

***CITY OF REDONDO BEACH
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

AND MEASURE M LOCAL RETURN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF REDONDO BEACH
TABLE OF CONTENTS

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

CITY OF REDONDO BEACH
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

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

EXIT CONFERENCE	38
------------------------	-----------

FINANCIAL SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Redondo Beach, California (City) as of and for the years ended June 30, 2018 and 2017, and Measure M Local Return Fund (MMLRF) of the City of Redondo Beach, California (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF and TDAA3F of the City of Redondo Beach, California, as of June 30, 2018 and 2017, and MMLRF of the City of Redondo Beach, California, as of June 30, 2018, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Redondo Beach, California, as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 20, 2018, 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 to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Los Angeles, California
December 20, 2018

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

	2018	2017
ASSETS		
Cash and investments	\$ 1,913,647	\$ 1,832,571
Interest receivable	4,782	7,152
Total assets	\$ 1,918,429	\$ 1,839,723
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	1,918,429	1,839,723
Total fund balance	1,918,429	1,839,723
Total liabilities and fund balance	\$ 1,918,429	\$ 1,839,723

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

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

	2018	2017
REVENUES		
Proposition A	\$ 1,296,290	\$ 1,242,554
Investment income	13,930	26,952
Unrealized loss on investments	(15,148)	(10,340)
Total revenues	1,295,072	1,259,166
 EXPENDITURES		
Various projects	1,216,366	1,419,389
Total expenditures	1,216,366	1,419,389
 Excess (deficiency) of revenues over (under) expenditures	78,706	(160,223)
 Fund balance at beginning of year	1,839,723	1,999,946
 Fund balance at end of year	\$ 1,918,429	\$ 1,839,723

The accompanying notes are an integral part of 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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
110-01	Beach Cities Transit Fixed Route	\$ 600,000	\$ 531,855	\$ 68,145	\$ 458,887
120-05	Wave Dial-A-Ride	329,000	227,110	101,890	329,000
140-01	Recreational Transit	44,000	43,460	540	44,300
170-01	Bus Bench And Shelter Maintenance	55,000	45,220	9,780	45,574
180-01	Beach Cities Transit Fixed Route Bus Purchase	24,000	-	24,000	-
180-02	Beach Cities Transit Bus-Parts, Tires	5,000	4,812	188	-
180-03	Transit Bus Maintenance/Parts	4,200	-	4,200	-
220-01	Beach Cities Transit Bus Security Cameras	9,000	-	9,000	-
230-01	Galleria Maintenance And Security	225,000	87,942	137,058	101,145
250-01	BCT Bus Pass Subsidy Program	41,000	42,596	(1,596)	39,759
250-02	MTA Bus Pass Subsidy Program	55,000	15,943	39,057	24,362
280-01	Beach Cities Transit Fixed Route Service Marketing	140,500	10,423	130,077	13,871
300-01	Transit Operations Facility Improvements	90,000	3,977	86,023	6,364
300-01	Operating Costs for Transit Social Media Services	-	-	-	420
480-08	Administrative Fund	300,000	200,000	100,000	353,096
500-01	GPS/Real Time Information System for Fixed Route Transit Services	75,000	-	75,000	-
500-02	TAP Operating System on BCT Buses	5,000	2,611	2,389	2,611
500-03	Operating Costs for Transit Social Media Services	10,000	417	9,583	-
Total expenditures		\$ 2,011,700	\$ 1,216,366	\$ 795,334	\$ 1,419,389

Note: The FY 2017/18 actual expenditures were transferred to the City's Transit System Fund and were expended on the approved Proposition A projects as listed above.

See accompanying independent auditor's report.

