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, 2025 AND 2024

Metro®

Simpson & Simpson, LLP
Certified Public Accountants

CITY OF EL SEGUNDO

TABLE OF CONTENTS

CITY OF EL SEGUNDO

TABLE OF CONTENTS

(Continued)

FINANCIAL SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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 11, 2025, 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.

Simpson & Simpson

Los Angeles, California
December 11, 2025

CITY OF EL SEGUNDO

PROPOSITION A LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024
ASSETS		
Cash and investments	$ 1,199,843	$ 1,063,076
Total assets	$ 1,199,843	$ 1,063,076
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 23,873	$ 37,943
Accrued liabilities	1,864	2,905
Total liabilities	25,737	40,848
Fund Balance		
Restricted	1,174,106	1,022,228
Total fund balance	1,174,106	1,022,228
Total liabilities and fund balance	$ 1,199,843	$ 1,063,076

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

	2025	2024
REVENUES		
Proposition A	$ 444,169	$ 453,006
Investment income	36,055	34,186
Beach shuttle passenger fares	10	-
Total revenues	480,234	487,192
EXPENDITURES		
Various projects	328,356	1,109,644
Total expenditures	328,356	1,109,644
Excess (deficiency) of revenues over expenditures	151,878	(622,452)
Fund balance at beginning of year	1,022,228	1,644,680
Fund balance at end of year	$ 1,174,106	$ 1,022,228

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, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
105	Beach Shuttle	$ -	$ -	$ -	$ 96,660
107	Dial-A-Ride	59,641	79,920	(20,279) *	78,238
107	Dial-A-Ride	59,641	79,920	(20,279) *	78,117
130	Beach Shuttle	183,000	130,067	52,933	96,660
135	MTA Buy-Down	2,500	275	2,225	660
135	MTA Pass Buy Down	2,500	275	2,225	-
155	Recreation Trips	60,000	37,899	22,101	18,317
410	Proposition A Local Return Funds Exchange with City of Commerce (Note 11)	-	-	-	740,992
610	Prop A Administration	126,465	-	126,465	-
	Total expenditures	$ 493,747	$ 328,356	$ 165,391	$ 1,109,644

* Total expenditures charged to the Dial-A-Ride projects for the fiscal year ended June 30, 2025 exceeded the budgeted expenditures by more than 25%. See Finding No. 2025-001 in the Schedule of Findings and Recommendations for details.

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description		Balance 7/1/2024		Additions		Deletions		Balance 6/30/2025
1997	Mini Bus (Unit #6476)	$	22,133	$	-	$	-	$	22,133
2016	2016 Champion Challenger		90,920		-		-		90,920
	Total	$	113,053	$	-	$	-	$	113,053

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

PROPOSITION C LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024 As restated
ASSETS		
Due from Metro	$ 3,902	$ 29,514
Total assets	$ 3,902	$ 29,514
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ 908,168
Due to other funds	1,697,686	208,220
Retentions payable	-	12,531
Total liabilities	1,697,686	1,128,919
Fund Balance		
Unassigned	(1,693,784)	(1,099,405)
Total fund balance	(1,693,784)	(1,099,405)
Total liabilities and fund balance	$ 3,902	$ 29,514

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

	2025	2024 As restated
REVENUES		
Proposition C	$ 368,427	$ 249,309
Investment income	-	32,703
Total revenues	368,427	282,012
EXPENDITURES		
Various projects funded by PCLRF	962,806	300,000
Various projects funded by Measure M Multi-Year Subregional Program	-	2,816,974
Total expenditures	962,806	3,116,974
Deficiency of revenues over expenditures	(594,379)	(2,834,962)
Fund balance at beginning of year	(1,099,405)	1,735,557
Fund balance at end of year	$ (1,693,784)	$ (1,099,405)

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, 2025

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual As restated
705	FY 2024-25 Pavement Rehabilitation Project No. PW 24-08; and El Segundo Blvd Improvement	$ 1,200,000	$ 962,806	$ 237,194	$ -
715	Local Streets Rehabilitation Program	-	-	-	300,000
	Total expenditures funded by PCLRF	$ 1,200,000	962,806	$ 237,194	300,000
	El Segundo Blvd CIP Project		-		2,816,974
	Total expenditures funded by Measure M Multi-year Subregional Program		-		2,816,974
	Total expenditures funded by PCLRF and Measure M Multi-year Subregional Program		$ 962,806		$ 3,116,974

See accompanying independent auditor's report.

