

***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, 2023 AND 2022***



**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

### *Opinions*

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund, and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of El Segundo, California (the City) which comprised the Funds' balance sheets as of June 30, 2023 and 2022, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the Funds financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund, and the Transportation Development Act Article 3 Fund of the City of El Segundo, California, as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund, and the Transportation Development Act Article 3 Fund of the City of El Segundo, California, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023 and 2022, the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the Funds' 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 GAAS. 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 also issued our report dated December 5, 2023, 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 solely 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 the effectiveness of the City's 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  
December 5, 2023

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

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,656,567	\$ 1,451,421
Total assets	<u>\$ 1,656,567</u>	<u>\$ 1,451,421</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 9,201	\$ 19,577
Accrued liabilities	<u>2,686</u>	<u>-</u>
Total liabilities	<u>11,887</u>	<u>19,577</u>
<b>Fund Balance</b>		
Restricted	<u>1,644,680</u>	<u>1,431,844</u>
Total fund balance	<u>1,644,680</u>	<u>1,431,844</u>
Total liabilities and fund balance	<u>\$ 1,656,567</u>	<u>\$ 1,451,421</u>

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

**CITY OF EL SEGUNDO**  
**PROPOSITION A LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2023	2022
<b>REVENUES</b>		
Proposition A	\$ 437,903	\$ 423,670
Investment income	28,197	13,913
Beach shuttle passenger fares	-	5
Total revenues	466,100	437,588
 <b>EXPENDITURES</b>		
Various projects	253,264	112,689
Total expenditures	253,264	112,689
 Excess of revenues over expenditures	212,836	324,899
 Fund balance at beginning of year	1,431,844	1,106,945
 Fund balance at end of year	\$ 1,644,680	\$ 1,431,844

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

**CITY OF EL SEGUNDO**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
**For the Fiscal Year Ended June 30, 2023**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
105	Beach Shuttle	\$ 100,627	\$ -	\$ 100,627	\$ 1,075
106	Beach Shuttle	27,148	-	27,148	-
107	Dial-A-Ride	140,000	-	140,000	108,337
107	Dial-A-Ride	303,057	234,762	68,295	-
130	Beach Shuttle	82,000	8,640	73,360	-
135	MTA Buy-Down	5,000	250	4,750	-
135	MTA Pass Buy Down	5,000	-	5,000	-
155	Recreation Trips	28,588	9,468	19,120	3,277
155	Recreation Trips	27,666	-	27,666	-
610	Prop A Administration	27,485	144	27,341	-
Total expenditures		\$ 746,571	\$ 253,264	\$ 493,307	\$ 112,689

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2023

Date Acquired	Description	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
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**  
June 30

	2023	2022
		As restated
<b>ASSETS</b>		
Cash and investments	\$ 1,729,701	\$ 829,179
Due from Metro	11,846	351,970
Total assets	\$ 1,741,547	\$ 1,181,149
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,990	\$ 82,128
Total liabilities	5,990	82,128
<b>Fund Balance</b>		
Restricted	1,735,557	1,099,021
Total fund balance	1,735,557	1,099,021
Total liabilities and fund balance	\$ 1,741,547	\$ 1,181,149

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

**CITY OF EL SEGUNDO**  
**PROPOSITION C LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2023	2022
		As restated
<b>REVENUES</b>		
Proposition C	\$ 363,228	\$ 351,425
Investment income	24,911	9,971
Measure R Southbay Highway Grant (Note 9)	554,925	351,970
Measure M Multi-year Subregional Program (Note 10)	126,449	-
Total revenues	1,069,513	713,366
<b>EXPENDITURES</b>		
Various projects	432,977	501,113
Total expenditures	432,977	501,113
Excess of revenues over expenditures	636,536	212,253
Fund balance at beginning of year, as restated	1,099,021	886,768
Fund balance at end of year	\$ 1,735,557	\$ 1,099,021

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

**CITY OF EL SEGUNDO**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2023  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
106	Lunchtime Shuttle	\$ 130,127	\$ 2,429	\$ 127,698	\$ 1,675
705	El Segundo Blvd. Improvements	1,000,000	-	1,000,000	46,815
710	El Segundo Boulevard Improvements Project	420,000	25,612	394,388	-
780	Park Place Extension Design	1,000,000	404,936	595,064	452,623
781	Park Place Extension Street Improvements and Rail Separation	550,000	-	550,000	-
	Total expenditures	\$ <u>3,100,127</u>	\$ <u>432,977</u>	\$ <u>2,667,150</u>	\$ <u>501,113</u>

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2023

Date Acquired	Description	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
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**  
June 30