CITY OF REDONDO BEACH
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
1987	Transit Terminal	\$ 2,924,524	\$ -	\$ -	\$ 2,924,524
1993	10 Bus Shelters	130,000	-	-	130,000
2004	7 Transit Bus Vehicles	130,075	-	-	130,075
2005	2005 40' Transit vehicle	282,260	-	-	282,260
2009	2009 El Dorado National EZ Ride II Bus	79,670	-	-	79,670
2013	3 Units 2013 El Dorado EZ Rider II Bus	156,585	-	-	156,585
2015	3 Units 2015 El Dorado National EZ Rider II Bus CNG Vehicle (partial funding)	14,100	-	-	14,100
Total \$		<u>3,717,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,717,214</u>

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 5,720,024	\$ 5,528,913
Interest receivable	18,400	14,438
Total assets	\$ 5,738,424	\$ 5,543,351
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 53,809	\$ 55,345
Due to MRLRF	5,756	5,756
Total liabilities	59,565	61,101
 Fund Balance		
Restricted - Transit Center Construction (Note 8)	2,453,818	2,050,000
Restricted	3,225,041	3,432,250
Total fund balance	5,678,859	5,482,250
Total liabilities and fund balance	\$ 5,738,424	\$ 5,543,351

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

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

	2018	2017
REVENUES		
Proposition C	\$ 1,075,847	\$ 1,030,004
Investment income	79,435	54,893
Unrealized loss on investments	(47,537)	(42,412)
Total revenues	1,107,745	1,042,485
 EXPENDITURES		
Various projects	911,136	711,809
Total expenditures	911,136	711,809
 Excess of revenues over expenditures	196,609	330,676
 Fund balance at beginning of year	5,482,250	5,151,574
 Fund balance at end of year	\$ 5,678,859	\$ 5,482,250

The accompanying notes are an integral part of 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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
160-01	Bus Shelters/Benches Replacement	\$ 419,631	\$ 158,701	\$ 260,930	\$ 1,848
300-01	Transit Operations Facility Improvements	75,000	-	75,000	-
310-01	Redondo Beach Regional Multi-Modal Transit Center, Project No. 20120	-	-	-	59,439
380-01	Transit Center Construction	2,050,000	84,572	1,965,428	-
400-03	Beryl Street/190th Traffic Control and Signal Construction/Installation	-	-	-	119,347
400-04	Torrance Blvd & Francisca Ave Traffic Signal Modifications	270,000	-	270,000	-
430-03	Bicycle Transportation Plan Implementation, Project No. 40510	388,736	-	388,736	-
430-05	Grant Ave/Artesia Blvd Countdown Pedestrian Signals	3,275	-	3,275	-
430-06	Bicycle Transportation Plan Improvement Project, Phase 2	390,525	-	390,525	-
430-07	North Redondo Beach Bikeway Lighting	18,080	-	18,080	-
440-01	Inglewood Ave Resurfacing - Grant to 190th	80,000	-	80,000	-
440-20	Kingsdale Ave Resurfacing - 182nd to Grant	460,000	-	460,000	-
440-21	Beryl Street Improvements	- *	4,332	(4,332)	521,709
440-23	Marine Ave Resurfacing - Aviation Blvd to Interstate 405	950,000	620,088	329,912	-
470-01	Pavement Management Study	- **	40,556	(40,556)	-
480-01	Direct Administration - Prop C Program and Projects	120,000	2,887	117,113	9,466
Total expenditures		\$ 5,225,247	\$ 911,136	\$ 4,314,111	\$ 711,809

* The City received a subsequent approval from Metro on October 15, 2018 to use Proposition C funds in the amount of \$4,440 for Beryl Street Improvements Project.

** The City received a subsequent approval from Metro on October 15, 2018 to use Proposition C funds in the amount of \$40,000 for Pavement Management Study Project.

See accompanying independent auditor's report.

