

***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, 2021 AND 2020***



**Metro<sup>®</sup>**



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), 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, 2021 and 2020, 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 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 audit 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 PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City of Redondo Beach, California, as of June 30, 2021 and 2020, 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 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, 2021 and 2020, 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. 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 December 14, 2021, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

Los Angeles, California  
December 14, 2021

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

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 2,260,848	\$ 2,483,965
Interest receivable	6,781	8,355
Total assets	\$ 2,267,629	\$ 2,492,320
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <b>Fund Balance</b>		
Restricted	2,267,629	2,492,320
Total fund balance	2,267,629	2,492,320
Total liabilities and fund balance	\$ 2,267,629	\$ 2,492,320

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

	2021	2020
<b>REVENUES</b>		
Proposition A	\$ 1,377,684	\$ 1,332,250
Interest income	23,705	36,491
Unrealized gain (loss) on investments	(18,345)	41,186
Total revenues	1,383,044	1,409,927
 <b>EXPENDITURES</b>		
Various projects	1,607,735	801,105
Total expenditures	1,607,735	801,105
 Excess (deficiency) of revenues over expenditures	(224,691)	608,822
 Fund balance at beginning of year	2,492,320	1,883,498
 Fund balance at end of year	\$ 2,267,629	\$ 2,492,320

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, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
105	Beach Cities Transit Fixed Route Service	\$ 1,200,000	\$ 848,795	\$ 351,205	\$ 300,000
107	Wave Dial-A-Ride	400,000	360,477	39,523	156,304
125	GPS/Real Time Information System for Fixed Route Transit Services	50,000	728	49,272	-
135	BCT Bus Pass Subsidy Program	41,000	3,205	37,795	33,995
135	MTA Bus Pass Subsidy Program	55,000	-	55,000	9,284
150	Galleria Maintenance and Security	225,000	107,649	117,351	101,799
155	Recreational Transit	44,000	3,045 *	40,955	32,924
170	Transit Bus Maintenance/Parts	10,000	94	9,906	700
170	Park and Ride Facility	250,000	-	250,000	-
170	Bus Bench And Shelter Maintenance	155,000	-	155,000	-
180	Transportation Planning Studies	225,000	-	225,000	-
210	BCT Bus Replacements Purchase	310,000	28,885	281,115	57,700
215	Transit Operations Facility Improvements	90,000	-	90,000	-
215	Transit Center Facility Operations	275,000	-	275,000	-
231	TAP Operating System on BCT buses	5,000	2,355	2,645	2,582
510	Beach Cities Transit Marketing	127,500	1,963	125,537	5,198
520	Operating Costs for Transit Social Media Services	10,000	539	9,461	619
610	Administrative Funds	300,000	250,000	50,000	100,000
	Total expenditures	\$ 3,772,500	\$ 1,607,735	\$ 2,164,765	\$ 801,105

Note: The FY2019/20 and FY2020/21 actual expenditures were transferred to the City's Transit System Fund and were expended on the approved Proposition A projects as listed above.

\* Expenditure in the amount of \$3,045 was related to payments in FY2020/21 for recreational transit trips occurred in FY2019/20, therefore recreational transit form for FY2020/21 was not required.

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**PROPOSITION A LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
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 El Dorado National Company	32,905	-	-	32,905
2019	Hanover Annunciator System Bus Bertha #550 (Programming & Installation)	15,927	-	-	15,927
2020	2019 Champion LF Transit Bus	9,520	-	-	9,520
2020	2019 Champion LF Transit Bus	9,520	-	-	9,520
2020	2019 Champion LF Transit Bus	9,521	-	-	9,521
2020	2019 Champion LF Transit Bus	9,521	-	-	9,521
2020	2020 Champion LF Transit Bus	9,809	-	-	9,809
2020	2020 Champion LF Transit Bus	9,809	-	-	9,809
2021	2020 Champion LF Transit Bus	-	28,885	-	28,885
Total \$		<u>3,823,746</u>	<u>\$ 28,885</u>	<u>\$ -</u>	<u>\$ 3,852,631</u>

See accompanying independent auditor's report.