CITY OF EL SEGUNDO
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

MEASURE R LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024
ASSETS		
Cash and investments	$ 253,226	$ 889,226
Due from Metro	-	22,201
Total assets	$ 253,226	$ 911,427
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ -
Total liabilities	-	-
Fund Balance		
Restricted	253,226	911,427
Total fund balance	253,226	911,427
Total liabilities and fund balance	$ 253,226	$ 911,427

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

	2025	2024
REVENUES		
Measure R	$ 276,269	$ 281,730
Investment income	19,023	20,251
Measure R Southbay Highway Grant (Note 9)	46,507	150,226
Total revenues	341,799	452,207
EXPENDITURES		
Various projects funded by MRLRF	1,000,000	623,051
Various projects funded by Measure R Southbay Highway Grant	-	48,954
Total expenditures	1,000,000	672,005
Deficiency of revenues over expenditures	(658,201)	(219,798)
Fund balance at beginning of year	911,427	1,131,225
Fund balance at end of year	$ 253,226	$ 911,427

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, 2025
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2024)

		2025			
Project Code	Project Name	Metro Budget	Actual	Variance Favorable (Unfavorable)	2024 Actual
705	Local Street Rehabilitation	$ -	$ -	$ -	$ 623,051
705	FY 2024-25 Pavement Rehabilitation Project No. PW 24-08	1,000,000	1,000,000	-	-
	Total expenditures funded by MRLRF	$ 1,000,000	$ 1,000,000	$ -	$ 623,051
	Park Place Roadway Extension		-		48,954
	Total expenditures funded by Measure R Southbay Highway Grant		-		48,954
	Total expenditures funded by MRLRF and Measure R Southbay Highway Grant		$ 1,000,000		$ 672,005

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

MEASURE R LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	None	$ -	$ -	$ -	$ -
	Total	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

MEASURE M LOCAL RETURN FUND

BALANCE SHEETS

June 30

	2025	2024 As restated
ASSETS		
Cash and investments	$ 625,810	$ -
Due from Metro	-	3,431,557
Total assets	$ 625,810	$ 3,431,557
LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ 1,823
Retentions payable	1,616	1,616
Due to other funds	-	3,077,183
Total liabilities	1,616	3,080,622
Deferred Inflows of Resources		
Unavailable revenue (Note 10)	-	3,406,387
Total deferred inflows of resources	-	3,406,387
Fund Balance		
Restricted	624,194	-
Unassigned	-	(3,055,452)
Total fund balance	624,194	(3,055,452)
Total liabilities, deferred inflows resources and fund balance	$ 625,810	$ 3,431,557

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

	2025	2024 As restated
REVENUES		
Measure M	$ 313,004	$ 432,736
Investment income	10,696	6,100
Measure M Multi-year Subregional Program (Note 10)	3,406,387	-
Total revenues	3,730,087	438,836
EXPENDITURES		
Various projects funded by MMLRF	50,441	3,080
Various projects funded by Measure M Multi-year Subregional Program (Note 10)	-	4,232,091
Total expenditures	50,441	4,235,171
Excess (deficiency) of revenues over expenditures	3,679,646	(3,796,335)
Fund balance at beginning of year	(3,055,452)	740,883
Fund balance at end of year	$ 624,194	$ (3,055,452)

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, 2024
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2023)

Project Code	Project Name	2024 Metro Budget	2024 Actual	2024 Variance Favorable (Unfavorable)	2024 Actual As restated
705	FY 2024-25 Pavement Rehabilitation Project No. PW 24-08	$ 200,000	$ 50,441	$ 149,559	$ -
715	Library Park Pathway Improvements	-	-	-	3,080
	Total expenditures funded by MMLRF	$ 200,000	50,441	$ 149,559	3,080
	El Segundo Blvd CIP Project		-		4,232,091
	Total expenditures funded by Measure M Multi-year Subregional Program		-		4,232,091
	Total expenditures funded by MMLRF and Measure M Multi-year Subregional Program		$ 50,441		$ 4,235,171

See accompanying independent auditor's report.

CITY OF EL SEGUNDO

MEASURE M LOCAL RETURN FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

June 30, 2025

Date Acquired	Description	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
	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

	2025	2024
ASSETS		
Cash and investment	$ 38,509	$ 30,700
Total assets	$ 38,509	$ 30,700
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 13,130	$ -
Total liabilities	13,130	-
Fund Balance		
Restricted	25,379	30,700
Total fund balance	25,379	30,700
Total liabilities and fund balance	$ 38,509	$ 30,700

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

	2025	2024
REVENUES		
TDA 3	$ 15,000	$ 15,000
Investment income	983	371
Total revenues	15,983	15,371
EXPENDITURES		
Various projects	21,304	-
Total expenditures	21,304	-
Excess (deficiency) of revenues over expenditures	(5,321)	15,371
Fund balance at beginning of year	30,700	15,329
Fund balance at end of year	$ 25,379	$ 30,700

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, 2025

Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local Allocations:					
Purchase and Installation of Bike Racks, Striping, Signage, and Other Facilities	2024-25	$ 15,000	$ 21,304	$ (6,304)	On-going
	Total	$ 15,000	$ 21,304	(6,304)	
Fund balance at beginning of year				30,700	
Add: Investment income				983	
Fund balance at end of year				$ 25,379 *	

* The City hasn't encumbered the remaining balance of $25,379 for the Purchase and Installation of Bike Racks, Striping, Signage, and Other Facilities project as of June 30, 2025. See Finding No. 2025-002 in the Schedule of Findings and Recommendations for details.

