



Board Report

File #: 2020-0149, **File Type:** Informational Report

Agenda Number: 8.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 18, 2020

SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2019.

ISSUE

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the fiscal year ended June 30, 2019 (FY19):

- Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority;
- Independent Auditor's SAS 114 letter covering required communications related to the financial statement audit;
- Single Audit Report;
- Independent Accountant's Report on Applying Agreed-Upon Procedures on Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154);
- Independent Auditor's Report on Compliance with the California Code of Regulations (Section 6667); Report on Internal Control over Compliance; and Report on 50% Expenditure Limitation Schedule for Transportation Development Act Operations Agency;
- Independent Auditor's Report on Compliance with the California Code of Regulations (Sections 6640-6662); Report on Internal Control over Compliance; and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for Transportation Development Act;
- Independent Auditor's Report on Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements;
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements;

-
- Independent Auditor's Report on Compliance with Rules and Regulations of the Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the Los Angeles County Metropolitan Transportation Authority's compliance with the LCTOP Guidelines; and
 - Independent Auditor's Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2018 and June 30, 2019.

DISCUSSION

Metro's basic financial statements include its audited financial statements, supplemental information and unmodified audit opinion from the independent external auditor. The independent auditor issued unmodified opinions on all audit reports for FY19. Receiving an unmodified opinion indicates that all financial statements for FY19 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Due to the considerable size of the document, a hard copy of the Comprehensive Annual Financial Report is on file with the Board Secretary. The report and is also accessible on Metro's website at http://media.metro.net/about_us/finance/images/fy19-cafr.pdf.

ATTACHMENTS

Attachment A - SAS 114 Letter Covering Required Communications

Attachment B - Single Audit Report for FY19

Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for FY19

Attachment D - Transportation Development Act Operations Agency for FY19

Attachment E - Transportation Development Act Schedule of Revenues, Expenditures and Changes in Fund Balances for FY19

Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements as of FY18 and FY19.

Attachment G - Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for FY19

Attachment H - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for FY19

Attachment I - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for FY19.

Prepared by: Lauren Choi, Sr. Director (Interim), Audit, (213) 922-3926
Monica Del Toro, Audit Support Manager, (213) 922-7494

Reviewed by: Shalonda Baldwin, Chief Auditor (Interim), (213) 418-3265



Phillip A. Washington
Chief Executive Officer



Crowe LLP
Independent Member Crowe Global

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our contract with LACMTA for further information on the responsibilities of management and of Crowe LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of LACMTA's 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 or disclosures. 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.

- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts. Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together. Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.
- Matters relative to the use of other auditors/other accountants during the audit:
 - An overview of the type of work to be performed by other auditors/other accountants.
 - The basis for the decision to make reference to the audit of the other auditor in our report on the entity's financial statements.
 - An overview of the nature of our planned involvement in the work to be performed by the other auditor/other accountant.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”</p> <p>This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. Required debt disclosures include unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements (e.g., events of default, termination events, and subjective acceleration clauses). Disclosure requirements also include existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.</p>	<p>Upon adoption of this Statement, LACMTA enhanced its debt disclosures as required. There was no impact on changes in fund balance or net position as a result of adoption of this Statement.</p>

Accounting Standard	Impact of Adoption
GASB Statement No. 83, “Certain Asset Retirement Obligations” This Statement was issued to improve accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.	Upon adoption of this Statement, LACMTA recorded a liability of \$4,437,000 related to removal of its underground storage tanks.
GASB Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period” This Statement was issued to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.	Upon adoption of this Statement, LACMTA did not capitalize any amounts related to construction period interest.
Significant Unusual Transactions.	No such matters noted.
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management’s current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in LACMTA’s year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management’s estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Loss Contingencies	LACMTA consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management's evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from LACMTA's legal counsel regarding this matter and discussions with management, we concur with management's determination that the loss contingency does not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.
Accrual for Self-Insured Claims	Accruals for self-insured claims are based on management's estimate of the ultimate incurred losses and losses that have been incurred but not yet reported. Management determines the self-insured reserves for estimated claims based historical rate of claims, actual claims experience and projected claims experience.	We tested the propriety of information underlying management's estimates and the reasonableness of estimates and assumptions.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to LACMTA's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.

- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

Refer to the discussion of uncorrected misstatements below as well as the attached summary of waived adjustments.

