

***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  
JUNE 30, 2021 AND SEPTEMBER 30, 2020***



**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 June 30, 2021 and September 30, 2020, 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 June 30, 2021 and September 30, 2020, 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 Matters***

#### **Change of Fiscal Year End**

As discussed in Note 1 to the financial statements, effective July 1, 2020, the City of El Segundo, California, changed its fiscal year end from September 30 to June 30 in order to align the City's fiscal year end with that of California state government and its neighboring cities. Accordingly, the Funds' financial statements present the 9-month period ended June 30, 2021, and the 12-month period ended September 30, 2020. Our opinion is not modified with respect to this matter.

#### **Scope of Financial Statements**

As discussed in Note 2 to the financial statements, 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 June 30, 2021 and September 30, 2020, 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 24, 2021, 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 black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
November 24, 2021

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

	<u>June 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,106,945	\$ 902,124
Total assets	<u>\$ 1,106,945</u>	<u>\$ 902,124</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 862
Wages payable	-	325
Total liabilities	<u>-</u>	<u>1,187</u>
<b>Fund Balance</b>		
Restricted	<u>1,106,945</u>	<u>900,937</u>
Total fund balance	<u>1,106,945</u>	<u>900,937</u>
Total liabilities and fund balance	<u>\$ 1,106,945</u>	<u>\$ 902,124</u>

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**

	<u>Nine Months Ended</u> <u>June 30, 2021</u>	<u>Twelve Months Ended</u> <u>September 30, 2020</u>
<b>REVENUES</b>		
Proposition A	\$ 259,481	\$ 324,058
Investment income	10,496	7,033
Beach shuttle passenger fares	170	595
Total revenues	<u>270,147</u>	<u>331,686</u>
<b>EXPENDITURES</b>		
Various projects	64,139	231,840
Total expenditures	<u>64,139</u>	<u>231,840</u>
Excess of revenues over expenditures	206,008	99,846
Fund balance at beginning of year	<u>900,937</u>	<u>801,091</u>
Fund balance at end of year	<u>\$ 1,106,945</u>	<u>\$ 900,937</u>

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 June 30, 2021**  
(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
106	Beach Shuttle	\$ 27,148	\$ -	\$ 27,148	\$ -
107	Dial-A-Ride	303,057	64,139	238,918	218,141
135	MTA Pass Buy Down	5,000	-	5,000	1,194
155	Recreation Trips	27,666	-	27,666	3,430
610	Prop A Administration	27,485	-	27,485	9,075
	Total expenditures	\$ 390,356	\$ 64,139	\$ 326,217	\$ 231,840

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2021

Date Acquired	Description	Balance 10/1/2020	Additions	Deletions	Balance 6/30/2021
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		\$ 227,599	\$ -	\$ -	\$ 227,599

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**

	<u>June 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
<b>ASSETS</b>		
Cash and investments	\$ 889,486	\$ 865,992
Due from Metro	-	24,815
Total assets	<u>\$ 889,486</u>	<u>\$ 890,807</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,718	\$ 8,446
Total liabilities	<u>2,718</u>	<u>8,446</u>
 <b>Fund Balance</b>		
Restricted	<u>886,768</u>	<u>882,361</u>
Total fund balance	<u>886,768</u>	<u>882,361</u>
Total liabilities and fund balance	<u>\$ 889,486</u>	<u>\$ 890,807</u>

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**

	Nine Months Ended June 30, 2021	Twelve Months Ended September 30, 2020
<b>REVENUES</b>		
Proposition C	\$ 215,233	\$ 268,797
Investment income	9,699	8,021
Total revenues	224,932	276,818
<b>EXPENDITURES</b>		
Various projects	220,525	181,686
Total expenditures	220,525	181,686
Excess of revenues over expenditures	4,407	95,132
Fund balance at beginning of year	882,361	787,229
Fund balance at end of year	\$ 886,768	\$ 882,361

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 June 30, 2021**  
**(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2020)**

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
106	Lunchtime Shuttle	\$ 70,502	\$ 350	\$ 70,152	\$ -
710	El Segundo Boulevard Improvements Project	320,000	220,175	99,825	159,053
781	Park Place Extension Street Improvement and Rail Separation	100,000	-	100,000	-
110-02	Beach Cities Transit	-	-	-	22,633
	Total expenditures	\$ 490,502	\$ 220,525	\$ 269,977	\$ 159,053