See accompanying independent auditor's report.

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.

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 2025 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, 2025 and 2024:

- 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).

- Unassigned – The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted to those purposes.

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.

NOTE 3 – RESTATEMENTS OF PCLRF AND MMLRF 2024 FINANCIAL STATEMENTS

The fiscal year ended June 30, 2024 financial statements of the PCLRF and MMLRF have been restated as follows:

PCLRF

The City recorded additional Proposition C expenditures of $250,625, accounts payable of $238,094, and retentions payable of $12,531. In addition, Proposition C revenue was reduced by $126,449 with a corresponding increase due to other funds of $126,449. These adjustments resulted in a net decrease to fund balance of $377,074.

	Accounts payable	Retentions payable	Due to other funds	Proposition C revenue	Proposition C expenditures	Fund balance
Balance, as previously reported	$ (670,074)	$ -	$ (81,771)	$ (375,758)	$ 2,866,349	$ 722,331
Adjustment	(238,094)	(12,531)	(126,449)	126,449	250,625	377,074
Balance, as restated	$ (908,168)	$ (12,531)	$ (208,220)	$ (249,309)	$ 3,116,974	$ 1,099,405

MMLRF

The City recorded amounts due to Metro and deferred inflows of resources related to the Measure M Multi-year Subregional Program in the amount of $3,406,387. In addition, Measure M revenue of $114,603 was recorded with a corresponding reduction in the due to other funds of $114,603. These adjustments resulted in a net increase to fund balance of $114,603 (See Note 10 for further detail).

	Due from Metro	Due to other funds	Deferred inflows of resources - unavailable revenue	Measure M revenue	Fund balance
Balance, as previously reported	$ 25,170	$ (3,191,786)	$ -	$ (318,133)	$ 3,170,055
Adjustment	3,406,387	114,603	(3,406,387)	(114,603)	(114,603)
Balance, as restated	$ 3,431,557	$ (3,077,183)	$ (3,406,387)	$ (432,736)	$ 3,055,452

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.

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 – 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.

For the fiscal years ended June 30, 2025 and 2024, the City received MRLRF revenues in the amounts of $46,507 and $150,226, respectively. The City incurred project expenditures under MRLRF in the amounts of $0 and $48,954 for the fiscal years ended June 30, 2025 and 2024, respectively.

NOTE 10 – MEASURE M MULTI-YEAR SUBREGIONAL PROGRAM – 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 No. MM4602.02 and FTIP No. LA9918809). This Project is eligible for funding under Line 66 as outlined in the Measure M Expenditure Plan.

NOTE 10 – MEASURE M MULTI-YEAR SUBREGIONAL PROGRAM – MMLRF (Continued)

During the fiscal year ended June 30, 2024, the City incurred project expenditures of $4,232,091; however, no Measure M revenues were received during the year. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, revenues that were measurable but did not meet the availability criterion were reported as deferred inflows of resources. Accordingly, certain balances related to the Measure M Multi-Year Subregional Program as of June 30, 2024, including a deferred inflow of resources and a due from Metro, each in the amount of $3,406,387, have been restated, as discussed in Note 3.

During the fiscal year ended June 30, 2025, the City received Measure M Multi-Year Subregional Program revenues of $3,406,387, all of which had been reported as deferred inflows of resources in the prior year and were recognized as revenue in the fiscal year 2025 upon meeting the availability criterion. No project expenditures were incurred during the fiscal year 2025.

NOTE 11 – PROPOSITION A LOCAL RETURN FUND EXCHANGE

As permitted by the Local Return Guidelines and as approved by Metro, the City entered into an agreement with the City of Commerce to exchange its uncommitted Proposition A monies with the City of Commerce's General Fund monies. The amounts received were recorded under PALRF.

