

***CITY OF REDONDO BEACH  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND***

***FOR THE FISCAL YEARS ENDED  
JUNE 30, 2016 AND 2015***



Simpson & Simpson, LLP  
Certified Public Accountants

***CITY OF REDONDO BEACH***  
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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 Redondo Beach, California and the  
Los Angeles County Metropolitan Transportation Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Redondo Beach, California (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of Redondo Beach, California, as of June 30, 2016, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

The Financial Statement of the PALRF, PCLRF, MRLRF and TDAA3F as of and for the year ended June 30, 2015 were audited by other auditors, whose report, dated March 26, 2016, expressed an unmodified opinion on those statements.

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

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Redondo Beach, California, as of June 30, 2016 and 2015, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Redondo Beach, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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



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

In accordance with *Government Auditing Standards*, we have issued our report dated December 12, 2016, on our consideration of the City of Redondo Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over 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 financial reporting and compliance.

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

Los Angeles, California  
December 12, 2016

***CITY OF REDONDO BEACH***

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,989,895	\$ 1,332,891
Interest receivable	4,968	4,522
Account receivable	<u>5,083</u>	<u>-</u>
Total assets	<u>\$ 1,999,946</u>	<u>\$ 1,337,413</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to transit enterprise fund	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
 <b>Fund Balance</b>		
Restricted	<u>1,999,946</u>	<u>1,337,413</u>
Total fund balance	<u>1,999,946</u>	<u>1,337,413</u>
Total liabilities and fund balance	<u>\$ 1,999,946</u>	<u>\$ 1,337,413</u>

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

***CITY OF REDONDO BEACH***

**PROPOSITION A LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
<b>REVENUES</b>		
Proposition A	\$ 1,222,309	\$ 1,191,917
Investment income	16,532	14,647
Unrealized gain on investments	5,147	972
Total revenues	<u>1,243,988</u>	<u>1,207,536</u>
<b>EXPENDITURES</b>		
Various projects	<u>581,455</u>	<u>1,165,243</u>
Total expenditures	<u>581,455</u>	<u>1,165,243</u>
Excess of revenues over expenditures	662,533	42,293
Fund balance at beginning of year	<u>1,337,413</u>	<u>1,295,120</u>
Fund balance at end of year	\$ <u><u>1,999,946</u></u>	\$ <u><u>1,337,413</u></u>

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



**CITY OF REDONDO BEACH**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Beach cities transit fixed route	\$ 600,000	\$ 75,000	\$ 525,000	\$ 430,918
120-05	WAVE Dial-A-Ride	329,000	188,111	140,889	257,797
140-01	Recreational transit	44,000	47,007	(3,007)	30,397
170-01	Bus bench and shelter maintenance	51,000	40,954	10,046	40,884
180-01	Beach cities transit fixed route bus purchase	-	-	-	14,100
180-02	Beach cities transit bus security camera purchase	-	-	-	5,781
180-03	Transit bus maintenance/parts	4,000	3,854	146	-
180-04	Transit bus maintenance parts	12,000	3,926	8,074	-
230-01	Galleria maintenance and security	225,000	84,341	140,659	76,349
250-01	BCT bus pass subsidy program	41,000	39,676	1,324	36,581
250-02	MTA bus pass subsidy program	55,000	40,665	14,335	26,786
280-01	Beach cities transit fixed route service	140,500	14,069	126,431	13,951
480-08	Administrative fund	250,000	30,000	220,000	231,699
220-02	Transit bus maintenance/parts	12,000	11,023	977	-
500-01	GPS/Real time information system - fixed route transit	75,000	-	75,000	-
500-02	TAP operating system on BCT buses	5,000	2,611	2,389	-
300-01	Operating costs for transit social medial services	10,000	-	10,000	-
400-03	Transit operations facility improvements	15,000	218	14,782	-
		<u>\$ 1,868,500</u>	<u>\$ 581,455</u>	<u>\$ 1,287,045</u>	<u>\$ 1,165,243</u>

See accompanying independent auditor's report.

