CITY OF REDONDO BEACH
ANNUAL FINANCIAL REPORT OF THE

TRANSIT SYSTEM FUND

AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2025 AND 2024

Simpson & Simpson, LLP
Certified Public Accountants

CITY OF REDONDO BEACH
TRANSIT SYSTEM FUND

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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

Opinions

We have audited the accompanying financial statements of the Transit System Fund (the Fund) of the City of Redondo Beach, California (the City) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City, as of June 30, 2025 and 2024, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Fund of the City, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, the changes in its financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the Fund's 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Fund's financial statements. The 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 Fund's financial statements or to the Fund's financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Fund's financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2026, on our consideration of the City's internal control over the Fund's 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 Fund's 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 Fund's 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 Fund's financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
February 24, 2026

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

STATEMENTS OF NET POSITION

JUNE 30

	2025	2024 As restated
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ 1,162,111
Restricted cash	63	63
Due from other governments (Note 11)	99,191	114,659
Accounts receivable	2,125	-
Total current assets	101,379	1,276,833
Noncurrent assets		
Capital assets, net (Note 5)	1,537,585	1,767,374
Total assets	1,638,964	3,044,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension and OPEB related items	134,943	298,918
Total deferred outflows of resources	134,943	298,918
LIABILITIES		
Current liabilities		
Accounts payable	383,399	664,074
Due to City	239,663	922,643
Accrued compensated absences, current	12,058	18,366
Accrued interest payable	4,417	4,451
Unearned revenues (Note 6)	1,067	1,025
Long-term debt - due within one year (Note 10)	37,705	37,044
Total current liabilities	678,309	1,647,603
Noncurrent liabilities		
Accrued compensated absences, noncurrent	10,222	55,090
Long-term debt - due in more than one year (Note 10)	959,425	997,297
Pension liability (Note 7)	62,907	173,029
OPEB liability (Note 9)	58,941	88,223
Total noncurrent liabilities	1,091,495	1,313,639
Total liabilities	1,769,804	2,961,242
DEFERRED INFLOWS OF RESOURCES		
Deferred pension and OPEB related items	16,915	41,333
Total deferred inflows of resources	16,915	41,333

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

CITY OF REDONDO BEACH
TRANSIT SYSTEM FUND
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30

	2025	2024 As restated
NET POSITION		
Net investment in capital assets	$ 1,537,585	$ 1,767,374
Unrestricted	(1,550,397)	(1,426,824)
Total net position	$ (12,812)	$ 340,550

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

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30

	2025	2024
OPERATING REVENUES		
Bus passes	$ 190,323	$ 216,819
Miscellaneous revenue	351	287
Total operating revenues	190,674	217,106
OPERATING EXPENSES		
Personnel services	466,396	825,315
Contractual services	3,969,122	3,904,197
Administration and general	863,486	537,203
Internal service charges	336,963	415,050
Depreciation expense	236,806	258,540
Total operating expenses	5,872,773	5,940,305
Operating loss	(5,682,099)	(5,723,199)
NON-OPERATING REVENUES (EXPENSES)		
Proposition A 40% Discretionary	203,875	582,669
TDA Article 4 Allocation - Operating	928,667	1,336,051
Proposition C Discretionary - Foothill Mitigation	29,287	42,162
Proposition C Discretionary - Bus System Improvement Plan	4,620	4,486
Proposition C Discretionary - Municipal Operator Service Improvement Program (MOSIP)	138,439	167,835
Proposition C 5% Transit Security	46,203	60,296
State Transit Assistance	321,662	294,328
Measure R 20% Bus Operations	381,090	535,738
Measure M 20% Bus Operations	379,614	535,285
Measure R Regional Clean Fuel Bus	-	31,983
Proposition 1B - Transit Modernization	-	502
State of Good Repair Program	14,435	6,216
Interest expense	(26,798)	(27,023)
Total non-operating revenues	2,421,094	3,570,528
Loss before contribution and operating transfers	(3,261,005)	(2,152,671)

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

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

STATEMENTS OF REVENUES, EXPENSES,

AND CHANGES IN NET POSITION (CONTINUED)