Those exchanges are listed below:

			PALRF Monies Exchanged		
Agreement Date	Jurisdiction	General Fund Exchange	City:Metro Ratio	2025	2024
3/19/2024	City of Commerce	$ 555,744	$0.75 : $1.00	$ -	$ 740,992

NOTE 12 – TDA FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2025 and 2024 consisted of the following:

	2025	2024
FY 2022-23 allocation	$ -	$ 9,528
FY 2023-24 allocation	14,522	5,472
FY 2024-25 allocation	478	-
Total payment requested	$ 15,000	$ 15,000

NOTE 13 – 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, 2025, and 2024, the City has funds on reserve as follows:

	2025	2024
FY 2023-24 allocation	$ -	$ 14,522
FY 2024-25 allocation	16,435	-
Available reserve balance	**$** 16,435	$ 14,522

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2025 through December 11, 2025, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2025, and the related notes to the Funds' financial statements, and have issued our report thereon dated December 11, 2025.

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.

Simpson & Simpson

Los Angeles, California
December 11, 2025

COMPLIANCE SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320 LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2025.

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, 2025.

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, statues, 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 result of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Recommendations as Finding No. 2025-001 and No. 2025-002. 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 deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding No. 2025-002 to be a material weakness.

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 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.

Simpson & Simpson

Los Angeles, California
December 11, 2025

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended June 30, 2025

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records 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 expenses in FY24/25.
6.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A) or electronic equivalent.		X		$10,738	See Finding No. 2025-001 on Schedule of Findings and Recommendations.
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 FY24/25.
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 FY24/25.

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
A. Proposition A and Proposition C Local Return Funds						
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 FY24/25.
14.	Recreational transit form was submitted on time.	X			None	
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY24/25.
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, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes	X			None	
2.	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 FY24/25.
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 FY24/25.
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 FY24/25.
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 FY24/25.

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
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 FY24/25.
15.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY24/25.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes	X			None	
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 FY24/25.
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 FY24/25.
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 FY24/25.
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 FY24/25.

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
B. Measure M Local Return Fund						
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 FY24/25
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY24/25.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

CITY OF EL SEGUNDO
COMPLIANCE MATRIX
Year Ended June 30, 2025
(Continued)

	Compliance Requirement	In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	**No**	**N/A**		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.		X		$25,379	See Finding No. 2025-002 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	

PALRF: Finding No. 2025-001

Compliance Requirement	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget for PALRF Project Code 107, Dial-A-Ride projects, by more than 25 percent, resulting in a combined overage of $10,738.
Cause	This was an oversight by the City due to personnel turnover during the fiscal year.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. As a result, the City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro's approved budget and that any projects with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for any budget change prior to expenditures of funds.
Management's Response	Due to City staff turnover, staff informed Metro after expenditures exceeded the 25% threshold. City staff is aware of updating the LRMS and moving forward, City staff will inform Metro when project expenditures are expected to deviate above or below the 25% threshold.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive approval to increase the project budget from $119,282 to $159,840 on December 11, 2025. Accordingly, no further follow-up is required.

TDAA3F: Finding No. 2025-002

Compliance Requirement	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."
Condition	As of June 30, 2025, the City had a fund balance of $25,379 that had not been encumbered. This is a repeat finding from fiscal years 2022, 2023 and 2024.
Cause	This condition was due to staffing limitations during the fiscal year, which affected the City's ability to fully expend all funds drawn down within the required timeframe.
Effect	The City was not in compliance with Metro Funding and Allocation Guidelines for TDA Article 3 Bicycle and Pedestrian Funds.
Recommendation	We recommend that the City establish and strengthen internal control procedures to monitor claimed TDA Article 3 funds, ensuring that such funds are expended in a timely manner and that no TDA Article 3 funds remain unspent at fiscal year-end, in accordance with the TDA Article 3 Guidelines.
Management's Response	The City had limited staff that were prioritizing various other projects throughout the year. Moving forward, staff will more closely monitor TDA Article 3 funding and only draw down funds when it is expected that the funds will be spent by the end of the fiscal year.
Finding Corrected During the Audit	On December 15, 2025, Metro declined to grant the City an extension to use the TDA Article 3 fund balance and requested the City to return the remaining fund balance to Metro.

EXIT CONFERENCE

CITY OF EL SEGUNDO

PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND

EXIT CONFERENCE

June 30, 2025

An exit conference was held on December 11, 2025 with the City of El Segundo. Those in attendance were:

Simpson & Simpson Representative:

Mark Frishwasser, Audit Supervisor

City's Representative:

Vicky Cao, Finance Manager
Brenda Sum, Accountant

Matters Discussed:

Results of the audit disclosed one (1) material weakness and two (2) 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:

Paul Chung, Chief Financial Officer
Vicky Cao, Finance Manager
Brenda Sum, Accountant

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

RE: CITY OF EL SEGUNDO ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

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, 2025 and 2024 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