

City of Redondo Beach Annual Financial Report of its

Proposition A Local Return Fund Proposition C Local Return Fund Measure R Local Return Fund Transportation Development Act Article 3 Fund

As of and for the Years Ended June 30, 2015 and 2014 with Report of Independent Auditors



An Independently Owned Member



FINANCIAL SECTION	<u>PAGE</u>
Report of Independent Auditors	1
Proposition A Local Return Fund: Basic Financial Statements: Balance Sheets Statements of Revenues, Expenditures and Changes in Fund Balance Supplementary Information: Schedule of Expenditures – Actual and LACMTA Approved Project Budget Schedule of Capital Assets	3 4 5 6
Proposition C Local Return Fund: Basic Financial Statements: Balance Sheets Statements of Revenues, Expenditures and Changes in Fund Balance Supplementary Information: Schedule of Expenditures – Actual and LACMTA Approved Project Budget	7 8 9
Schedule of Capital Assets	10
Measure R Local Return Fund: Basic Financial Statements: Balance Sheets Statements of Revenues, Expenditures and Changes in Fund Balance Supplementary Information: Schedule of Expenditures – Actual and LACMTA Approved Project Budget Schedule of Capital Assets	11 12 13 14
Transportation Development Act Article 3 Fund: Basic Financial Statements: Balance Sheets Statements of Revenues, Expenditures and Changes in Fund Balance Supplementary Information: Schedule of Transportation Development Act Allocation for Specific Projects	15 16 17
Notes to Funds Financial Statements	18
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
COMPLIANCE SECTION	
Report of Independent Auditors on Compliance Compliance Matrix	24 26
EXIT CONFERENCE	28

FINANCIAL SECTION



801 South Grand Ave., Suite 400 Los Angeles, CA 90017 Ph. (213) 873-1700 Fax (213) 873-1777

www.vasquezcpa.com

OFFICE LOCATIONS: Los Angeles Sacramento San Diego

Report of Independent Auditors

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, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds), of the City of Redondo Beach, California (the City) which comprise the Funds' balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenditures and changes in fund balance for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Redondo Beach, California, as of June 30, 2015 and 2014, 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.

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 and the Transportation Development Act Article 3 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2015 and 2014, and 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.

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 basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic 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' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic 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 March 28, 2016 on our consideration of the City'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, and 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.

Vargues & Company LLP

Los Angeles, California March 28, 2016

		June 30				
		2015	2014			
	ASSETS					
Cash and investments	\$	1,332,891 \$	1,292,287			
Interest receivable		4,522	3,809			
	Total assets \$	1,337,413 \$	1,296,096			
LIABILITIES	S AND FUND BALANCE					
Liabilities						
Due to Transit Enterpri	ise Fund \$	- \$	976			
-	Total liabilities	-	976			
Fund balance						
Restricted		1,337,413	1,295,120			
	Total fund balance	1,337,413	1,295,120			
	Total liabilities and fund balance \$	1,337,413 \$	1,296,096			

See notes to financial statements.

		Years ended June 30			
	-	2015	2014		
Revenues Proposition A Investment income Unrealized gain on investments	\$	1,191,917 \$ 14,647 972	1,143,831 18,883 7,959		
Total revenue	s _	1,207,536	1,170,673		
Expenditures Various projects Total expenditure	- s	1,165,243 1,165,243	1,211,452 1,211,452		
Excess (deficiency) of revenues over expenditures		42,293	(40,779)		
Fund balance at beginning of year	-	1,295,120	1,335,899		
Fund balance at end of year	\$	<u>1,337,413</u> \$	1,295,120		

See notes to financial statements.

City of Redondo Beach Proposition A Local Return Fund Supplementary Information Schedule of Expenditures – Actual and LACMTA Approved Project Budget Year ended June 30, 2015 Actual for 2014

Project Code	Project Name		LACMTA Budget	Actual	- .	Variance Positive (Negative)	2014 Actual
110-01	Beach Cities Transit Fixed Route	\$	600,000 \$	430,918	\$	169,082 \$	380,513
120-05	WAVE Dial-A-Ride		329,000	257,797		71,203	329,000
140-01	Recreational Transit		39,000	30,397		8,603	16,937
170-01	Bus Bench and Shelter Maintenance		51,000	40,884		10,116	41,361
180-01	Beach Cities Transit Fixed Route Bus Purchase		20,000	14,100		5,900	-
180-02	Beach Cities Transit Bus Security Camera Purchase		8,000	5,781		2,219	-
220-01	Beach Cities Transit Bus Security Cameras		-	-		-	23,958
230-01	Galleria Maintenance and Security		225,000	76,349		148,651	96,870
250-01	BCT Bus Pass Subsidy Program		41,000	36,581		4,419	33,374
250-02	MTA Bus Pass Subsidy Program		142,000	26,786		115,214	24,524
280-01	Beach Cities Transit Fixed Route Service		140,500	13,951		126,549	26,711
480-08	Administrative Fund		250,000	231,699		18,301	238,204
	Total expenditures	\$_1	1,845,500 \$	1,165,243	\$	680,257 \$	1,211,452