For the Fiscal Years Ended June 30

	2025	2024
CONTRIBUTION AND OPERATING TRANSFERS		
Contributions from other local jurisdictions (Note 8)	$ 14,084	$ 12,004
Operating transfer in from other funds (Note 8)	2,990,875	2,204,623
Operating transfer out to other funds (Note 8)	(64,063)	(64,043)
Total contribution and operating transfers	2,940,896	2,152,584
Change in net position	(320,109)	(87)
Net position at beginning of the year, as previously reported	340,550	340,637
Restatement for a change in accounting principle (Note 4)	(33,253)	-
Net position at beginning of the year, as restated	307,297	340,637
Net position at end of year	$ (12,812)	$ 340,550

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

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30

		2025		2024
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$	190,674	$	217,106
Cash payments to suppliers for goods and services		(5,450,246)		(4,865,479)
Cash payments to employees for services		(550,673)		(781,332)
Net cash used in operating activities		(5,810,245)		(5,429,705)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets		(7,017)		(615,741)
Net cash used in capital and related financing activities		(7,017)		(615,741)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfer in from other funds		2,990,875		2,204,623
Principal paid on non-capital debt		(37,211)		(37,257)
Interest paid on non-capital debt		(26,832)		(27,023)
Transfer out to other funds		(64,063)		(64,043)
Cash received from other governments		1,792,382		5,131,038
Net cash provided by non-capital financing activities		4,655,151		7,207,338
Change in cash and cash equivalents		(1,162,111)		1,161,892
Cash and cash equivalents, beginning of year		1,162,174		282
Cash and equivalents, end of year	$	63	$	1,162,174

Noncash investing, capital and financing activities:
During the fiscal years 2025 and 2024, there were no significant noncash investing, capital, or financing activities.

The accompanying notes are an integral part of the financial statements

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Fiscal Years Ended June 30

		2025		2024
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	$	(5,682,099)	$	(5,723,199)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation		236,806		258,540
Restatement for a change in accounting principle		(33,253)		-
Changes in operating assets and liabilities:				
Decrease in deferred outflow pension and OPEB related items		163,975		108,445
Decrease in accounts payable		(280,675)		(9,029)
(Decrease) increase in net pension liability		(110,122)		13,255
Decrease in OPEB liability		(29,282)		(6,099)
Decrease in deferred inflow pension and OPEB related items		(24,418)		(41,835)
Decrease in compensated absences		(51,177)		(29,783)
Net cash used in operating activities	$	(5,810,245)	$	(5,429,705)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Transit System Fund (the Fund) of the City of Redondo Beach (the City) is an Enterprise Fund of the City created in 1976 by resolution of the City Council. The City reports all its Enterprise Funds as major Proprietary Funds. On March 15, 2011, the City Council approved the reclassification of the Transit Fund from a Special Revenue Fund to an Enterprise Fund. The City's transit operations provide transportation services mainly to the Cities of Redondo Beach, Hermosa Beach, and Manhattan Beach. These operations constitute part of the overall financial reporting entity of the City and are accounted for as an Enterprise Fund consistent with governmental accounting principles generally accepted in the United States of America.

All transactions of the Transit System Fund are included in the reporting entity of the City and are recorded in a separate fund of the City. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording resources, related liabilities, obligations, reserves and equities, segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Transit System Fund follows the Uniform System of Accounts and Records prescribed by the Federal Transportation Administration (FTA) and the California State Controller.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting." Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 of the Governmental Accounting Standards Board, "*Basic Financial Statements – and Management's Discussion and Analysis - For State and Local Governments*" as amended by GASB Nos. 63 and 65. Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted - This component of net position consists of external constraints placed on the use of net position imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, the Fund uses restricted resources, then any unrestricted resources.

Operating and Nonoperating Revenues and Expenses

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the Fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Fund. All other expenses are reported as nonoperating expenses.

Cash and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

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.

The City participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset Backed Securities are subject to market risk as to change in interest rates.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Refer to the City’s 2025 Annual Comprehensive Financial Report (ACFR) for detailed disclosures regarding the City’s investment policy and fair value measurement.