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

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 6,553,564	\$ 7,214,627
Interest receivable	24,116	31,252
Total assets	\$ 6,577,680	\$ 7,245,879
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 660,548	\$ 5,303
Due to MRLRF	-	5,756
Total liabilities	660,548	11,059
 <b>Fund Balance</b>		
Restricted - Transit Center Construction (Note 8)	1,994,329	3,871,581
Restricted	3,922,803	3,363,239
Total fund balance	5,917,132	7,234,820
Total liabilities and fund balance	\$ 6,577,680	\$ 7,245,879

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

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Proposition C	\$ 1,142,740	\$ 1,105,104
Interest income	100,401	146,150
Unrealized gain (loss) on investments	<u>(108,659)</u>	<u>163,631</u>
Total revenues	<u>1,134,482</u>	<u>1,414,885</u>
 <b>EXPENDITURES</b>		
Various projects	<u>2,452,170</u>	<u>1,060,258</u>
Total expenditures	<u>2,452,170</u>	<u>1,060,258</u>
 Excess (deficiency) of revenues over expenditures	 (1,317,688)	 354,627
 Fund balance at beginning of year	 <u>7,234,820</u>	 <u>6,880,193</u>
 Fund balance at end of year	 <u>\$ 5,917,132</u>	 <u>\$ 7,234,820</u>

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, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
205	Bus Shelters/Benches Replacement	\$ 29,218	\$ -	\$ 29,218	\$ -
215	Transit Operations Facility Improvements	75,000	-	75,000	-
215	Transit Center Facility Operations	25,000	-	25,000	-
215	Transit Center Construction	4,043,208	2,148,879	1,894,329	29,291
215	Transit Center Public Art	75,000	-	75,000	-
302	Torrance Blvd & Francisca Ave Traffic Signal Modifications	249,748	33	249,715	9,104
620	Direct Administration	120,000	2,151	117,849	2,062
705	Manhattan Beach Blvd Resurfacing Aviation - Inglewood	672,000	-	672,000	-
705	Redondo Beach Boulevard Resurfacing - Artesia to Hawthorne	70,000	-	70,000	-
705	Artesia Boulevard Resurfacing - Harper to Hawthorne	100,000	-	100,000	-
705	Torrance Boulevard Resurfacing - PCH to Prospect	1,048,546	141,414	907,132	1,454
705	Inglewood Avenue Resurfacing - Marine to Manhattan Beach Blvd.	130,000	-	130,000	-
705	Beryl Street Improvements - Prospect to Flager	1,033,546	148,488	885,058	1,454
765	Citywide Pavement Management Study	12,280	11,205	1,075	7,603
880	Bicycle Transportation Plan Improvement Project, Phase 1	388,634	-	388,634	-
440-01	Inglewood Ave Resurfacing - Grant to 190th St	-	-	-	1,009,290
Total expenditures		\$ 8,072,180	\$ 2,452,170	\$ 5,620,010	\$ 1,060,258

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
2019	Bus Shelters & Benches	\$ 218,204	\$ -	\$ -	\$ 218,204
2020	Transit Center	592,366	2,148,879	-	2,741,245
	Total	\$ 810,570	\$ 2,148,879	\$ -	\$ 2,959,449

See accompanying independent auditor's report.

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

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 1,703,447	\$ 1,928,590
Interest receivable	-	5,653
Due from PCLRF	-	5,756
Total assets	\$ 1,703,447	\$ 1,939,999
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 83,061	\$ 29,657
Total liabilities	83,061	29,657
 <b>Fund Balance</b>		
Restricted	1,620,386	1,910,342
Total fund balance	1,620,386	1,910,342
Total liabilities and fund balance	\$ 1,703,447	\$ 1,939,999

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

	2021	2020
<b>REVENUES</b>		
Measure R	\$ 858,243	\$ 827,642
Interest income	3,192	31,941
Unrealized loss on investments	(2,040)	(3,595)
Total revenues	859,395	855,988
<b>EXPENDITURES</b>		
Various projects	1,149,351	735,645
Total expenditures	1,149,351	735,645
Excess (deficiency) of revenues over expenditures	(289,956)	120,343
Fund balance at beginning of year	1,910,342	1,789,999
Fund balance at end of year	\$ 1,620,386	\$ 1,910,342

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, 2021**  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
215	Transit Center Construction Project	\$ 400,000	\$ 170,215	\$ 229,785	\$ -
304	Grant Ave. Signal Improvements	297,274	6,334	290,940	15,776
705	Residential Resurfacing General Locations	1,325,318	788,531	536,787	24,834
705	Citywide Slurry Seal Program	128,583	14,570	114,013	471,417
710	Anita/Herondo & PCH Right Turn Lane Project	100,000	-	100,000	-
765	Pavement Management Survey	28,653	22,724	5,929	17,739
805	Bicycle Transportation Plan Implementation	165,668	146,977	18,691	24,009
1.05	Resurfacing - Flagler - 190th St	-	-	-	107,500
1.05	Resurfacing - Improvements - Prospect Ave. L Beryl - Del Amo	-	-	-	70,437
3.05	Riviera Village Improvements - Bike/Ped, Construction & Amenities	-	-	-	3,933
	Total expenditures	\$ 2,445,496	\$ 1,149,351	\$ 1,296,145	\$ 735,645

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
June 30, 2021

Date Acquired	Description	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
6/30/2020	Riviera Village Improvements - Phase IV	\$ 99,999	\$ -	\$ -	\$ 99,999
6/30/2021	Residential Street Rehabilitation	-	814,660 *	-	814,660
6/30/2021	Citywide Slurry Seal Program	-	485,987 **	-	485,987
Total		\$ 99,999	\$ 1,300,647	\$ -	\$ 1,400,646

\*Of which, \$26,129 was an addition to capital assets related to Project Code 705 Residential Resurfacing General Locations from FY2019 and FY2020 that was not previously reported.