***CITY OF REDONDO BEACH***

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

Date Acquired	Description	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
1987	Transit terminal	\$ 2,924,524	\$ -	\$ -	\$ 2,924,524
1993	10 Bus shelters	130,000	-	-	130,000
2004	7 Transit bus vehicles	130,075	-	-	130,075
2005	2005 40' Transit vehicle	282,260	-	-	282,260
2009	2009 El Dorado National EZ Ride II bus	79,670	-	-	79,670
2013	3 units 2013 El Dorado EZ Rider II 3 unit	156,585	-	-	156,585
2015	CNG Vehicle (partial funding)	14,100	-	-	14,100
Total		\$ <u>3,717,214</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,717,214</u>

See accompanying independent auditor's report.

***CITY OF REDONDO BEACH***

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 5,134,397	\$ 5,224,979
Prepaid cost	-	100
Interest receivable	<u>31,370</u>	<u>9,656</u>
Total assets	<u>\$ 5,165,767</u>	<u>\$ 5,234,735</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Account payable	8,437	794,379
Due to MRLRF	<u>5,756</u>	<u>5,756</u>
Total liabilities	<u>\$ 14,193</u>	<u>\$ 800,135</u>
 <b>Fund Balance</b>		
Restricted-transit center construction	1,965,867	1,713,028
Restricted	<u>3,185,707</u>	<u>2,721,572</u>
Total fund balance	<u>5,151,574</u>	<u>4,434,600</u>
 Total liabilities and fund balance	<u>\$ 5,165,767</u>	<u>\$ 5,234,735</u>

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

***CITY OF REDONDO BEACH***

**PROPOSITION C LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Proposition C	\$ 1,012,714	\$ 987,963
Investment income	21,306	36,810
Unrealized gain on investments	40,791	3,315
Total revenues	<u>1,074,811</u>	<u>1,028,088</u>
<b>EXPENDITURES</b>		
Various projects	<u>357,837</u>	<u>1,342,410</u>
Total expenditures	<u>357,837</u>	<u>1,342,410</u>
Excess (deficiency) of revenues over expenditures	716,974	(314,322)
Fund balance at beginning of year	<u>4,434,600</u>	<u>4,748,922</u>
Fund balance at end of year	\$ <u><u>5,151,574</u></u>	\$ <u><u>4,434,600</u></u>

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

PROPOSITION C LOCAL RETURN FUND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES  
ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2016  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
160-01	Bus shelters/benches replacement	\$ 433,617	\$ 944	\$ 432,673	\$ -
310-01	Redondo Beach regional multi-modal transit center, project No. 20120	84,446	-	84,446	76,245
380-01	Transit center construction	2,050,000	101,451	1,948,549	-
400-02	Beryl/190th signal study	18,507	16,275	2,232	-
400-03	Beryl Street/190th traffic control and signal construction/installation	300,000	-	300,000	-
430-03	Bicycle transportation plan implementation, project No. 40510	389,715	142	389,573	5,756
430-05	Grant Ave/Artesia Blvd countdown pedestrian signals	3,300	-	3,300	-
430-06	North Redondo Beach bikeway lighting	58,355	-	58,355	-
440-19	19Harbor Drive resurfacing - Beryl to Herondo	50,000	93,537	(43,537) *	1,207,100
440-20	Kingsdale Ave resurfacing - 182nd to Grant	460,000	-	460,000	-
440-21	Beryl Street improvements - Flagler to 190th	826,793	47,166	779,627	21,615
440-22	Aviation Blvd resurfacing - Manhattan Beach Blvd to Marine Ave	68,000	94,133	(26,133)	-
440-23	Marine Ave resurfacing - Aviation Blvd to Interstate 405	600,000	-	600,000	-
470-01	Pavement management system	-	-	-	18,157
480-01	Direct administration - Prop C program and projects	120,000	4,189	115,811	13,537
		<u>\$ 5,462,733</u>	<u>\$ 357,837</u>	<u>\$ 5,104,896</u>	<u>\$ 1,342,410</u>

\* The following project is a capital project. The Form A for this project was properly submitted during the year ended June 30, 2016. Per the LACMTA project manager, 25% budget cap is only applicable to operational projects not capital projects. As such, the City remained in compliance with guidelines.