City of Redondo Beach Proposition A Local Return Fund Supplementary Information Schedule of Capital Assets Year ended June 30, 2015

Date Acquired	Description		Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
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		156,585	-	-	156,585
	3 units 2015 El Dorado National EZ Rider II					
2015	CNG Vehicle (partial funding)	_	-	14,100		14,100
		Total \$	3,703,114 \$	14,100 \$	\$	3,717,214

See report of independent auditors.

	June 30			
	2015	2015 2014		
ASSETS				
Cash and investments \$	5,224,979	\$	4,750,140	
Prepaid cost	100		-	
Interest receivable	9,656		8,902	
Total assets \$	5,234,735	\$	4,759,042	
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable \$	794,379	\$	10,120	
Due to MRLRF	5,756		-	
Total liabilities	800,135		10,120	
Fund balance				
Restricted - Transit Center Construction	1,713,028		1,680,218	
Restricted	2,721,572		3,068,704	
Total fund balance	4,434,600		4,748,922	
Total liabilities and fund balance \$	5,234,735	\$	4,759,042	

	Years ended June 30			
-	2015	2014		
RevenuesProposition C\$Investment income	987,963 \$ 36,810	947,895 41,165		
Unrealized gain on investments	3,315	21,216		
Total revenues	1,028,088	1,010,276		
Expenditures Various projects Total expenditures	1,342,410 1,342,410	<u> </u>		
Excess (deficiency) of revenues over expenditures	(314,322)	936,459		
Fund balance at beginning of year	4,748,922	3,812,463		
Fund balance at end of year \$	4,434,600 \$	4,748,922		

City of Redondo Beach Proposition C Local Return Fund Supplementary Information Schedule of Expenditures – Actual and LACMTA Approved Project Budget Year ended June 30, 2015 Actual for 2014

Project Code	Project Name	LACMTA Budget	Actual	_	Variance Positive (Negative)	2014 Actual
160-01	Bus Shelters/Benches Replacement \$	433,617 \$	-	\$	433,617 \$	-
310-01	Redondo Beach Regional Multi-Modal Transit					
	Center, Project No. 20120	611,102	76,245		534,857	-
380-01	Transit Center Construction	2,050,000	-		2,050,000	2,065
400-02	Beryl/190 th Signal Study	18,507	-		18,507	-
400-02	Torrance Blvd/Pacific Coast Hwy Left Turn Signal Improvement	_	_		_	4,220
430-03	Bicycle Transportation Plan Implementation,	000 745			000.050	4,220
400.05	Project No. 40510	389,715	5,756		383,959	-
430-05	Grant Ave/Artesia Blvd Countdown Pedestrian Signals	3,300	-		3,300	-
430-06	North Redondo Beach Bikeway Lighting	18,073	-		18,073	-
440-19	Harbor Drive Resurfacing - Beryl to Herondo	1,183,147	1,207,100		(23,953)	-
440-20	Kingsdale Ave Resurfacing - 182 nd to Grant	460,000	-		460,000	-
440-21 440-22	Beryl Street Improvements - Flagler to 190 th Aviation Blvd Resurfacing - Manhattan Beach Blvd to	676,793	21,615		655,178	23,840
	Marine Ave	68,000	-		68,000	-
440-23	Marine Ave Resurfacing - Aviation Blvd to Interstate 405	80,000			80,000	
470.04		,	-		,	-
470-01	Pavement Management System	60,000	18,157		41,843	10,120
480-1	Direct Administration - Prop C Program and Projects	120,000	13,537		106,463	33,572
	Total expenditures \$_	6,172,254 \$	1,342,410	\$_	4,829,844 \$	73,817

Date Acquired		Description		Balance July 1, 2014		Additions		Deletions	_	Balance June 30, 2015
	None		\$_ Total \$_	-	_\$_ \$_	-	\$ \$	- 9	\$_ \$_	-

		June 30				
		2015		2014		
	ASSETS					
Cash and investments	\$	1,561,849	\$	1,207,003		
Interest receivable		497		83		
Due from PCLRF		5,756		-		
	Total assets \$	1,568,102	\$	1,207,086		
LIABILITIE	S AND FUND BALANCE					
Liabilities						
Accounts payable	\$	144,658	\$	23,615		
	Total liabilities	144,658		23,615		
Fund balance						
Restricted	_	1,423,444		1,183,471		
	Total fund balance	1,423,444		1,183,471		
	Total liabilities and fund balance \$	1,568,102	\$	1,207,086		
	—					