	2023	2022
<b>ASSETS</b>		
Cash and investments	\$ 1,169,069	\$ 1,302,899
Total assets	\$ 1,169,069	\$ 1,302,899
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 27,844	\$ -
Retentions payable	10,000	-
Total liabilities	37,844	-
<b>Fund Balance</b>		
Restricted	1,131,225	1,302,899
Total fund balance	1,131,225	1,302,899
Total liabilities and fund balance	\$ 1,169,069	\$ 1,302,899

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

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

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Measure R	\$ 272,343	\$ 263,527
Investment income	22,902	12,597
Measure R Southbay Highway Grant (Note 9)	222,660	-
Total revenues	<u>517,905</u>	<u>276,124</u>
 <b>EXPENDITURES</b>		
Various projects	<u>689,579</u>	<u>598</u>
Total expenditures	<u>689,579</u>	<u>598</u>
 Excess (deficiency) of revenues over expenditures	 (171,674)	 275,526
 Fund balance at beginning of year	 <u>1,302,899</u>	 <u>1,027,373</u>
 Fund balance at end of year	 <u>\$ 1,131,225</u>	 <u>\$ 1,302,899</u>

The accompanying notes are an integral part of the financial statements

**CITY OF EL SEGUNDO**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2023  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
705	Local Street Rehabilitation	\$ 200,000	\$ 200,000	\$ -	\$ -
705	Park Place Extension	3,000,000	-	3,000,000	-
715	Park Place Extension	3,200,000	489,579	2,710,421	598
781	Park Place Extension Street Improvements and Rail Separation	-	-	-	-
	Total expenditures	\$ 6,400,000	\$ 689,579	\$ 5,710,421	\$ 598

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
**June 30, 2023**

Date Acquired	Description	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2023	2022
<b>ASSETS</b>		
Cash and investments	\$ 878,331	\$ 943,345
Total assets	\$ 878,331	\$ 943,345
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 119,353	\$ 12,780
Retentions payable	18,095	13,119
Total liabilities	137,448	25,899
 <b>Fund Balance</b>		
Restricted	740,883	917,446
Total fund balance	740,883	917,446
Total liabilities and fund balance	\$ 878,331	\$ 943,345

The accompanying notes are an integral part of 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 June 30

	2023	2022
<b>REVENUES</b>		
Measure M	\$ 308,078	\$ 298,211
Investment income	17,090	10,853
Measure M Multi-year Subregional Program (Note 10)	326,510	-
Total revenues	651,678	309,064
 <b>EXPENDITURES</b>		
El Segundo Blvd. Improvements	828,241	323,993
Total expenditures	828,241	323,993
 Deficiency of revenues over expenditures	(176,563)	(14,929)
 Fund balance at beginning of year	917,446	932,375
 Fund balance at end of year	\$ 740,883	\$ 917,446

The accompanying notes are an integral part of 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, 2023  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2022)

Project Code	Project Name	2023			2022 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
705	El Segundo Blvd. Improvements	\$ 1,000,000	\$ 828,241	\$ 171,759	\$ 323,993
	Total expenditures	\$ 1,000,000	\$ 828,241	\$ 171,759	\$ 323,993

See accompanying independent auditor's report.

***CITY OF EL SEGUNDO***  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
**June 30, 2023**

Date Acquired	Description	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
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**  
June 30

	2023	2022
		As restated
<b>ASSETS</b>		
Cash and investment	\$ 15,329	\$ 2,007
Due from Metro	-	12,300
Total assets	\$ 15,329	\$ 14,307
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<b>Fund Balance</b>		
Restricted	15,329	14,307
Total fund balance	15,329	14,307
Total liabilities and fund balance	\$ 15,329	\$ 14,307

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

**CITY OF EL SEGUNDO**  
**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2023	2022
		As restated
<b>REVENUES</b>		
TDA 3	\$ 15,692	\$ 12,300
Investment income	176	153
Total revenues	15,868	12,453
<b>EXPENDITURES</b>		
Various projects	14,846	57,466
Total expenditures	14,846	57,466
Excess (deficiency) of revenues over expenditures	1,022	(45,013)
Fund balance at beginning of year, as restated	14,307	59,320
Fund balance at end of year	\$ 15,329	\$ 14,307

The accompanying notes are an integral part of 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, 2023

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local Allocations:</b>					
Purchase and installation of bike rack, pumps and other facilities	2022-23	\$ 15,692	\$ 14,846	\$ 846	On-going
	Total	<u>\$ 15,692</u>	<u>\$ 14,846</u>	<u>846</u>	
Fund balance at beginning of year				14,307	
Add: Investment income				<u>176</u>	
Fund balance at end of year				<u>\$ 15,329</u> *	

\* The City hasn't encumbered the remaining balance of \$15,329 for the Purchase and installation of bike rack, pumps and other facilities as of June 30, 2023. Please refer to Finding No. 2022-003 on the Schedule of Findings and Recommendations.

See accompanying independent auditor's report.