See accompanying independent auditor's report.

***CITY OF REDONDO BEACH***

**PROPOSITION C LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

***CITY OF REDONDO BEACH***

**MEASURE R LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 790,750	\$ 1,561,849
Interest receivable	-	497
Due from PCLRF	<u>5,756</u>	<u>5,756</u>
Total assets	<u><u>\$ 796,506</u></u>	<u><u>\$ 1,568,102</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	<u>1,375</u>	<u>144,658</u>
Total liabilities	<u><u>\$ 1,375</u></u>	<u><u>\$ 144,658</u></u>
<b>Fund Balance</b>		
Restricted	<u>795,131</u>	<u>1,423,444</u>
Total fund balance	<u><u>795,131</u></u>	<u><u>1,423,444</u></u>
Total liabilities and fund balance	<u><u>\$ 796,506</u></u>	<u><u>\$ 1,568,102</u></u>

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

***CITY OF REDONDO BEACH***

**MEASURE R LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2016	2015
<b>REVENUES</b>		
Measure R	\$ 760,865	\$ 741,666
Investment income	1,769	3,916
Unrealized gain on investment	7	106
Total revenues	<u>762,641</u>	<u>745,688</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,390,954</u>	<u>505,715</u>
Total expenditures	<u>1,390,954</u>	<u>505,715</u>
(Deficiency) excess of revenues over expenditures	(628,313)	239,973
Fund balance at beginning of year	<u>1,423,444</u>	<u>1,183,471</u>
Fund balance at end of year	\$ <u><u>795,131</u></u>	\$ <u><u>1,423,444</u></u>

The accompanying notes are an integral part of the financial statements



**CITY OF REDONDO BEACH**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2015)

Project Code	Project Name	2016			2015 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	PV Blvd/Catalina Ave Intersection Improvements	\$ -	\$ -	\$ -	\$ 232,904
1.05	Residential resurfacing - general locations	1,175,874	1,111,175	64,699	8,720
1.05	Kingsdale Ave resurfacing - 182nd to Grant	400,000	-	400,000	-
1.05	Explanade Resurfacing- Knob Hill to Catalina Ave.	400,000	48,108	351,892	-
3.05	Bicycle Transportation Plan Implementation	220,063	227,820	(7,757)	221,727
7.90	Citywide pavement management survey	-	3,851	(3,851)	42,364
Total expenditures		<u>\$ 2,195,937</u>	<u>\$ 1,390,954</u>	<u>\$ 804,983</u>	<u>\$ 505,715</u>

See accompanying independent auditor's report.

***CITY OF REDONDO BEACH***

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

June 30, 2016

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

***CITY OF REDONDO BEACH***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)**

**BALANCE SHEETS**

**JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investment	\$ -	\$ 1,874
Due from LACMTA	<u>17,683</u>	<u>-</u>
Total assets	<u><u>\$ 17,683</u></u>	<u><u>\$ 1,874</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to other Fund	<u>18,322</u>	<u>-</u>
Total liabilities	<u><u>\$ 18,322</u></u>	<u><u>\$ -</u></u>
 <b>Fund Balance</b>		
Restricted	<u>(639)</u>	<u>1,874</u>
Total fund balance	<u><u>(639)</u></u>	<u><u>1,874</u></u>
Total liabilities and fund balance	<u><u>\$ 17,683</u></u>	<u><u>\$ 1,874</u></u>

