

***CITY OF REDONDO BEACH  
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, 2019 AND 2018***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

**CITY OF REDONDO BEACH**  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
Independent Auditor's Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Change in Fund Balance	16
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	17
Schedule of Capital Assets	18
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	19
Statements of Revenues, Expenditures and Changes in Fund Balance	20
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	21
Notes to Financial Statements	22
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 <i>Government Auditing Standards</i>	27

***CITY OF REDONDO BEACH***  
**TABLE OF CONTENTS**  
(Continued)

**COMPLIANCE SECTION**

Independent Auditor's Report on Compliance	29
Compliance Matrix	31
Schedule of Findings and Recommendations	35

<b>EXIT CONFERENCE</b>	36
------------------------	----

---

***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 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), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Redondo Beach, California (the City) as of and for the years ended June 30, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City of Redondo Beach, California, as of June 30, 2019 and 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Redondo Beach, California, as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 22, 2019, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California  
November 22, 2019

**CITY OF REDONDO BEACH**  
**PROPOSITION A LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 1,874,639	\$ 1,913,647
Interest receivable	8,859	4,782
Total assets	\$ 1,883,498	\$ 1,918,429
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	1,883,498	1,918,429
Total fund balance	1,883,498	1,918,429
Total liabilities and fund balance	\$ 1,883,498	\$ 1,918,429

The accompanying notes are an integral part to 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

	2019	2018
<b>REVENUES</b>		
Proposition A	\$ 1,383,384	\$ 1,296,290
Interest income	26,124	13,930
Unrealized gain (loss) on investments	37,453	(15,148)
Total revenues	1,446,961	1,295,072
 <b>EXPENDITURES</b>		
Various projects	1,481,892	1,216,366
Total expenditures	1,481,892	1,216,366
 (Deficiency) excess of revenues (under) over expenditures	(34,931)	78,706
 Fund balance at beginning of year	1,918,429	1,839,723
 Fund balance at end of year	\$ 1,883,498	\$ 1,918,429

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



**CITY OF REDONDO BEACH**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Beach Cities Transit Fixed Route	\$ 600,000	\$ 620,000	\$ (20,000)	\$ 531,855
120-05	Wave Dial-A-Ride	329,000	329,000	-	227,110
140-01	Recreational Transit	44,000	40,388	3,612	43,460
170-01	Bus Bench And Shelter Maintenance	55,000	22,198	32,802	45,220
180-01	Beach Cities Transit Fixed Route Bus Purchase	24,000 *	30,283	(6,283)	-
180-02	Beach Cities Transit Bus-Parts, Tires	-	-	-	4,812
180-03	Transit Bus Maintenance/Parts	16,000	19,200	(3,200)	-
220-01	Beach Cities Transit Bus Security Cameras	9,000	8,124	876	-
230-01	Galleria Maintenance And Security	225,000	96,815	128,185	87,942
250-01	BCT Bus Pass Subsidy Program	41,000	47,089	(6,089)	42,596
250-02	MTA Bus Pass Subsidy Program	55,000	15,034	39,966	15,943
280-01	Beach Cities Transit Fixed Route Service	140,500	2,804	137,696	10,423
290-01	Park and Ride Facility	250,000	-	250,000	-
300-01	Transit Operations Facility Improvements	90,000	2,389	87,611	3,977
310-01	Redondo Beach Regional Multi-Modal Transit Center, Project No. 20120	275,000	-	275,000	-
480-08	Administrative Fund	300,000	245,986	54,014	200,000
500-01	GPS/Real Time Information System for fixed route transit services	75,000	-	75,000	-
500-02	TAP Operating System on BCT Buses	5,000	2,582	2,418	2,611
500-03	Operating Costs for Transit Social Media Services	10,000	-	10,000	417
	Total expenditures	\$ <u>2,543,500</u>	\$ <u>1,481,892</u>	\$ <u>1,061,608</u>	\$ <u>1,216,366</u>

Note: The FY 2018/19 actual expenditures were transferred to the City's Transit System Fund and were expended on the approved Proposition A projects as listed above.

\* Metro subsequently approved the budget increase to \$30,000 on November 22, 2019.