**CITY OF EL SEGUNDO**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2023 and 2022

**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 fund balances.

*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, 2023 and 2022  
(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 the City’s 2023 Annual Comprehensive Financial Report (ACFR) 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 June 30, 2023 and 2022:

- 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 ACFR.

**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 June 30, 2023 and 2022  
(Continued)

**NOTE 3 – RESTATEMENT OF PCLRF AND TDAA3F 2022 FINANCIAL STATEMENTS**

The 2022 financial statements of PCLRF and TDAA3F were restated to report for certain revenues that were previously not reported in fiscal year ended June 30, 2022.

PCLRF

	<u>Due from Metro</u>	<u>Measure R Southbay Highway Grant</u>	<u>Fund Balance</u>
Balance, as previously reported	\$ -	\$ -	\$ 747,051
Adjustment	<u>351,970</u>	<u>351,970</u>	<u>351,970</u>
Balance, as restated	<u>\$ 351,970</u>	<u>\$ 351,970</u>	<u>\$ 1,099,021</u>

TDAA3F

	<u>Due from Metro</u>	<u>TDA 3 Revenue</u>	<u>Fund Balance</u>
Balance, as previously reported	\$ -	\$ -	\$ 2,007
Adjustment	<u>12,300</u>	<u>12,300</u>	<u>12,300</u>
Balance, as restated	<u>\$ 12,300</u>	<u>\$ 12,300</u>	<u>\$ 14,307</u>

**NOTE 4 - 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 5 – 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 6 – 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.

**CITY OF EL SEGUNDO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2023 and 2022  
(Continued)

**NOTE 7 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with Public Utilities Code Section 99234 (the Code), 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 8 – 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.

**NOTE 9 – MEASURE R SOUTHBAY HIGHWAY GRANT – PCLRF and MRLRF**

On November 15, 2014, as amended, Metro and the City of El Segundo entered into 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) as outlined in the Measure R Expenditure Plan. The City received the following:

	2023	2022
PCLRF	\$ 554,925	\$ 351,970
MRLRF	222,660	-
Total	\$ 777,585	\$ 351,970

However, the City did not incur any corresponding project expenditures in both the fiscal years ended June 30, 2023 and 2022.

**NOTE 10 – MEASURE M MULTI-YEAR SUBREGIONAL PROGRAM – PCLRF and MMLRF**

On August 9, 2021, as amended, Metro and the City of El Segundo entered into a Funding Agreement for El Segundo Boulevard Project, Metro Project ID# MM4602.02 and FTIP# LA9918809. This Project is eligible for funding under Line 66 as outlined in the Measure M Expenditure Plan. The City received the following:

	2023	2022
PCLRF	\$ 126,449	\$ -
MMLRF	326,510	-
Total	\$ 452,959	\$ -

However, the City did not incur any corresponding project expenditures in the fiscal year ended June 30, 2023.

**CITY OF EL SEGUNDO**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2023 and 2022  
(Continued)

**NOTE 11 – TDA FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022*
FY 2020-21 allocation	\$ -	\$ 9,528
FY 2021-22 allocation	9,528	2,772
FY 2022-23 allocation	6,164	-
Total payment requested	\$ 15,692	\$ 12,300

\* The revenue allocation for the year ended June 30, 2022 was restated to conform with Metro’s records.

**NOTE 12 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED**

In accordance with Transportation Development Act Article 3 (SB 821) 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, 2023, and 2022, the City has funds on reserve as follows:

	2023	2022**
FY 2021-22 allocation	\$ -	\$ 9,528
FY 2022-23 allocation	9,528	-
Available reserve balance	\$ 9,528	\$ 9,528

\*\* The available reserve balance as of June 30, 2022 was updated to conform with Metro’s records.

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2023 through December 5, 2023, 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 the 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, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the 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, 2023, and the related notes to the Funds’ financial statements, and have issued our report thereon dated December 5, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over the Funds’ 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 or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City Funds' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 5, 2023

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*COMPLIANCE SECTION*

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## **Independent Auditor's Report On Compliance and On Internal Control Over Compliance Required by the Guidelines**

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**

#### ***Opinion***

We have audited the City of El Segundo, California's (the City) compliance 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, 2023.

