUNDO***  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended September 30, 2020 and 2019  
(Continued)

**NOTE 12 – SUBSEQUENT EVENTS**

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

The City has evaluated events or transactions that occurred subsequent to September 30, 2020 through November 25, 2020, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



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

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

**Internal Control Over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink, reading "Simpson &amp; Simpson", written in a cursive style.

Los Angeles, California  
November 25, 2020



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*COMPLIANCE SECTION*

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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, 2020.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended September 30, 2020.



## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding No. 2020-001. 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 response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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.

## 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 &amp; Simpson".

Los Angeles, California  
November 25, 2020

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended September 30, 2020

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
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 2019/20.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.		X			See Finding No. 2020-001 on the Schedule of Findings and Recommendation.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended September 30, 2020  
(Continued)

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

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended September 30, 2020  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.			X	None	There were no expenditures in FY 2019/20.
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 2019/20.
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 2019/20.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	There were no expenditures in FY 2019/20.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2019/20.
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 2019/20.
13.	Recreational transit form was submitted timely.			X	None	There was no recreational transit in FY 2019/20.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended September 30, 2020  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>D. Transportation Development Act Article 3 Fund</b>						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

**CITY OF EL SEGUNDO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
September 30, 2020  
(Continued)

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

<b>Compliance Requirement</b>	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service , “Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year.”
<b>Condition</b>	The City did not meet the October 15, 2020 deadline for submission of the Recreational Transit Form.  However, the City submitted the Recreational Transit Form on November 18, 2020.
<b>Cause</b>	This was an oversight by the City for not submitting the Recreational Transit Form by the due date.
<b>Effect</b>	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
<b>Recommendation</b>	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
<b>Management’s Response</b>	City staff submitted the Recreational Transit Form on November 18, 2020 due to oversight. In the future the City will make sure to submit Recreational Transit Form by the October 15 <sup>th</sup> deadline to ensure compliance with the requirements.
<b>Finding Corrected During the Audit</b>	The City’s Recreational Transit Form was submitted on November 18, 2020. No follow-up is required.



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***EXIT CONFERENCE***

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**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, 2020

An exit conference was held on November 24, 2020 with the City of El Segundo. Those in attendance were:

***Simpson & Simpson Representatives:***

Mark Frishwasser, Audit Senior

***City's Representatives:***

David Davis, Finance Manager

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue 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

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> 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, 2020 AND 2019

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund for the years ended September 30, 2020 and 2019 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