Capital Assets

Capital assets are recorded at cost. The provision for depreciation is determined using the straight-line method with no allowance for salvage value. The carrying amounts of assets are reviewed at each fiscal year-end date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated to determine the amount of impairment loss. The estimated useful lives used in computing the provision for depreciation of capital assets are as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Buildings and building improvements	30 to 40 years
Buses, other vehicles, and machinery	5 to 10 years
Equipment, furniture and fixtures	5 to 7 years

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Revenue Recognition

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements present only the Transit System Fund and do not purport to, and do not present fairly the financial position of the City as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 – RESTATEMENT OF 2024 FINANCIAL STATEMENTS

The 2024 financial statements have been restated to correct previously unreported amounts related to cash and accounts payable. As a result of the restatement, both cash and accounts payable were increased by $310,802. The restatement had no impact on total net position as of June 30, 2024, as the adjustment increased assets and liabilities by equal amounts.

	Cash	Accounts Payable
Balanced, as previously reported	$ 851,309	$ 353,272
Adjustment	310,802	310,802
Balance, as restated	$ 1,162,111	$ 664,074

NOTE 4 – RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended June 30, 2025, the City implemented the provisions of GASB Statement 101, *Compensated Absences*. Under this new standard, compensated absences liability should be estimated by multiplying the unused leave more likely than not to be used or settled by the pay rate at the end of the fiscal period. However, if a different pay rate applies for leaves settled at termination, that rate should be applied. The liability should also include salary-related payments.

Depending on an employee's labor group, the City policy requires sick leaves settled at termination to be paid at a certain percentage of the pay rate at period end depending on years of service. The City previously estimated accrued sick leave by only accounting for leave settled at termination. The City therefore examined its past experience with accumulated sick leave and estimated the amount of leave that is more likely than not to be used as time off in a future period. This estimate is now reported as a liability. The portion of this liability that existed at the beginning of the current fiscal year is recognized as a decrease in beginning net position resulting from implementation of a new accounting standard as shown below.

	Beginning Balance	Change in Accounting Principle	Restated Balance
Net position at July 1, 2024	$ 340,550	$ (33,253)	$ 307,297

NOTE 5 – CAPITAL ASSETS, NET

Capital assets at June 30, 2025 and 2024 consisted of the following:

	2025	2024
Capital assets	$ 3,931,616	$ 3,924,559
Less: accumulated depreciation	(2,394,031)	(2,157,225)
Capital assets, net	$ 1,537,585	$ 1,767,374

Further information can be found in the Schedule of Capital Assets (Exhibit III).

NOTE 6 – UNEARNED REVENUES

Unearned revenues at June 30, 2025 and 2024 consisted of the following:

	2025	2024
Interest allocable to Prop 1B Funds	$ 802	$ 778
Total Proposition 1B Funds	802	778
Low Carbon Transit Operation Program FY2015-16 Allocation	263	247
California Emergency Management Agency	2	-
Total Low Carbon Transit Operation Program	265	247
Total unearned revenues	$ 1,067	$ 1,025

NOTE 7 – PENSION PLAN

The Transit System Fund, as part of the City of Redondo Beach, contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plans. CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

As a result of implementing GASB Statement No. 68, the Fund reported net pension liability of $62,907 and $173,029 as of June 30, 2025 and 2024, respectively.

Further information concerning the City's pension plans, and corresponding assumptions, assets, liabilities, deferred inflows and outflows of resources can be found in the City's ACFR.

NOTE 8 – CONTRIBUTIONS FROM OTHER LOCAL JURISDICTIONS AND OPERATING TRANSFER IN FROM OTHER FUNDS

The City has a joint agreement with the City of Manhattan Beach, the City of Hermosa Beach, and the City of El Segundo for the operations of the Beach Cities Transit fixed route operations, which services all four cities. The City of Redondo Beach carries out the daily operations of the Beach Cities Transit fixed route operations, and the other cities reimburse the City of Redondo Beach for their portions of the operating cost. During the fiscal years ended June 30, 2025 and 2024, total contributions received were $14,084 and $12,004, respectively.

The Transit System Fund operates with a funding shortfall each fiscal year and, as such, they use local return funds to subsidize the deficiency in operating revenue.

During the fiscal year ended June 30, 2025, the City transferred a total of $2,926,812 from the Proposition A Local Return Fund and $64,063 from the General Fund to the Transit System Fund. Of the $64,063 transferred from the General Fund, the same amount was subsequently transferred out to other funds.