CITY OF REDONDO BEACH
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

	2018	2017
ASSETS		
Cash and investments	\$ 1,227,921	\$ 1,189,401
Interest receivable	204	375
Due from PCLRF	5,756	5,756
Total assets	\$ 1,233,881	\$ 1,195,532
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 29,922	\$ 29,380
Total liabilities	29,922	29,380
 Fund Balance		
Restricted	1,203,959	1,166,152
Total fund balance	1,203,959	1,166,152
Total liabilities and fund balance	\$ 1,233,881	\$ 1,195,532

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

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

	2018	2017
REVENUES		
Measure R	\$ 805,342	\$ 773,186
Investment income	4,974	3,187
Unrealized gain (loss) on investments	791	(791)
Total revenues	811,107	775,582
 EXPENDITURES		
Various projects	773,300	404,561
Total expenditures	773,300	404,561
 Excess of revenues over expenditures	37,807	371,021
 Fund balance at beginning of year	1,166,152	795,131
 Fund balance at end of year	\$ 1,203,959	\$ 1,166,152

The accompanying notes are an integral part of 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, 2018
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2017)

Project Code	Project Name	2018			2017 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Resurfacing - Flagler - 190th St.	\$ 40,000	\$ -	\$ 40,000	\$ -
1.05	N. Redondo Beach Commercial St. Improvements	181,000	4,935	176,065	-
1.05	Resurfacing Improvements Prospect Ave. L Beryl - Del Amo	145,500	3,789	-	2,903
1.90	Pavement Management Survey	140,000	90,403	49,597	12,129
1.05	Residential Resurfacing General Locations	644,865	634,852	10,013	27,973
1.05	Kingsdale Ave. Resurfacing - 182nd to Grant	400,000	-	400,000	-
1.05	Explande Resurfacing - Knob Hill to Catalina Ave.	-	-	-	357,307
2.03	Grant Ave. Signal Improvements	313,070	18	313,052	-
3.05	Bicycle Transportation Plan Implementation	117,882	* 4,928	112,954	4,249
3.05	Riviera Village Improvements - Bike/Ped, Construction & Amenities	-	** 34,375	(34,375)	-
	Total expenditures	\$ <u>1,982,317</u>	\$ <u>773,300</u>	\$ <u>1,067,306</u>	\$ <u>404,561</u>

* The City received a subsequent approval from Metro on October 15, 2018 to amend the budget for Bicycle Transportation Plan Implementation Project to \$39,435.

** The City received a subsequent approval from Metro on October 15, 2018 to use Measure R funds in the amount of \$100,000 for Riviera Village Improvements - Bike/Ped, Construction & Amenities Project.

See accompanying independent auditor's report.

CITY OF REDONDO BEACH
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

<u>Date</u> <u>Acquired</u>	<u>Description</u>	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

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

		2018
ASSETS		
Cash and investments	\$	725,412
Interest receivable		2,096
Total assets	\$	727,508
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	-
Total liabilities		-
 Fund Balance		
Restricted		727,508
Total fund balance		727,508
Total liabilities and fund balance	\$	727,508

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

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

		2018
REVENUES		
Measure M	\$	729,824
Investment income		6,417
Unrealized loss on investments		(8,733)
Total revenues		727,508
 EXPENDITURES		
Various projects		-
Total expenditures		-
 Excess of revenues over expenditures		 727,508
 Fund balance at beginning of year		 -
 Fund balance at end of year	 \$	 727,508

The accompanying notes are an integral part of 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, 2018

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

See accompanying independent auditor's report.

CITY OF REDONDO BEACH
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

Date Acquired	Description	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
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

	2018	2017
ASSETS		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 Fund Balance		
Restricted	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

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

CITY OF REDONDO BEACH
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2018	2017
REVENUES		
TDA 3	\$ -	\$ 121,845
Total revenues	-	121,845
 EXPENDITURES		
Citywide Curb Ramp Improvement	-	121,206
Total expenditures	-	121,206
Excess of revenues over expenditures	-	639
Fund balance at beginning of year	-	(639)
Fund balance at end of year	\$ -	\$ -