		Years en	Years ended June 30			
	-	2015	2014			
Revenues Measure R	\$	741,666				
Investment income		3,916	688			
Unrealized gain on investments	Total revenue -	106				
	Total revenues	745,688	709,035			
Expenditures Various projects		505,715	633,111			
	- Total expenditures	505,715	633,111			
Excess of revenues over expenditures		239,973	75,924			
Fund balance at beginning of year	-	1,183,471	1,107,547			
Fund balance at end of year	\$ _	1,423,444	\$1,183,471			

City of Redondo Beach Measure R Local Return Fund Supplementary Information Schedule of Expenditures – Actual and LACMTA Approved Project Budget Year ended June 30, 2015 Actual for 2014

Project Code	Project Name	LACM TA Budget	Actual	Variance Positive (Negative)	2014 Actual
1.05	PV Blvd/Catalina Ave Intersection Improvements \$	100,000 \$	232,904 \$	(132,904) \$	-
1.05	Residential Resurfacing - General Locations	1,085,316	8,720	1,076,596	605,538
1.05	Kingsdale Ave Resurfacing - 182nd to Grant	400,000	-	400,000	-
1.05	Herondo/Harbor Gateway Improvements	225,000	221,727	3,273	-
3.16	Bicycle Transportation Plan Implementation	-	-	-	3,958
7.90	Citywide Pavement Management Survey	140,000	42,364	97,636	23,615
	Total expenditures \$	1,950,316 \$	505,715 \$	1,444,601 \$	633,111

See report of independent auditors.

Balance June 30, 2015	Balance July 1,	Decerintian	Date
s Deletions 2015	<u>2014</u> A	Description	Acquired
<u>- \$\$</u> - \$\$	′ <u> </u>	· · ·	None
	′ <u> </u>	Total \$	

See report of independent auditors.

		June 30		
		 2015		2014
	ASSETS			
Cash and investments		\$ 1,874	\$	-
Due from LACMTA		 -		34,000
	Total assets	\$ 1,874	_\$ _	34,000
LIABILITIES Liabilities Due to other funds	S AND FUND BALANCE Total liabilities	\$ 	_\$ _	<u>33,025</u> <u>33,025</u>
Fund balance		4 074		075
Restricted	Total fund balance	 1,874		975
	Total liabilities and fund balance	\$ 1,874 1,874	\$	975 34,000

	Years ende	ed June 30
	2015	2014
Revenues Intergovernmental Allocations: Article 3 Total revenues	\$ <u>19,000</u> \$ 19,000	34,000 34,000
Expenditures		
Construction/Maintenance	17,925	33,025
Total expenditures	17,925	33,025
Excess of revenues over expenditures	1,075	975
Other funding use Transfer out	(176)	<u>-</u>
Excess of revenues over expenditures and other funding use	899	975
Fund balance at beginning of year	975	
Fund balance at end of year	\$ <u>1,874</u> \$	<u> </u>

City of Redondo Beach Transportation Development Act Article 3 Fund Supplementary Information Schedule of Transportation Development Act Allocation for Specific Projects Pursuant to Public Utilities Code Section 99234 Year ended June 30, 2015

			Totals to Date		
Project Description	Program Year	Allocations	Expenditures	Unexpended Allocations	Project Status
Local Allocations:					
Citywide Curb Ramp Improvements Totals	2015 \$ \$	· ·	,	<u>1,075</u> 1,075	Ongoing
Other financing use Transfer out				(176)	
Fund balance at beginning of year				975	
Fund balance at end of year			\$	1,874 *	

* The City has encumbered the remaining fund balance of \$1,874 as of June 30, 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) (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.

TDAA3F is pooled with other City monies in the Special Revenue Fund. The Special Revenue Fund accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting

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.

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.

Unrealized Gain (Loss) on Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, local governments are required to use fair value (instead of amortized costs) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain (loss) on investments.

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 do not purport to, and do not, present fairly the City's financial position as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

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. See accompanying Compliance Matrix.

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 monthly balances to the total of the pooled cash and investments.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to 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, 2015. 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.

For the years ended June 30, 2015 and 2014, following is the capital reserve amount for PCLRF:

Capital reserve at 6/30/2013	\$ 1,660,063
Interest income earned during the year	22,220
Expenditures during the year	(2,065)
Capital reserve at 6/30/2014	 1,680,218
Interest income earned during the year	32,810
Capital reserve at 6/30/2015	\$ 1,713,028

NOTE 8 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
FY 2012/13 reserve	\$ -	\$ 16,067
FY 2013/14 reserve	19,000	17,933
	\$ 19,000	\$ 34,000

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, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2013/14 reserve	\$ 17,683	\$ 36,683
FY 2014/15 allocation	44,482	-
	\$ 62,165	\$ 36,683

For FY 2014/15, any TDA Article 3 funds left on reserve for FY 2010/11 or prior, are subject to lapse if not claimed by the City by June 30, 2015. There were no funds that lapsed in FY 2014/15.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 28, 2016, the date the financial statements were available to be issued, and concluded that no events have occurred that require disclosure in or adjustments to the financial statements.