During the fiscal year ended June 30, 2024, the City transferred $2,140,580 from the Proposition A Local Return Fund to the Transit System Fund, of which $64,043 was transferred to other funds. There were no transfers from the General Fund during this fiscal year.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Descriptions and Eligibility. In addition to the pension benefits described above, the City provides certain health insurance benefits, in accordance with memorandums of understanding, to retired employees through the California Employers' Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. The City provides medical insurance for employees in accordance with agreements reached with various bargaining groups. The City shall pay the single retiree medical premium rate, for qualified retirees, for a medical insurance plan in which the retiree is enrolled from among those medical plans provided by the City. These contributions of the City for such medical premiums shall cease on the date the retiree becomes eligible to enroll in the Federal Medicare program and/or any Medicare supplemental plans.

As a result of implementing GASB Statement No. 75 effective July 1, 2017, the Fund reported net OPEB liability of $58,941 as of June 30, 2025 and $88,223 as of June 30, 2024.

Further information concerning the City’s OPEB plans, and corresponding assumptions, assets, liabilities, deferred inflows and outflows of resources can be found in the City’s ACFR.

NOTE 10 – LONG-TERM DEBT (PENSION OBLIGATION BONDS ISSUANCE)

The City authorized the issuance of pension obligation bonds, "$226,180,000 Redondo Beach Community Financing Authority Lease Revenue Bonds, Series 2021A (Federally Taxable)" maturing on May 1, 2049 pursuant to an indenture dated as of July 1, 2021. Proceeds of the Bonds were used to fund the City's unfunded accrued liability (UAL) of the pension plan provided through CalPERS and pay costs of issuance of the Bonds. The City allocated the Bonds and its related expenses to the Transit System Fund based on the amount of UAL paid to CalPERS by the Transit System Fund. During the fiscal years ended June 30, 2025 and 2024, the outstanding balances of the Bonds were $997,130 and $1,034,341 respectively, and interest expenses allocated to the Transit System Fund totaled $26,798 and $27,023, respectively. Further information concerning the City's pension obligation bonds can be found in the City's ACFR.

NOTE 11 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2025 and 2024 are as follows:

	2025	2024
Los Angeles County Metropolitan Transportation Authority	$ 4,341	$ 34,861
State Transit Assistance Fund	94,850	79,798
Total	$ 99,191	$ 114,659

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2025 through February 24, 2026, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.

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Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the City Council of the
City of Redondo Beach, California and the
Los Angeles County Metropolitan Transportation 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 Transit System Fund (the Fund) of the City of Redondo Beach, California (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated February 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Fund's 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 opinion on the Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instance of noncompliance or other matters that is 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
February 24, 2026

COMPLIANCE SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
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Independent Auditor's Report on Compliance and on Internal Control over Compliance Required by the Guidelines

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

Report on Compliance

Opinion

We have audited the compliance of the City of Redondo Beach, California (the City) with the Transportation Development Act, Proposition A 40% Discretionary and Proposition C 40% Discretionary Programs Memorandum of Understandings, Proposition 1B, Proposition 1B Security Program Agreement (collectively, the Guidelines) for the year ended June 30, 2025.

In our opinion, the City of Redondo Beach, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or program agreements applicable to the City's Transit System Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Simpson & Simpson

Los Angeles, California
February 24, 2026

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

No findings were noted.

SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

EXHIBIT I

50% EXPENDITURE LIMITATION TEST AND MAINTENANCE OF EFFORT TEST

For the Fiscal Year Ended June 30, 2025

50% EXPENDITURE LIMITATION TEST:

1	Total operating cost before depreciation	$	5,009,000	(a)
2	Total depreciation		236,806	
3	Total capital requirements		-	
4	Total debt service requirements		-	
5	Total (Lines 1-4)		5,245,806	
6	Less: Federal grants received		-	
7	Less: State Transit Assistance Fund received		321,662	
8	Total (Lines 6 & 7)		321,662	
9	Net (Line 5 minus Line 8)	$	4,924,144	
10	Total permissible Local Transportation Fund (LTF) under Article 4 (50% of Line 9)	$	2,462,072	
11	TDA Article 4 allocation	$	928,667	
12	Excess LTF expended (Amount of Line 11 in excess of Line 10)	$	-	(b)

(a) Amount includes only expenses from the Fixed Route operations and excludes the Dial-A-Ride project of $626,967. TDA Article 4 allocation did not exceed 50% expenditure limitation.