The accompanying notes are an integral part of 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, 2018

<u>Project Description</u>	<u>Program</u> <u>Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended</u> <u>Allocations</u>	<u>Project</u> <u>Status</u>
Local allocations					
None	2017-18	\$ -	\$ -	\$ -	
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Fund balance at beginning of year				<u>-</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF REDONDO BEACH
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF) and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

Transportation Development Act Article 3 Fund (TDAA3F) is a Special Revenue Fund that accounts for the City’s share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

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

CITY OF REDONDO BEACH
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with Governmental Accounting Standards 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 2018 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 classification as of June 30, 2018:

- 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, 2018 and 2017
(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. The first revenue allocation was received in the current period. 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, 2018 and 2017
(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, 2018 and 2017, following is the capital reserve amount for PCLRF:

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

* On December 20, 2018, Metro retroactively granted the City's request to reserve additional \$403,818 of Proposition C Local Return funds for the Project as of June 30, 2018.

NOTE 9 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2018 and 2017 consisted of the following:

		<u>2018</u>		<u>2017</u>
FY 2014-15 allocation	\$	-	\$	44,482
FY 2015-16 allocation		-		43,152
FY 2016-17 allocation		-		<u>34,211</u>
Total payment requested	\$	<u>-</u>	\$	<u><u>121,845</u></u>

CITY OF REDONDO BEACH
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017
(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, 2018, and 2017, the City has funds on reserve as follows:

	2018	2017
FY 2016-17 allocation	\$ 10,911	\$ 10,911
FY 2017-18 allocation	45,260	-
Available reserve balance	\$ 56,171	\$ 10,911

NOTE 11 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to June 30, 2018 through December 20, 2018, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund (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 year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

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

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

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





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 & Simpson".

Los Angeles, California
December 20, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report On Compliance

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

Report on Compliance

We have audited the compliance of the City of Redondo Beach, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2018.

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, 2018.



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 Findings No. 2018-001 to No. 2018-003. Our opinion on each local return program and Transportation Development Act Article 3 Program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Los Angeles, California
December 20, 2018

CITY OF REDONDO BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2018

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.		X		None	See Finding #2018-001 on the Schedule of Findings and Recommendations.
3.	Funds expended were approved and have not been substituted for property tax.		X		None	See Finding #2018-002 on the Schedule of Findings and Recommendations.
4.	Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X	None	There was no Intelligent Transportation Systems projects or elements in FY 2017/18.
14.	Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.	X			None	

CITY OF REDONDO BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2018
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See Finding #2018-003 on the Schedule of Findings and Recommendations.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	There were no administrative expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no fund exchanges in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no capital reserve funds in FY 2017/18.
13.	Recreational transit form was submitted on time.			X	None	There was no recreational transit in FY 2017/18.

CITY OF REDONDO BEACH
COMPLIANCE MATRIX
Year Ended June 30, 2018
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.			X	None	There were no expenditures in FY 2017/18.
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.			X	None	There were no expenditures in FY 2017/18.
3.	Signed Assurances and Understandings was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.			X	None	There were no expenditures in FY 2017/18.
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds			X	None	There were no expenditures in FY 2017/18.
10.	Administrative expenses are within the 20% cap.			X	None	There were no expenditures in FY 2017/18.
11.	Fund exchanges were approved by Metro.			X	None	There were no expenditures in FY 2017/18.
12.	A separate account was established for capital reserve funds and capital reserve was approved by Metro.			X	None	There were no expenditures in FY 2017/18.
13.	Recreational transit form was submitted timely.			X	None	There were no expenditures in FY 2017/18.