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
1987	Transit Building Facility	\$ 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 Vehicles	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 Bus	156,585	-	-	156,585
2015	3 Units 2015 El Dorado National EZ Rider II Bus CNG Vehicle (partial funding)	14,100	-	-	14,100
2019	Bus #550 Bertha: replacement of CNG fuel tanks with Eldorado National Company	-	32,905	-	32,905
2019	Hanover annunciator system Bus Bertha #550 (programming & installation)	-	15,927	-	15,927
Total \$		<u>3,717,214</u>	<u>\$ 48,832</u>	<u>\$ -</u>	<u>\$ 3,766,046</u>

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**PROPOSITION C LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 6,810,382	\$ 5,720,024
Interest receivable	101,844	18,400
Total assets	\$ 6,912,226	\$ 5,738,424
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 26,277	\$ 53,809
Due to MRLRF	5,756	5,756
Total liabilities	32,033	59,565
 <b>Fund Balance</b>		
Restricted - Transit Center Construction (Note 8)	3,736,688	2,453,818
Restricted	3,143,505	3,225,041
Total fund balance	6,880,193	5,678,859
Total liabilities and fund balance	\$ 6,912,226	\$ 5,738,424

The accompanying notes are an integral part to 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

	2019	2018
<b>REVENUES</b>		
Proposition C	\$ 1,147,478	\$ 1,075,847
Interest income	103,860	79,435
Unrealized gain (loss) on investments	136,729	(47,537)
Total revenues	1,388,067	1,107,745
<b>EXPENDITURES</b>		
Various projects	186,733	911,136
Total expenditures	186,733	911,136
Excess of revenues over expenditures	1,201,334	196,609
Fund balance at beginning of year	5,678,859	5,482,250
Fund balance at end of year	\$ 6,880,193	\$ 5,678,859

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

**CITY OF REDONDO BEACH**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
160-01	Bus Shelters/Benches Replacement	\$ 223,547	\$ 52,684	\$ 170,863	\$ 158,701
300-01	Transit Operations Facility Improvements	75,000	-	75,000	-
310-01	Redondo Beach Regional Multi-Modal Transit Center, Project No. 20120	25,000	-	25,000	-
380-01	Transit Center Construction	2,222,247	47,380	2,174,867	84,572
400-04	Torrance Blvd & Francisca Ave Traffic Signal Modifications	270,000	-	270,000	-
430-03	Bicycle Transportation Plan Implementation, Project No. 40510	388,634	-	388,634	-
430-05	Grant Ave/Artesia Blvd Countdown Pedestrian Signals	3,275	-	3,275	-
430-06	Bicycle Transportation Plan Improvement Project, Phase 2	390,252	-	390,252	-
430-07	North Redondo Beach Bikeway Lighting	18,073	-	18,073	-
440-01	Inglewood Ave Resurfacing - Grant to 190th	1,150,500	80,077	1,070,423	-
440-20	Kingsdale Ave Resurfacing - 182nd to Grant	460,000	-	460,000	-
440-21	Beryl Street Improvements	-	-	-	4,332
440-23	Marine Ave Resurfacing - Aviation Blvd to Interstate 405	-	-	-	620,088
440-24	Manhattan Beach Blvd Resurfacing - Aviation - Inglewood	672,000	-	672,000	-
440-25	Beryl Street Improvements - Prospect to Flagler	235,000	-	235,000	-
470-01	Pavement Management Study	-	-	-	40,556
480-01	Direct Administration - Prop C Program and Projects	120,000	6,592	113,408	2,887
	Total expenditures	\$ 6,253,528	\$ 186,733	\$ 6,066,795	\$ 911,136

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 1,811,278	\$ 1,227,921
Interest receivable	8,237	204
Due from PCLRF	5,756	5,756
Total assets	\$ 1,825,271	\$ 1,233,881
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 35,272	\$ 29,922
Total liabilities	35,272	29,922
 <b>Fund Balance</b>		
Restricted	1,789,999	1,203,959
Total fund balance	1,789,999	1,203,959
Total liabilities and fund balance	\$ 1,825,271	\$ 1,233,881

The accompanying notes are an integral part to 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

	2019	2018
<b>REVENUES</b>		
Measure R	\$ 860,856	\$ 805,342
Interest income	16,438	4,974
Unrealized gain on investments	5,635	791
Total revenues	882,929	811,107
 <b>EXPENDITURES</b>		
Various projects	296,889	773,300
Total expenditures	296,889	773,300
 Excess of revenues over expenditures	586,040	37,807
 Fund balance at beginning of year	1,203,959	1,166,152
 Fund balance at end of year	\$ 1,789,999	\$ 1,203,959