(b) Under the Proposition A Discretionary Guidelines, unexpended funds must be returned to Metro within sixty (60) days following the completion of the financial and compliance audit. There were no unexpended funds as of June 30, 2025.

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

EXHIBIT I

50% EXPENDITURE LIMITATION TEST AND MAINTENANCE OF EFFORT TEST

For the Fiscal Year Ended June 30, 2025

(Continued)

MAINTENANCE OF EFFORT TEST:

Total Operating Budget	$	6,176,972	
Total local funds received	$	422,424	(a)
5% of total operating budget	$	308,849	(b)
25% of total local return funds received	$	105,606	(c)

(a) Total local funds received include the following:

Total local funds received		Amount
Proposition A 40% Discretionary	$	203,875
Proposition C Discretionary - Foothill Mitigation		29,287
Proposition C Discretionary - Bus System Improvement Plan		4,620
Proposition C Discretionary – MOSIP		138,439
Proposition C 5% Transit Security		46,203
Total	$	422,424

(b) According to the Discretionary Guidelines, a local contribution of 5% of the fiscal year's operating budget, or 25% of the fiscal year's local return funds received by the City, whichever is less, is required in meeting the maintenance of effort.

(c) During the fiscal year ended June 30, 2025, the City made a local contribution of $2,926,812 from its Proposition A Local Return Fund to the Transit System Fund. Since the amount of the local contribution exceeded the minimum requirement of $105,606, the City is in compliance with the maintenance of effort test.

CITY OF REDONDO BEACH
TRANSIT SYSTEM FUND
EXHIBIT II
PROPOSITION A DISCRETIONARY ELIGIBILITY TEST
For the Fiscal Year Ended June 30, 2025

PROPOSITION A DISCRETIONARY ELIGIBILITY TEST:

1	TDA Article 4 Allocation	$	928,667	
2	State Transit Assistance Fund		321,662	
3	Farebox revenues		190,323	
4	Local subsidies		3,906,065	(a)
5	Total operating revenues (Lines 1–4)		5,346,717	
6	Less: operating cost before depreciation		5,635,967	
7	Eligible transit operator subsidy (Line 6 less line 5)		289,250	
8	Proposition A Discretionary Grant allocation		203,875	
9	Excess Proposition A Discretionary Grant received	$	(85,375)	(b)

(a) Local subsidies include the following:

Local subsidies (Line 4)		Amount
Proposition A Local Return	$	2,926,812
Proposition C Discretionary - Foothill Mitigation		29,287
Proposition C Discretionary - Bus System Improvement Plan		4,620
Proposition C Discretionary – MOSIP		138,439
Proposition C 5% Transit Security		46,203
Measure R 20% Bus Operations		381,090
Measure M 20% Bus Operations		379,614
Total	$	3,906,065

(b) The City met the requirement per Proposition A Discretionary Guidelines. No exceptions noted.

CITY OF REDONDO BEACH

TRANSIT SYSTEM FUND

EXHIBIT III

SCHEDULE OF CAPITAL ASSETS

June 30, 2025

Description		Balance July 1, 2024		Additions		Deletions		Balance July 1, 2025
Vehicles	$	3,924,599	$	-	$	-	$	3,924,599
Furniture & Equipment		-		7,017		-		7,017
Total capital assets	$	3,924,599	$	7,017	$	-		3,931,616
Less accumulated depreciation								(2,394,031)
Capital assets, net							$	1,537,585

See accompanying independent auditor's report

CITY OF REDONDO BEACH
TRANSIT SYSTEM FUND
EXIT CONFERENCE
June 30, 2025

An exit conference was held on February 24, 2026 with the City of Redondo Beach. Those in attendance were:

Simpson & Simpson Representative:

Austine Cho, Audit Manager

City's Representatives:

Stephanie Meyer – Finance Director

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and non-compliance issues with Metro Guidelines.

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

Stephanie Meyer – Finance Director

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

RE: CITY OF REDONDO BEACH ANNUAL FINANCIAL REPORT OF THE TRANSIT SYSTEM FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024.

I have received the annual financial report of the Transit System Fund for the years ended June 30, 2025 and 2024 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