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

***CITY OF REDONDO BEACH***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Article 3	\$ <u>17,683</u>	\$ <u>19,000</u>
Total revenues	<u>17,683</u>	<u>19,000</u>
<b>EXPENDITURES</b>		
Construction/ maintenance	<u>20,196</u>	<u>17,925</u>
Total expenditures	<u>20,196</u>	<u>17,925</u>
(Deficiency) excess of revenues over expenditures	(2,513)	1,075
<b>Other financing sources</b>		
Transfer out	<u>-</u>	<u>(176)</u>
Net Change in fund balance	(2,513)	899
Fund balance at beginning of year	<u>1,874</u>	<u>975</u>
Fund balance at end of year	\$ <u><u>(639)</u></u>	\$ <u><u>1,874</u></u>

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

***CITY OF REDONDO BEACH***

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTAL INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2016

<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>					
Citywide curb ramp improvement	2016	\$ <u>17,683</u>	\$ <u>20,196</u>	\$ <u>(2,513)</u>	On-going
Total		\$ <u><u>17,683</u></u>	\$ <u><u>20,196</u></u>	<u>(2,513)</u>	
Fund balance at beginning of year				<u>1,874</u>	
Fund balance at end of year				\$ <u><u>(639)</u></u>	

See accompanying independent auditor's report.

## ***CITY OF REDONDO BEACH***

### **NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2016 and 2015**

#### **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) and Transportation Development Act Article 3 Fund (TDAA3F) 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.

Transportation Development Act Article 3 Fund (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, 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 present increase (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

##### ***Budgets and Budgetary Accounting***

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

## ***CITY OF REDONDO BEACH***

### **NOTES TO FINANCIAL STATEMENTS** **For the Fiscal Years Ended June 30, 2016 and 2015** **(Continued)**

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

##### ***Fair Value Measurement***

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

Refer to city's 2016 Comprehensive Annual Financial Report for detailed disclosures regarding the city's investments policy and fair value measurement.

##### ***Fund Balance Reporting***

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

The PALRF, PCLRF, MRLRF, and TDAA3F report the following fund balance classification as of June 30, 2016:

- 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 use of the funds' remaining fund balance are restricted for projects approved by LACMTA

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

#### **NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R 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 REDONDO BEACH***

**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2016 and 2015**  
**(Continued)**

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

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

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

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

**NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

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

**NOTE 6 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF and TDAA3F 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 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 7 CAPITAL RESERVE – PCLRF**

On June 30, 2011, LACMTA and the City entered into a capital reserve agreement to establish a capital reserve account (Account) for the Transit Center Construction (Project) amounting to \$650,000. On June 20, 2012, the authorized amount was increased to \$1,650,000 and the agreement was extended to June 30, 2016. LACMTA Program Manager waived the lapsing of the capital reserve fund. Subsequently, the amount was increased to \$2,050,000 and the agreement was extended to June 30, 2017.

The Account will be funded with the Proposition C Local Return funds allocated to the City. All interest shall be accrued and placed in the Account for use exclusively for the Project.



**CITY OF REDONDO BEACH**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2016 and 2015  
(Continued)

**NOTE 7 CAPITAL RESERVE – PCLRF (continued)**

For the years ended June 30, 2016 and 2015, following is the capital reserve amount for PCLRF:

Capital reserve at 6/30/2014	\$	1,680,218
Interest income earned during the year		32,180
Capital reserve at 6/30/2015		<u>1,713,028</u>
Capital reserve increase		337,602
Interest income earned during the year		17,318
Expenditures during the year		<u>(101,451)</u>
Capital reserve at 6/30/2016	\$	<u>1,965,867</u>

**NOTE 8 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
FY 2012/13 reserve	\$ -	\$ -
FY 2013/14 reserve	17,683	19,000
	<u>\$ 17,683</u>	<u>\$ 19,000</u>