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



**CITY OF REDONDO BEACH**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	N. Redondo Beach Commercial St. Improvements	\$ 178,786	\$ 174,592	\$ 4,194	\$ 4,935
1.05	Resurfacing Improvements Prospect Ave. L Beryl - Del Amo	140,220	3,428	136,792	3,789
1.05	Resurfacing - Flagler - 190th St	107,500	-	107,500	-
1.05	Citywide Slurry Seal Program	300,000	-	-	-
1.05	Residential Resurfacing General Locations	520,968	1,296	519,672	634,852
1.05	Kingsdale Ave Resurfacing - 182nd to Grant	400,000	-	400,000	-
1.90	Pavement Management Survey	-	-	-	90,403
2.03	Grant Ave. Signal Improvements	313,051	-	313,051	18
3.05	Riviera Village Improvements - Bike/Ped, Construction & Amenities	117,882	55,881	62,001	34,375
3.05	Bicycle Transportation Plan Implementation	65,625	61,692	3,933	4,928
	Total expenditures	\$ <u>2,144,032</u>	\$ <u>296,889</u>	\$ <u>1,547,143</u>	\$ <u>773,300</u>

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2019

Date Acquired	Description	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**BALANCE SHEET**  
June 30

	2019	2018
<b>ASSETS</b>		
Cash and investments	\$ 1,739,757	\$ 725,412
Interest receivable	8,318	2,096
Due from Transit Fund	62	-
Total assets	\$ 1,748,137	\$ 727,508
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	1,748,137	727,508
Total fund balance	1,748,137	727,508
Total liabilities and fund balance	\$ 1,748,137	\$ 727,508

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

**CITY OF REDONDO BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
For the Fiscal Years Ended June 30

	2019	2018
<b>REVENUES</b>		
Measure M	\$ 970,261	\$ 729,824
Interest income	24,469	6,417
Unrealized gain (loss) on investments	25,899	(8,733)
Total revenues	1,020,629	727,508
 <b>EXPENDITURES</b>		
Various projects	-	-
Total expenditures	-	-
 Excess of revenues over expenditures	1,020,629	727,508
 Fund balance at beginning of year	727,508	-
 Fund balance at end of year	\$ 1,748,137	\$ 727,508

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

**CITY OF REDONDO BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES**  
**ACTUAL AND METRO APPROVED PROJECT BUDGET**  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2018)

Project Code	Project Name	2019			2018 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
None		\$ -	\$ -	\$ -	-
	Total expenditures	\$ -	\$ -	\$ -	-

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2019

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

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

	2019	2018
<b>ASSETS</b>		
Cash and investment		-
Total assets	\$ <u>          -</u>	\$ <u>          -</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to General Fund	\$ <u>          402</u>	\$ <u>          -</u>
Total liabilities	<u>          402</u>	<u>          -</u>
 <b>Fund Balance</b>		
Restricted	<u>          (402)</u>	<u>          -</u>
Total fund balance	<u>          (402)</u>	<u>          -</u>
Total liabilities and fund balance	\$ <u>          -</u>	\$ <u>          -</u>

The accompanying notes are an integral part to 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

	2019	2018
<b>REVENUES</b>		
TDA 3	\$ 3,000	\$ -
Total revenues	3,000	-
 <b>EXPENDITURES</b>		
Citywide curb ramp improvement	3,402	
Total expenditures	3,402	-
 Deficiency of revenues under expenditures	(402)	-
 Fund balance at beginning of year	-	-
 Fund balance at end of year	\$ (402)	\$ -

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



**CITY OF REDONDO BEACH**  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS  
For the Fiscal Year Ended June 30, 2019

<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	2019	\$ 3,000	\$ 3,402	\$ (402)	On-going
Total		<u>\$ 3,000</u>	<u>\$ 3,402</u>		
Fund balance at beginning of year				-	
Fund balance at end of year				<u>\$ (402)</u>	

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018

**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.

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, MMLRF and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statement of revenue, expenditures and changes in fund balance for Special Revenue Funds generally presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

*Budgets and Budgetary Accounting*

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

**CITY OF REDONDO BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

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

*Fair Value Measurement*

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

Refer to City's 2019 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments 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, 2019:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

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

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines and Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

**CITY OF REDONDO BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(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. See accompanying Compliance Matrix.