In our opinion, the City of El Segundo, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2023.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



### ***Responsibility of Management for Compliance***

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City's 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.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2023-001, 2023-002, and 2023-003. Our opinion on each local return and Transportation Development Act Article 3 programs is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 with the Guidelines 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 with 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2023-001, 2023-002, and 2023-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the internal control over compliance finding identified in our audit was described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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  
December 5, 2023

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2023

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		\$470,845	See Finding No. 2023-002 on Schedule of Findings and Recommendations.
5.	Administrative expenses are within the 20% cap.	X			None	
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 project budget in FY22/23.
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 Proposition A funds given, loaned, or exchanged in FY22/23.
12.	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 FY22/23.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2023  
(Continued)

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 reserve 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 FY22/23.
14.	Recreational transit form was submitted on time.		X		None	See Finding No. 2023-001 on Schedule of Findings and Recommendations.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY22/23.
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, 2023  
(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 FY22/23.
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 reimbursable expenditures in FY22/23.
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 Measure R funds, given, loaned, or exchanged in FY22/23.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY22/23.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2023  
(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>						
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 FY22/23.
15.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY22/23.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2023  
(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	
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	
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 FY22/23.
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 reimbursable expenditures in FY22/23.
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 Measure M funds given, loaned, or exchanged in FY22/23.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY22/23.

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2023  
 (Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure M Local Return Fund</b>						
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 FY22/23.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY22/23.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF EL SEGUNDO**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2023  
(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		\$15,329	See Finding No. 2023-003 on Schedule of Findings and Recommendations.
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	
3	Claim Form (or electronic equivalent) was submitted on time.	X			None	

**CITY OF EL SEGUNDO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2023

**PALRF: Finding No. 2023-001**

<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, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 5, 2023.  This is a repeat finding from FY2022.
<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 establish 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>	The City accepts the finding and the Finance Department has reminded staff about the due date and set-up annual reminder to ensure that the Recreational Transit Form is submitted before the due date of October 15.
<b>Finding Corrected During the Audit</b>	The City’s Recreational Transit Form was submitted on December 5, 2023. No follow-up is required.

**CITY OF EL SEGUNDO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2023  
 (Continued)

**PALRF: Finding No. 2023-002**

<b>Compliance Requirement</b>	According to Proposition A and Proposition C Local Return Guidelines, Section IV, E.1-3 Timely Use of Funds, “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds.”
<b>Condition</b>	The City’s fiscal year 2020 lapsed fund balance in the amount of \$470,845 was not fully expended within 3 years as of June 30, 2023 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.  This is a repeat finding from FY2022.
<b>Cause</b>	This was an oversight by the City for not tracking the timely use of funds.
<b>Effect</b>	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
<b>Recommendation</b>	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
<b>Management’s Response</b>	The City accepts the finding and has reminded staff to work to identify eligible operational and capital objectives during the budget development process each year to ensure there are sufficient encumbrances within the Proposition A fund to fully spend down the City's Proposition A allocations.
<b>Finding Corrected During the Audit</b>	On December 5, 2023, Metro granted the City an extension on the usage of lapsed funds until June 30, 2024.

**CITY OF EL SEGUNDO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 June 30, 2023  
 (Continued)

**TDAA3F: Finding No. 2023-003**

<b>Compliance Requirement</b>	According to Los Angeles County Metropolitan Transportation Authority’s (Metro) Funding and Allocation Guidelines for the Transportation Development Act (TDA) Article 3 Bicycle and Pedestrian Funds, Funding, Lapsing, and Accounting: “Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro by October 15th of the following fiscal year to be placed on reserve for the agency under the fiscal year in which they were originally allocated.”
<b>Condition</b>	At June 30, 2023, the City had a fund balance of \$15,329 and has not encumbered these funds as of June 30, 2023.  This is a repeat finding from FY2022.
<b>Cause</b>	This was an oversight by the City for not spending all drawn down funds during the fiscal year.
<b>Effect</b>	The City was not in compliance with Metro Funding and Allocation Guidelines for TDA Article 3 Bicycle and Pedestrian Funds.
<b>Recommendation</b>	We recommend that the City establish internal control procedures to track claimed TDA Article 3 funds to ensure that it is expended in timely manner and to ensure that no TDA Article 3 funds remains at fiscal year-end, to comply with TDA Article 3 Guidelines.
<b>Management’s Response</b>	The City’s Public Works Department will encumber the funds during FY 2023 and rolled over to FY 2024 where the funds will be expensed. The City has requested an extension from Metro.
<b>Finding Corrected During the Audit</b>	On December 8, 2023, Metro didn’t grant the City an extension on the usage of the TDA Article 3 fund balance until June 30, 2024, as this marked two consecutive years of the City requesting an extension. Consequently, the City must return the unexpended funds to Metro for future allocation.

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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, 2023

An exit conference was held on December 5, 2023 with the City of El Segundo. Those in attendance were:

***Simpson & Simpson Representative:***

Mark Frishwasser, Audit Supervisor

***City's Representative:***

Vicky Cao, Finance Manager  
Norma Alvarado, Accountant

***Matters Discussed:***

Results of the audit disclosed three (3) significant control deficiencies and three (3) non-compliance issues with Metro Guidelines.

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

Vicky Cao, Finance Manager  
Norma Alvarado, Accountant

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 JUNE 30, 2023 AND 2022

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, 2023 and 2022 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