801 South Grand Ave., Suite 400 Los Angeles, CA 90017 Ph. (213) 873-1700 Fax (213) 873-1777

www.vasquezcpa.com

OFFICE LOCATIONS: Los Angeles Sacramento San Diego

Report of Independent Auditors 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 Transportation 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 and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Redondo Beach, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

asques & Company LLP

Los Angeles, California March 28, 2016

COMPLIANCE SECTION



801 South Grand Ave., Suite 400 Los Angeles, CA 90017 Ph. (213) 873-1700 Fax (213) 873-1777

www.vasquezcpa.com

OFFICE LOCATIONS: Los Angeles Sacramento San Diego

Report of Independent Auditors on Compliance

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 Compliance

We have audited the compliance of the City of Redondo Beach, California (the 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 Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2015.

Management's Responsibility

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

Auditors' 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 the 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion

In our opinion, the City of Redondo Beach, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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 might 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.

Varquez & Company LLP

Los Angeles, California March 28, 2016

Compliance Requirements	lı Comp	-	Questioned	If no, provide details and
	Yes	No	Costs	management response.
Proposition A and Proposition C Local Return Funds				
1. Timely use of funds.	Х		None	
2. Expenditures approved before being incurred.	х		None	
3. Expenditures did not exceed 25% of LACMTA's approved budget.	х		None	
4. Administrative expenses are within the 20% cap.	х		None	
5. All on-going and carryover projects were reported on Form B.	х		None	
6. Annual Project Summary Report (Form B) was submitted on time.	х		None	
 Annual Expenditure Report (Form C) was submitted on time. 	х		None	
 Cash or cash equivalents are maintained. 	Х		None	
 9. Accounting procedures, record keeping and documentation are				
adequate.	Х		None	

	Compliance Requirements	lı Comp		Questioned	If no, provide details and
			No	Costs	management response.
в.	Measure R Local Return Fund				
	1. Funds were expended for				
	transportation purposes.	Х		None	
	2. Funds were used to augment, not				
	supplant, existing local revenues				
	being used for transportation				
	purposes unless there is a				
	funding shortfall.	Х		None	
	3. Signed Assurances and				
	Understandings on file.	Х		None	
	4. Separate Measure R Local Return				
	Account was established.	Х		None	
	5. Revenues received including				
	allocations, project generated				
	revenues and interest income was				
	properly credited to the Measure				
	R Local Return Account.	Х		None	
	Funds were expended with				
	LACMTA's approval.	Х		None	
	7. Expenditure Plan (Form One) was				
	submitted on time.	Х		None	
	8. Expenditure Report (Form Two)				
	was submitted on time.	X X		None	
	9. Timely use of funds.	Х		None	
	10. Administrative expenses are				
	within the 20% cap.	Х		None	
	11. Fund exchanges were approved				
	by LACMTA.				Not applicable.
	12. A separate account was				
	established for Capital reserve				
	funds and Capital reserve was				
	approved by LACMTA.				Not applicable.
	13. Recreational transit form was				
_	submitted on time.				Not applicable.
C.	Transportation Development Act Article 3 Fund				
	1. Timely use of funds.	Х		None	
	2. Expenditures were incurred for				
	activities relating to pedestrian				
	and bicycle facilities and				
	amenities.	Х		None	

EXIT CONFERENCE

An exit conference was held on March 18, 2016 with City of Redondo Beach representatives. Those in attendance were:

Vasquez and Company LLP representatives: Roger Martinez – Partner Marialyn Salvador – Audit Manager

City of Redondo Beach representatives: Doug Kaku – Grants Financial Administrator Joyce Rooney – Transit Operations & Transportation Facilities Manager

Matters discussed:

Results of the audit disclosed no significant compliance or financial issues.

A copy of this report was forwarded to the following City of Redondo Beach representatives for comments prior to the issuance of the final report:

Doug Kaku – Grants Financial Administrator Joyce Rooney – Transit Operations & Transportation Facilities Manager Diane Amaya – Transit Analyst



www.vasquezcpa.com

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance provides its members with access to resources of RSM US LLP (formerly known as McGladrey LLP). McGladrey Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit http://www.rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. McGladrey®, the McGladrey Alliance logo and the McGladrey Alliance signatures are proprietary to RSM US LLP, while RSM[™] is used under license by RSM US LLP.

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777