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

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

**NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

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

**NOTE 7 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F’s cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

**CITY OF REDONDO BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

**NOTE 8 – CAPITAL RESERVE - PCLRF**

On June 30, 2011, Metro and the City entered into a capital reserve agreement to establish a capital reserve account (Account) for the Transit Center Construction Project (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. Metro 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 2023 as of September 26, 2018.

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, 2019 and 2018, following is the capital reserve amount for PCLRF:

Capital reserve at 6/30/16	\$	1,965,867
Capital reserve increase		123,810
Interest income earned during the year		19,762
Expenditures during the year		<u>(59,439)</u>
Capital reserve at 6/30/17		2,050,000
Capital reserve increase		<u>403,818</u>
Capital reserve at 6/30/18		2,453,818
Capital reserve increase		<u>1,282,870</u>
Capital reserve at 6/30/19	\$	<u><u>3,736,688</u></u>

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

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2019, and 2018, the City has funds on reserve as follows:

		<u>2019</u>		<u>2018</u>
FY 2016-17 allocation	\$	<u>3,000</u>	\$	-
FY 2017-18 allocation		-		-
FY 2018-19 allocation		-		-
Total payment requested	\$	<u><u>3,000</u></u>	\$	<u><u>-</u></u>

**CITY OF REDONDO BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Continued)

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

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2019, and 2018, the City has funds on reserve as follows:

		2019		2018
FY 2016-17 allocation	\$	7,911	\$	10,911
FY 2017-18 allocation		45,260		45,260
FY 2018-19 allocation		46,714		-
Available reserve balance	\$	99,885	\$	56,171

**NOTE 11 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 22, 2019, 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 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, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Redondo Beach, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California  
November 22, 2019



---

---

*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**

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 (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2019.

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

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

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

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.



---

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding No. 2019-001. Our opinion on each local return program and Transportation Development Act Article 3 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 responses.

## Report on Internal Control Over Compliance

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

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

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

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

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

Los Angeles, California  
November 22, 2019

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).		X		None	See Finding #2019-001 on the Schedule of Findings and Recommendations.
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	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 are maintained.	X			None	
10.	Accounting procedures, record keeping, and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	X			None	
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.	X			None	
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	No Capital reserve fund establish for Measure R fund in FY18/19
13.	Recreational transit form was submitted on time.			X	None	Recreational transit form was not required for Measure R in FY18/19

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2019  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.			X	None	No expenditure occurred in FY18/19
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	No expenditure occurred in FY18/19
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.			X	None	No expenditure occurred in FY18/19
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	No expenditure occurred in FY18/19
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY18/19
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	No Capital reserve fund establish for Measure M fund in FY18/19
13.	Recreational transit form was submitted timely.			X	None	Recreational transit form was not required for Measure M fund in FY18/19

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2019  
 (Continued)

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

**CITY OF REDONDO BEACH**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2019

**PALRF: Finding No. 2019-001**

<b>Compliance Requirement</b>	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), “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 Local Return project budget or scope on all operating or capital Local Return projects.”
<b>Condition</b>	The City exceeded more than 25 percent of Los Angeles County Metropolitan Transportation Authority’s (LACMTA) approved budget on PALRF Project Code 180-01, Beach Cities Transit Fixed Route Bus Purchase in the amount of \$283. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval on November 22, 2019.
<b>Cause</b>	It was due to an oversight by the City’s program department.
<b>Effect</b>	The City’s PALRF project expenditure exceeded 25 percent of LACMTA’s approved budget without LACMTA’s prior approval and the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget. If the City expects project expenditures will be in excess of 25 percent of approved budget, the City should submit an amended Form A prior to the expenditure of funds for approved projects.
<b>Management’s Response</b>	Staff did not anticipate an increase in fixed route project in the last quarter of the year.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive budget approval in the amount of \$283 for the project aforementioned on November 22, 2019. No follow-up is required.



---

***EXIT CONFERENCE***

---

**CITY OF REDONDO BEACH**  
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE  
June 30, 2019

An exit conference was held on December 11, 2019 with the City of Redondo Beach. Those in attendance were:

***Simpson & Simpson Representative:***

Tian Bian, Senior Auditor

***City's Representative:***

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

***Matters Discussed:***

Results of the audit disclosed no significant control deficiencies and one (1) non-compliance issue with the 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:

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

Simpson & Simpson, LLP  
633 West 5<sup>th</sup> Street, Suite 3320  
Los Angeles, CA 90071

RE: CITY OF REDONDO BEACH 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, 2019 AND 2018

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, 2019 and 2018 for the City of Redondo Beach and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date