1. Two known misstatements and one likely misstatement were waived by management relating to the generation and sale of low carbon fuel standards (LCFS) credits, a program administered by the California Air Resources Board. LACMTA generates these credits through the usage of low carbon fuel options, such as CNG and propulsion power, activities that are recorded on the Enterprise fund (business-type activities). Thus, the revenue from the sales of these credits should be recorded on the Enterprise fund. However, management has recorded the revenue on the General fund to provide greater visibility to the revenue being generated.

The first known waived adjustment is to reverse the revenue recorded from the sale of credits in FY 2019 in the General fund and present it as an operating transfer from the Enterprise fund in the amount of \$19.2 million. The second waived adjustment records the \$19.2 million of revenue on the Enterprise fund and the transfer of the funds to the General fund in operating transfers out.

In addition to reclassifying the revenue between LACMTA's funds, we also noted that the number of credits held as of the reporting date, multiplied by their estimated fair value, should be recorded as an asset based on the GASB's definition of an asset. This resulted in a likely misstatement that understated Enterprise fund assets by approximately \$56.8 million, understated revenue by approximately \$13.3 million, and understated net position by approximately \$43.5 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2018, which was reported as waived adjustment in the FY 2018 audit.

2. A known misstatement to record fiduciary fund investments to fair value was waived by management. The OPEB Trust invests in three investment funds. Management recorded the fair value of the investment funds based on the OPEB Trust statement as of the reporting date, which reported the fair value of two of the investment funds as of May 31, 2019 and one investment fund as of March 31, 2019. The fair values reported by the investment funds' capital account statements as of the June 30, 2019 reporting date were \$4.0 million greater resulting in an understatement of investments and investment income.
3. A known misstatement to accrue accounts payable relating to FY 2019 was waived by management. Management's internal process for accruing AP invoices as of the reporting date includes an analysis of invoices received through the end of September based on certain dollar thresholds. Our audit procedures cover invoices that are outside of the parameters used by management. As a result, we identified one invoice that was not accrued for as of the reporting

date, which resulted in an understatement of liabilities and expenditures on the Measure R fund of \$2.7 million.

4. Another known misstatement to accrue accounts payable relating to FY 2019 was waived by management. The related invoice was approved for payment and received by the accounts payable department in September but was not accrued in accordance with the internal procedure described in #3 above. As a result, liabilities and expenditures of the STA fund were understated by \$1.8 million.
5. Known misstatements were waived by management to properly defer revenue relating to unbilled receivables not collected within 90 days of the reporting date. The errors resulted in overstatement of revenue and understatement of deferred inflows of resources of \$3.8 million for the General fund and \$17.0 million for the Measure R fund.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information in Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We understand that management has not prepared such information to accompany the audited financial statements.
Significant Difficulties Encountered during the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
Disagreements with Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations The Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, with Management	There were no such significant issues discussed, or subject to correspondence, with management.

Communication Item	Results
We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	
Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with LACMTA's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve LACMTA as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
WAIVED ENTRY SCHEDULE
June 30, 2019
(amounts in thousands)

Opinion Unit	Account Name	Increase (Decrease)							
		Debit	Credit	Assets / Deferred Outflows	Liabilities / Deferred Inflows	Net Position / Fund Balance	Revenues	Expenses / Expenditures	Other Financing S&U
1 Business-type activities	LCFS asset	56,812		56,812					
	Other revenue		13,319				13,319		
	Net position		43,493			43,493			
	Operating transfers out	19,175							
	Other revenue		19,175				19,175		(19,175)
General fund	Miscellaneous revenue	19,175							
	Operating transfers in		19,175				(19,175)		19,175
2 Fiduciary fund	Cash and investments	4,020		4,020			4,020		
	Investment income		4,020						
3 Measure R fund	Subsidies expenditure	2,719						2,719	
	Accounts payable		2,719		2,719				
4 STA fund	Subsidies expenditure	1,798							
	Accounts payable		1,798		1,798			1,798	
5 General fund	Intergovernmental revenue	3,799					(3,799)		
	Deferred revenue		3,799		3,799				
Measure R fund	Intergovernmental revenue	16,956					(16,956)		
	Deferred revenue		16,956		16,956				



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2019

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2019

CONTENTS

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>	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10

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*

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 17, 2019. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACMTA'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 LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA'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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA'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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid.

Crowe LLP

Los Angeles, California
December 17, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the fiscal year ended June 30, 2019. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LACMTA's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about LACMTA'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 for each major federal program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Each Major Federal Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019.