**NOTE 9 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be 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 LACMTA. As of June 30, 2016 and 2015, the City has funds on reserve as follows:

	2016	2015
FY 2013/14 reserve	\$ -	\$ 17,683
FY 2014/15 reserve	44,482	44,482
FY 2015/16 allocation	43,152	-
	<u>\$ 87,634</u>	<u>\$ 62,165</u>

***CITY OF REDONDO BEACH***

**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2016 and 2015**  
**(Continued)**

**NOTE 10 SUBSEQUENT EVENTS**

The City has evaluated events and transactions that occurred subsequent to June 30, 2016 through December 12, 2016, 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 Redondo Beach, California and the  
Los Angeles County Metropolitan Transit Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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





### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or o 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 12, 2016

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## *COMPLIANCE SECTION*

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## **Independent Auditor's Report on Compliance**

To the Honorable Members of the City Council of the  
City of Redondo Beach, California and the  
Los Angeles County Metropolitan Transit Authority

### **Report on Compliance**

We have audited the compliance of the City of Redondo Beach, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R 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 (Guidelines) for the year ended June 30, 2016.

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

Management is responsible for the City's compliance with those guidelines.

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

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

We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of City's compliance with those requirements.

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

In our opinion, the City of Redondo Beach complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2016.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2016-001. Our opinion on each local return program is not modified with respect to this matter.

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

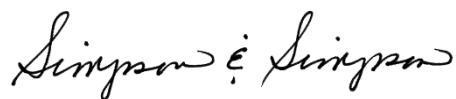
## Report on Internal Control over Compliance

Management of the City of Redondo Beach is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the city's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Los Angeles, California  
December 12, 2016

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
A. Proposition A and Proposition C Local Return Funds					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	



**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016  
(Continued)

Compliance Requirement		In Compliance		Questioned Costs	If no, provide details and management response.
		Yes	No		
B. Measure R Local Return Fund					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.		X	MRLRF: \$3,851	See Finding 2016-001 on the Schedule of Findings and Recommendations
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Fund were not substituted for property tax	X		None	
5.	Administrative expenses are within the 20% cap.	X		None	
6.	Form One (Expenditure Plan) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X		None	
11.	funds were not used to supplant existing local revenue being used for transportation purpose	X		None	

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2016  
(Continued)

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

**CITY OF REDONDO BEACH**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2016

MRLRF- Finding No. 2016-001

<b>Finding</b>	<b>Entity</b>
Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Pavement Management Study project in the amount of \$3,851 were incurred prior to LACMTA's project approval for FY 2016. However, the project was subsequently approved by LACMTA on December 16, 2016.
Cause	The City believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The project was previously approved in FY 2015; therefore, the City did not include this project on Form One for FY 2016.
Effect	The Expenditures for Measure R Local Return programs were incurred prior to LACMTA's project approval for FY 2016.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 <sup>st</sup> . In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	The City had approved Measure R projects in FY14 and FY15 to perform Pavement Management Surveys (PMS). The contractor's final invoice for the PMS, was submitted to the

***CITY OF REDONDO BEACH***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2016

	City in November 2015, which was paid in FY16. In the future, the City will carefully review all prior year project progress to ensure inclusion in the next year's Local Return Project approval requests.
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***EXIT CONFERENCE***

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***CITY OF REDONDO BEACH***

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

**EXIT CONFERENCE**

**June 30, 2016**

A telephone exit conference was held on December 14, 2016 with the City of Redondo Beach.  
Those in attendance were:

***Simpson & Simpson Representative:***

Joseph Simpson, Auditor

***City's Representative:***

Doug Kaku – Grants Financial Administrator

Joyce Rooney – Transit Operations & Transportation Facilities Manager

***Matters Discussed:***

Results of the audit, no findings were noted

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

Doug Kaku – Grants Financial Administrator

Joyce Rooney – Transit Operations & Transportation Facilities Manager