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2021

Date Acquired	Description	Balance 10/1/2020	Additions	Deletions	Balance 6/30/2021
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**

	<u>June 30,</u> 2021	<u>September 30,</u> 2020
<b>ASSETS</b>		
Cash and investments	\$ <u>1,039,588</u>	\$ <u>879,942</u>
Total assets	\$ <u><u>1,039,588</u></u>	\$ <u><u>879,942</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>12,215</u>	\$ <u>-</u>
Total liabilities	<u>12,215</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>1,027,373</u>	<u>879,942</u>
Total fund balance	<u>1,027,373</u>	<u>879,942</u>
Total liabilities and fund balance	\$ <u><u>1,039,588</u></u>	\$ <u><u>879,942</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**

	<u>Nine Months Ended</u> <u>June 30, 2021</u>	<u>Twelve Months Ended</u> <u>September 30, 2020</u>
<b>REVENUES</b>		
Measure R	\$ 161,753	\$ 201,318
Investment income	10,050	8,065
Measure R South Bay Highway Grant (Note 8)	-	181,420
Total revenues	<u>171,803</u>	<u>390,803</u>
<b>EXPENDITURES</b>		
Various projects	<u>24,372</u>	<u>1,525</u>
Total expenditures	<u>24,372</u>	<u>1,525</u>
Excess of revenues over expenditures	147,431	389,278
Fund balance at beginning of year	<u>879,942</u>	<u>490,664</u>
Fund balance at end of year	<u>\$ 1,027,373</u>	<u>\$ 879,942</u>

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 June 30, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
705	Park Place Roadway Extension	\$ 600,000	\$ 24,372	\$ 575,628	\$ 1,530
705	Local Street Rehabilitation	100,000	-	100,000	(5)
781	Park Place Extension Street Improvements and Rail Separation	100,000	-	100,000	-
	Total expenditures \$	<u>800,000</u>	<u>24,372</u>	<u>775,628</u>	<u>1,525</u>

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2021

Date Acquired	Description	Balance 10/1/2020	Additions	Deletions	Balance 6/30/2021
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	<u>June 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>932,375</u>	\$ <u>740,529</u>
Total assets	\$ <u><u>932,375</u></u>	\$ <u><u>740,529</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>932,375</u>	<u>740,529</u>
Total fund balance	<u><u>932,375</u></u>	<u><u>740,529</u></u>
Total liabilities and fund balance	\$ <u><u>932,375</u></u>	\$ <u><u>740,529</u></u>

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**

	<u>Nine Months Ended</u> <u>June 30, 2021</u>	<u>Twelve Months Ended</u> <u>September 30, 2020</u>
<b>REVENUES</b>		
Measure M	\$ 183,160	\$ 227,495
Investment income	8,686	6,356
Total revenues	191,846	233,851
<b>EXPENDITURES</b>		
Various projects	-	-
Total expenditures	-	-
Excess of revenues over expenditures	191,846	233,851
Fund balance at beginning of year	740,529	506,678
Fund balance at end of year	\$ 932,375	\$ 740,529

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 June 30, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended September 30, 2020)

Project Code	Project Name	2021		Variance	2020 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**  
 June 30, 2021

Date Acquired	Description	Balance 10/1/2020	Additions	Deletions	Balance 6/30/2021
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**

	<u>June 30,</u> 2021	<u>September 30,</u> 2020
<b>ASSETS</b>		
Cash and investment	\$ <u>59,320</u>	\$ <u>58,697</u>
Total assets	\$ <u><u>59,320</u></u>	\$ <u><u>58,697</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>Fund Balance</b>		
Restricted	<u>59,320</u>	<u>58,697</u>
Total fund balance	<u>59,320</u>	<u>58,697</u>
Total liabilities and fund balance	\$ <u><u>59,320</u></u>	\$ <u><u>58,697</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**

	Nine Months Ended June 30, 2021	Twelve Months Ended September 30, 2020
<b>REVENUES</b>		
TDA 3	\$ -	\$ 12,137
Investment income	623	405
Total revenues	623	12,542
<b>EXPENDITURES</b>		
Various projects	-	-
Total expenditures	-	-
Excess of revenues over expenditures	623	12,542
Fund balance at beginning of year	58,697	46,155
Fund balance at end of year	\$ 59,320	\$ 58,697