(Continued)

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 LACMTA'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 with a type of compliance requirement of a federal program 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 a type of compliance requirement of a federal program 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 a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

Federal Grants		Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Direct Program and Pass-through Grant Identifying	Total Award	Total	Federal Share	Federal Share passed through	State Share	Local Share
Total expended under federal/state/local for the fiscal year ended June 30, 2019										
U.S. Department of Transportation										
Federal Transit Administration										
Passed through State of California Department of Transportation:										
Highway Planning and Construction Cluster										
Highway Planning and Construction										
Extension of Transit way on I-110 to Downtown LA										
Union Station Master Plan: Alameda Esplanade										
Freight Advanced Traveler Information System (FRA-TIS)										
Direct Programs:										
Reconstruct Cabrillo Mile Terminal										
Highway Planning and Construction Cluster Total										
Direct Programs:										
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program										
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Westside Purple Line Extension - Section 1										
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program- Regional Connector										
TIFIA Program Total										
Direct Programs:										
Federal Transit Cluster:										
Federal Transit Capital Improvement Grants:										
Metro Rapid System Gap Closure										
Ped/pass enhan & 22' alt. Fuel bus										
Trans Ctr / Bus Park & Shelters										
Transit Centers & Expansion Buses										
Regional Connector Transit Corridor										
Passenger and Pedestrian Enhancements										
Westside Purple Line Ext. - Section 1										
Wilshire Blvd Bus-Only Lane										
Westside Purple Line Ext. - Section 2 CMAQ										
Westside Purple Line Extension 2 -IFGA										
Los Angeles Union Station/Cesar Chavez Bus Stop										
West Santa Ana Branch Transit Corridor TOD Strategic Implementation Plan										
Federal Transit - Capital Improvement Grants Total										
Federal Transit - Formula Grants:										
Subgrantee Vehicles/Transit facilities										
Metro Rapid Bus Stations/Signal Priority										
Metro Rapid Bus Program										
Regional Connector - Construction										
Systemwide Light Rail Vehicles										
P2010 Systemwide Light Rail Vehicles Acquisition (CMAQ)										
Pass / Ped. Enhancements and Improvements										
Glendale Beeline CNG Mtrc/Admn. Facility										
Wilbrook/Rosa Parks Pedestrian Promenade & Bike Mobility Hub										
Signage and Lighting for Bus Stops										
Metro Gold Line Foothill Extension Operating Assistance										
Metro EXPO Line Phase II Operating Assistance										
LA0G1162 Airport Metro Connector and Crenshaw/LAX Accommodations near 96th Street/Aviation Blvd										
FY18/19 Section 5307 for Bus Preventive Maintenance and Bus Acquisition										
5337 & 5307/5340 LA Metro FY19 Rail Preventive Maintenance										
Federal Transit - Formula Grants Total										
State of Good Repair Grants Program										
5337 LA Metro Rail Vehicle Midlife Overhauls										
5337 & 5307/5340 LA Metro FY19 Rail Preventive Maintenance										
State of Good Repair Grants Program Total										