CITY OF REDONDO BEACH
COMPLIANCE MATRIX
 Year Ended June 30, 2018
 (Continued)

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

CITY OF REDONDO BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2018

PCLRF: Finding No. 2018-001

Compliance Reference	According to Proposition C Local Return Guidelines Section B I. Timely Use of Funds, “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.”
Condition	A portion of the City’s fiscal year 2015 ending fund balance in the amount of \$403,818 was not fully expended within 3 years as of June 30, 2018, and it was not reserved for capital projects as required by Proposition C Local Return Guidelines. However, on December 20, 2018, LACMTA granted the City’s request to reserve the funds in the amount of \$403,818 for Transit Center Construction Project.
Cause	The City did not request to reserve these funds for capital projects prior to the end of the fiscal year, and the City did not expend the necessary funds on approved local return projects during the fiscal year to avoid lapsed funds.
Effect	Untimely review of the funding status from the prior years allocations could result in loss of funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible PCLRF projects and submit Form B (Expenditure Plan) to LACMTA, if needed.
Management’s Response	The project plans and specifications were completed and the project was bid. The 5 bid results all came in between \$2 million and up to \$6 million over the City’s projected budget. Since the City did not currently have available funding, the City Council rejected all bids in September 2018. The City is seeking additional project funding, however the funding is likely not available until after July 2019. The City plans to re-advertise the project for bids in 2019, after additional funding for the project is secured.
Finding Corrected During the Audit	On December 20, 2018, LACMTA subsequently approved the City’s request to reserve the funds in the amount of \$403,818 for Transit Center Construction Project. No follow-up is required.

CITY OF REDONDO BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2018
(Continued)

PCLRF: Finding No. 2018-002

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines V. Audit Section, "...funds were expended with Metro's approval...". Further, according to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 1: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a new project".
Condition	The City incurred expenditures for Beryl Street Improvements and Pavement Management Study in the amounts of \$4,332 and \$40,556, respectively for FY 2017-18 prior to LACMTA's approval.
Cause	It was due to an internal communication issue.
Effect	The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure all new projects are approved by LACMTA prior to expending the funds by timely submission of Form A (Project Description Form).
Management's Response	The Transit and Engineering staff will improve communication regarding Local Return funded projects to ensure that the appropriate forms are submitted.
Finding Corrected During the Audit	On October 15, 2018, the City received approval from LACMTA to expend Proposition C funds in the amounts of \$4,400 and \$40,000 for Beryl Street Improvements and Pavement Management Study, respectively. No follow-up is required.

CITY OF REDONDO BEACH
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2018
 (Continued)

MRLRF: Finding No. 2018-003

Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures for Riviera Village Improvements – Bike/Ped, Construction & Amenities Project in the amount of \$34,375 prior to LACMTA’s approval.
Cause	It was due to an internal communication issue.
Effect	The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure all new projects are approved by LACMTA prior to expending the funds by submitting Expenditure Plan (Form One).
Management’s Response	The Transit and Engineering staff will improve communication regarding Local Return funded projects to ensure that the appropriate forms are submitted.
Finding Corrected During the Audit	On October 15, 2018, the City received approval from LACMTA to expend Measure R funds in the amount of \$100,000 for Riviera Village Improvements – Bike/Ped, Construction & Amenities Project. No follow-up is required.

EXIT CONFERENCE

CITY OF REDONDO BEACH
PROPOSITION A, PROPOSITION C, MEASURE R, MEASURE M LOCAL RETURN FUNDS AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2018

An exit conference was held on December 21, 2018 with the City of Redondo Beach. Those in attendance were:

Simpson & Simpson Representative:

Joseph Simpson, Audit Supervisor

City's Representative:

Doug Kaku – Grants Financial Administrator

Joyce Rooney – Transit Operations & Transportation Facilities Manager

Matters Discussed:

Results of the audit disclosed no significant control deficiencies and three (3) non-compliance issue with the Guidelines.

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

Doug Kaku – Grants Financial Administrator

Joyce Rooney – Transit Operations & Transportation Facilities Manager

Simpson & Simpson, LLP
633 West 5th 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, 2018 AND 2017

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, 2018 and 2017 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