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 June 30, 2021

<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>					
El Segundo Blvd. Improvement Project	2021	\$ <u>          -</u>	\$ <u>          -</u>	\$ -	Ongoing
	Total	\$ <u>          -</u>	\$ <u>          -</u>		
Unexpended interest accumulated to date				623	
Fund balance at beginning of year				<u>58,697</u>	
Fund balance at end of year				\$ <u>59,320</u> *	

\* The City has encumbered the remaining fund balance of \$59,320 for El Segundo Blvd. Improvement Project as of June 30, 2021.

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2021 and September 30, 2020

**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 June 30, 2021 and September 30, 2020  
(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 2021 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.

*Change of Fiscal Year End*

Effective July 1, 2020, the City changed its fiscal year end from September 30 to June 30 in order to align the City's fiscal year end with that of California state government and its neighboring cities. Accordingly, the Funds' financial statements present the 9- month period ended June 30, 2021 and the 12-month period ended September 30, 2020.

*Reclassification*

Certain reclassifications have been made to fiscal year 2020 amounts in order to conform to the fiscal year 2021 presentation. Such reclassifications had no effect on the previously reported change in fund balance.

**CITY OF EL SEGUNDO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and September 30, 2020  
(Continued)

**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

**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 June 30, 2021 and September 30, 2020  
(Continued)

**NOTE 8 – 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 and \$0 for the fiscal years ended September 30, 2020 and June 30, 2021, respectively.

**NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2021, and September 30, 2020 consisted of the following:

	2021	2019
FY 2019-20 allocation	\$ -	\$ 12,137
FY 2020-21 allocation	-	-
Total payment requested	\$ -	\$ 12,137

**NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2021, and September 30, 2020, the City has funds on reserve as follows:

	2021	2020
FY 2019-20 allocation	\$ -	\$ -
FY 2020-21 allocation	9,528	-
Available reserve balance	\$ 9,528	\$ -

**NOTE 11 – IMPACT OF CORONAVIRUS**

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. 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, including the United States.

***CITY OF EL SEGUNDO***  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and September 30, 2020  
(Continued)

**NOTE 11 – IMPACT OF CORONAVIRUS (Continued)**

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. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 Funds' financial statements.

**NOTE 12 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2021 through November 24, 2021, 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 June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2021.

**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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

Los Angeles, California  
November 24, 2021

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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 June 30, 2021.

### *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 June 30, 2021.



## 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 and to test and report on internal control over compliance in accordance with the Guidelines. 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 24, 2021

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021

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 or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Fund were expended with Metro's approval and were not substituted for property tax.	X			None	
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY2020/21.
6.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A) or electronic equivalent.			X	None	There were no expenditures that exceeded 25% of approved budget in FY2020/21.
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.	X			None	
11.	Where Proposition A funds were given, loaned, or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no funds given, loaned, or exchanged in FY2020/21.
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There were no Intelligent Transportation Systems projects in FY2020/21.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021

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>						
13.	A separate account was established for Capital reserved funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X	None	There were no Capital reserve funds in FY2020/21.
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY2020/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY2020/21.
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(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.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY2020/21.
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursed by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There were no reimbursed funds by other grants in FY2020/21.
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no loaned or exchanged funds in FY2020/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no Capital reserved funds in FY2020/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY2020/21.
15.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY2020/21.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2021  
 (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>						
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	



**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(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 FY2020/21.
2.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.			X	None	There were no expenditures in FY2020/21.
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY2020/21.
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Annual Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursed by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X	None	There were no reimbursed funds by other grants in FY2020/21.
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	There were no loaned or exchanged funds in FY2020/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no Capital reserved funds in FY2020/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	There were no expenditures in FY2020/21.
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY2020/21.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2021  
 (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>						
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY2020/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2021  
 (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	There were no expenditures incurred in FY2020/21.

***CITY OF EL SEGUNDO***  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2021

No findings were noted.

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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  
June 30, 2021

An exit conference was held on November 24, 2021 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 no 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 June 30, 2021 and September 30, 2020 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