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Direct Program and Pass-through Grant Identifying	Total Award	Total expended under federal/state/local for the fiscal year ended June 30, 2019			
				Total	Federal Share	Federal share passed through	Local Share
Bus and Bus Facilities Formula Program							
Section 5329 Bus Overhauls	20.526	CA-2019-056	34,547,870	35,692,183	32,593,513	-	3,182,303 (83,633)
FY16/17 Section 5339 Bus Acquisitions, O&M Lease, Workforce Dev/Training, and Preventive Maintenance	20.526	CA-2018-062	43,491,979	23,987,383	11,183,092	-	992,697 11,851,594
Bus and Bus Facilities Formula Program Total			78,039,849	59,679,566	43,756,605	-	4,175,000 11,747,961
Federal Transit Cluster Total			2,155,510,405	1,134,664,942	751,516,665	3,024,982	4,175,000 379,417,094
Transit Services Programs Cluster							
Enhanced Mobility of Seniors and Individual with Disabilities							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-16-X066	6,092,451	1,206,092	901,540	901,540	- 304,552
L.A. County Section 5310 Program Administration	20.513	CA-2018-029	1,043,894	204,685	204,685	-	-
L.A. County Section 5310 AI Subrecipients FY17	20.513	CA-2018-065	9,207,811	1,847,990	1,634,209	1,634,209	- 213,781
Enhanced Mobility of Seniors and Individual with Disabilities Total			16,344,156	3,258,767	2,740,434	2,535,749	- 518,333
Job Access and Reverse Commute Program							
L.A. County Job Access and Reverse Commute Program, Administration, FY 06-12	20.516	CA-37-X071	5,032,849	208,328	208,328	-	-
Job Access and Reverse Commute Program Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	534,610	332,399	332,399	- 202,211
Job Access and Reverse Commute - Capital/Operating Asset.	20.516	CA-37-X123	13,878,024	692,773	491,817	491,817	- 200,956
LA County Job Access and Program Project - Capital/Operating Asset.	20.516	CA-37-X171	7,711,637	870,982	870,982	870,982	-
Job Access and Reverse Commute Program			36,966,391	2,306,692	1,903,525	1,695,198	- 403,167
New Freedom Program							
New Freedom - Program Adm, FY 06-12	20.521	CA-57-X003	2,152,346	155,062	155,062	-	-
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X084	8,702,026	1,577,265	1,474,283	1,474,283	- 102,982
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X100	7,354,678	517,655	258,627	258,627	- 258,628
New Freedom Program Total			18,209,050	2,249,982	1,888,172	1,733,110	- 361,810
Transit Services Programs Cluster Total			71,519,597	7,815,441	6,532,131	5,964,057	- 1,283,310
Research and Development Cluster							
Public Transportation Research, Technical Assistance, and Training							
FY16 Demonstration of Collision Avoidance and Mitigation Technologies on Los Angeles Metro Bus Service	20.514	CA-2017-055	1,450,000	35,171	25,499	-	- 9,672
Platform Track Intrusion Detection Demo	20.514	CA-26-7015	1,722,400	290,540	152,701	-	- 137,839
LA County and Puget Sound First / Last Mile Partnership with Lyft	20.514	CA-2017-018	1,350,000	698,448	327,662	-	- 370,786
Public Transportation Research, Technical Assistance, and Training Total			4,522,400	1,024,159	505,862	-	- 518,297
Research and Development Cluster Total			4,522,400	1,024,159	505,862	-	- 518,297
Federal Transit Administration Total			3,261,375,033	1,313,962,483	927,893,651	9,144,413	4,175,000 382,387,650
Office of the Secretary							
National Infrastructure Investments							
Willowbrook/Rosa Parks Station Improvements	20.933	CA-2016-010	10,250,000	18,573,748	7,746,263	-	- 10,827,485
Office of the Secretary Total			10,250,000	18,573,748	7,746,263	-	- 10,827,485
U.S. Department of Transportation Total			3,271,625,033	1,332,536,231	935,579,914	9,144,413	4,175,000 393,225,135
U.S. Department of Homeland Security:							
Direct Programs							
Rail and Transit Security Grant Program							
Transit Security Grant Program	97.075	EW-2016-RA-00024-S01	1,130,800	226,543	226,543	-	-
Transit Security Grant Program	97.075	EW-2017-RA-00027-S01	675,000	674,986	674,986	-	-
U.S. Department of Homeland Security Total			1,805,800	901,529	901,529	-	-
Total Federal Grants			\$3,273,430,833	\$1,333,437,760	\$ 936,481,443	\$ 9,144,413	\$ 4,175,000 \$ 393,225,135