\*\*Of which, \$471,417 was an addition to capital assets related to Project Code 705 Citywide Slurry Seal Program from FY2020 that was not previously reported.

See accompanying independent auditor's report.

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

	2021	2020
<b>ASSETS</b>		
Cash and investments	\$ 2,558,833	\$ 2,565,318
Interest receivable	8,821	10,975
Due from Transit Fund	-	436
Total assets	\$ 2,567,654	\$ 2,576,729
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 22,335	\$ 5,000
Total liabilities	22,335	5,000
 <b>Fund Balance</b>		
Restricted	2,545,319	2,571,729
Total fund balance	2,545,319	2,571,729
Total liabilities and fund balance	\$ 2,567,654	\$ 2,576,729

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

	2021	2020
<b>REVENUES</b>		
Measure M	\$ 972,420	\$ 930,927
Interest income	37,025	49,435
Unrealized gain (loss) on investments	(34,352)	65,148
Total revenues	975,093	1,045,510
 <b>EXPENDITURES</b>		
Various projects	1,001,503	221,918
Total expenditures	1,001,503	221,918
 Excess (deficiency) of revenues over expenditures	(26,410)	823,592
 Fund balance at beginning of year	2,571,729	1,748,137
 Fund balance at end of year	\$ 2,545,319	\$ 2,571,729

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, 2021  
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2020)

Project Code	Project Name	2021			2020 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
215	RB Transit Center Construction	\$ 865,000	\$ 277,749	\$ 587,251	\$ -
304	Citywide Signal Upgrades	247,331	52,261	195,070	2,669
705	Green St. Improvements	200,000	-	200,000	100,000
705	Median Renovations	30,750	639	30,111	119,249
705	Beryl St - Drainage - Prospect- Flagler St Improvements	365,000	-	365,000	-
705	Residential Resurfacing	1,350,000	670,854	679,146	-
	Total expenditures	\$ 3,058,081	\$ 1,001,503	\$ 2,056,578	\$ 221,918

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
**MEASURE M LOCAL RETURN FUND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**  
 June 30, 2021

<u>Date Acquired</u>	<u>Description</u>	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</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

	2021	2020
<b>ASSETS</b>		
Due from Metro	\$ 38,168	\$ 139,765
Total assets	\$ 38,168	\$ 139,765
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Account payable	\$ -	\$ 4,112
Due to General Fund	1,016	135,619
Total liabilities	1,016	139,731
 <b>Fund Balance</b>		
Restricted	37,152	34
Total fund balance	37,152	34
Total liabilities and fund balance	\$ 38,168	\$ 139,765

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

	2021	2020
<b>REVENUES</b>		
TDA 3	\$ 38,168	\$ 139,765
Total revenues	38,168	139,765
 <b>EXPENDITURES</b>		
Citywide Curb Ramp Improvement	1,050	139,329
Total expenditures	1,050	139,329
 Excess (deficiency) of revenues over expenditures	37,118	436
 Fund balance at beginning of year	34	(402)
 Fund balance at end of year	\$ 37,152	\$ 34

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, 2021

<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	2021	\$ 38,168	\$ 1,050	\$ 37,118	Ongoing
Total		<u>\$ 38,168</u>	<u>\$ 1,050</u>		
Fund balance at beginning of year				<u>34</u>	
Fund balance at end of year				<u>\$ 37,152</u>	

See accompanying independent auditor's report.

**CITY OF REDONDO BEACH**  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2021 and 2020

**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 the 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. The statement of revenues, 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, 2021 and 2020  
(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 2021 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, 2021:

- 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, 2021 and 2020  
(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, 2021 and 2020  
(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, 2021 and 2020, following is the capital reserve amount for PCLRF:

Capital reserve at 6/30/19	\$	3,736,688
Allocations and earnings during the year		164,184
Project expenditure during the year		<u>(29,291)</u>
Capital reserve at 6/30/20		3,871,581
Allocations and earnings during the year		271,627
Expenditures during the year		<u>(2,148,879)</u>
Capital reserve at 6/30/21	\$	<u><u>1,994,329</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, 2021, and 2020, the City has funds on reserve as follows:

		2021		2020
FY 2016-17 allocation	\$	-	\$	7,911
FY 2017-18 allocation		-		45,260
FY 2018-19 allocation		-		46,714
FY 2019-20 allocation		9,707		39,880
FY 2020-21 allocation		28,461		-
Total payment requested	\$	<u><u>38,168</u></u>	\$	<u><u>139,765</u></u>

**CITY OF REDONDO BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020  
(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, 2021, and 2020, the City has funds on reserve as follows:

		2021		2020
FY 2019-20 allocation	\$	-	\$	9,707
FY 2020-21 allocation		9,707		-
Available reserve balance	\$	9,707	\$	9,707

**NOTE 14 – IMPACT OF CORONAVIRUS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2021 Funds' financial statement.

**NOTE 15 – SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 14, 2021, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the 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, 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2021



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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON

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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 (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, 2021.

### *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, 2021.



## 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. 2021-001. Our opinions on each local return and Transportation Development Act Article 3 program are not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The City's response was 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 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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Recommendations as Finding No. 2021-001, that we consider to be a significant deficiency.

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

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

Los Angeles, California  
December 14, 2021

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
1.	Uses the State Controller’s Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X			None	
2.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X			None	
3.	Funds were expended with Metro’s approval and were not substituted for property tax.	X			None	
4.	Timely use of funds.	X			None	
5.	Administrative expenses are within the 20% cap.	X			None	
6.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X			None	
7.	Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X			None	
9.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
10.	Local Return Account is credited for reimbursable expenditures.	X			None	
11.	Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Prop A and Prop C funds were not given, loaned, or exchanged in FY 20/21.

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>						
12.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X	None	There was no Intelligent Transportation Systems projects or elements in FY 20/21.
13.	A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.	X			None	
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit funded by Prop A and Prop C funds in FY 20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY 20/21.
16.	Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X			None	
17.	All on-going and carryover projects were reported on Form B or electronic equivalent.	X			None	
18.	Cash or cash equivalents are maintained.	X			None	
19.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure R Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY 20/21.
8.	Expenditure Plan (Form One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.	X			None	
11.	Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Measure R funds were not given, loaned or exchanged in FY 20/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	No capital reserve fund established for Measure R Fund in FY 20/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(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>						
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit funded by Measure R in FY 20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY 20/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>						
1.	Funds were expended for transportation purposes.	X			None	
2.	Separate Measure M Local Return Account was established.	X			None	
3.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
4.	Funds were expended with Metro's approval.	X			None	
5.	Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X			None	
6.	Timely use of funds.	X			None	
7.	Administrative expenses are within the 20% cap.			X	None	There were no administrative expenditures in FY 20/21.
8.	Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	X			None	
9.	Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	X			None	
10.	Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.	X			None	
11.	Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X	None	Measure M funds were not given, loaned or exchanged in FY 20/21.
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	No capital reserve fund established for Measure M Fund in FY 20/21.
13.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	



**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
 Year Ended June 30, 2021  
 (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>						
14.	Recreational transit form was submitted on time.			X	None	There was no recreational transit funded by Measure M in FY 20/21.
15.	Fund exchanges (trades, loans, or gifts) were approved by Metro.			X	None	There were no fund exchanges in FY 20/21.
16.	Accounting procedures, record keeping, and documentation are adequate.	X			None	

**CITY OF REDONDO BEACH**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2021  
(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		\$37,152	See Finding No. 2021-001 on the Schedule of Findings and Recommendations.
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, 2021

**TDAA3F: Finding No. 2021-001**

<b>Compliance Reference</b>	According to the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Article 3 Bicycle and Pedestrian Funds, Funding and Allocation Guidelines: “Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated.”
<b>Condition</b>	As of June 30, 2021, the City had an unspent TDA 3 ending fund balance of \$37,152 and had not encumbered these funds as of June 30, 2021. These funds should have been placed back on reserve.  This is a repeat finding from prior fiscal year.
<b>Cause</b>	This was an oversight of the City.
<b>Effect</b>	Because these funds were not expended or encumbered within the required timeline per the TDA Article 3 Guidelines and had not been returned to Metro to be placed on reserve, the City did not comply with the TDA Article 3 Guidelines.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City establish procedures to ensure that it only draws down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to Metro to be placed on reserve for the City as required by the Guidelines.
<b>Management’s Response</b>	The City will establish procedures to ensure that ensure all funds are appropriately expended or reserved according to the TDA Article 3 Guidelines.
<b>Corrected During the Audit</b>	On December 16, 2021, Metro granted the City an extension on the usage of remaining funds until June 30, 2022.

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***EXIT CONFERENCE***

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**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, 2021

An exit conference was held on December 22, 2021 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

***Matters Discussed:***

Results of the audit disclosed one (1) significant control deficiency 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

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, 2021 AND 2020

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, 2021 and 2020 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,

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Name

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Title

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Date