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

State Grants:	Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Direct Program and Pass-through Grant Identifying	Total Award	Total expended under federal/state/local for the fiscal year ended June 30, 2019			
					Total	Federal Share	Federal share passed through	State Share
	Prop 1B Security - FY 09-10		6261-0002 FFS#037-91170	\$ 16,103,043	\$ 11,059	\$ -	\$ -	\$ 6,777
	Crenshaw / LAX Transit Corridor Project		STP 07A-0034-13 A.4	36,600,000	173,822,839	-	-	27,520,000
	Prop 1B Security - FY 11-12		6461-0002	16,103,043	1,132,054	-	-	1,132,054
	Alternative & Renewable Fuel & Vehicle Technology Program		ARV-13-054	492,000	13,988	-	-	730
	Permeable Pavement and Bioretenion Pilot Program, LACMTA Division 4 Maintenance Facility		14-440-550	752,000	1,498,212	-	-	562,274
	Regional Transportation Planning and Program Development		STP-PRM16-6065 (204)	3,098,000	(430,186)	-	-	(188,735)
	Blue Line Light Rail Signal Improvement Project		07LACMTA-PS-01-A1	38,494,000	33,297,639	-	-	21,204,926
	STP-PRM (State Transportation Improvement Program) - Planning, Programming & Monitoring Program		STP-PRM17-6065 (212)	6,136,000	6,796,204	-	-	5,224,901
	LCTOP_Metro Exposition (Expo) Phase 2 Operations		17-1B-D07-113	12,359,825	12,359,825	-	-	12,359,825
	LCTOP_Metro Gold Line Foothill Extension Phase 2A Operations		17-1B-D07-114	12,359,824	12,359,824	-	-	12,359,824
	Division 20 Turnback and Portal Widening		07LACMTA-PS-02	5,009,000	50,473,250	-	-	2,111,975
	Los Angeles - San Fernando Valley North-South Bus Transit		07A00034-05 A11	27,000,000	2,903,510	-	-	2,903,510
	I-710 Livability Initiative for Complete Streets & Active Transportation		74A0912	500,000	293,162	-	-	175,339
	ROSA PARKS-MEZZANINE		07A0034-17 A1	14,808,000	13,105,781	-	-	8,214,578
	West Santa Ana Branch Transit Corridor (WSAB)		07A0034-18	18,500,000	12,266,621	-	-	3,837,212
	TAP FAREBOX UPGRADE		07A0034-19	22,500,000	20,254,157	-	-	10,127,079
	Greenhouse Gas Reduction Funds (GGRF)		ATPL-6065(221)	2,287,000	1,143,452	-	-	1,143,452
	Rosecrans/Marquardt Grade Separation Project		HSR17-19	76,665,000	21,817,738	-	-	11,521,562
	Total State Grants			\$ 309,766,735	\$ 363,223,139	\$ -	\$ -	\$ 120,217,292
								\$ 243,005,857

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in Note 1 to the financial statements of LACMTA's basic financial statements.

NOTE 2 – BASIS OF PRESENTATION

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed.

NOTE 4 – FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

NOTE 5 – MAJOR PROGRAMS

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for LACMTA are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

NOTE 6 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOANS

LACMTA has entered into four Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreements with the United States Department of Transportation for a total amount not to exceed \$1,868,900,000 to finance portions of the Crenshaw/LAX Corridor Project, Regional Connector Transit Corridor Project, and Westside Purple Line Extension Sections 1 and 2 Projects. Total TIFIA loan draws during the fiscal year ended June 30, 2019 totaled \$168,073,272. As of June 30, 2019, the amount outstanding including principal and interest on all TIFIA loans was \$1,465,629,786.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA 20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

CFDA 20.933

National Infrastructure Investments

Dollar threshold used to distinguish type A and B programs:

 \$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

FEDERAL FUNDING ALLOCATION DATA

Transportation Operating Agency (ID# 90154)

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

Fiscal year ended June 30, 2019

Independent Accountant's Report
on Applying Agreed Upon Procedures

Management and the Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics form (FFA-10) of the Los Angeles County Metropolitan Transportation Authority's (the Authority) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data is consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures, as described in Attachment A, to the data contained in the accompanying FFA-10 for the fiscal year ending June 30, 2019. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2019 Policy Manual* and were agreed to by the Authority management and the Board of Directors, were applied to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this part and that the information included in the NTD report FFA-10 for the fiscal year ending June 30, 2019 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2019 Policy Manual*. The District management is responsible for the FFA-10 and compliance with NTD requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures in Attachment A were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the Authority for the fiscal year ending June 30, 2019 for each of the following modes:

- Motor Bus – directly operated
- Motor Bus – purchased transportation
- Rapid Bus – directly operated
- Heavy Rail – directly operated
- Light Rail – directly operated
- Vanpool – purchased transportation

In performing the procedures, except for the information identified in Attachment A to this report, no matters came to our attention that would be required to be reported to you regarding the information included in the NTD report on the FFA-10 Form for the fiscal year ending June 30, 2019. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2019 Policy Manual*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report other than the FFA-10 form, for any date or period.

This report is intended solely for the information and use of the Board of Directors, the management of the Authority, and the FTA and is not intended to be and should not be used by anyone other than these specified parties.


Crowe LLP

Los Angeles, California
October 31, 2019

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

FTA Suggested Procedures:

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2019 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

Step performed without exception.

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2019 Policy Manual.

Step performed without exception.

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

Step performed without exception.

- d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Selected source documents from all modes and from several different months in fiscal years 2018, 2017, and 2016 to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Per inquiry with the management, the individuals reviewing source documents are independent of individuals preparing the information and the review is done on a periodic basis depending on the data being reviewed.

- f. Select a haphazard sample of source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' review.

Selected a haphazard sample of 114 source documents, noting the required approval on all source documents. Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

We obtained the worksheets and agreed the data on the worksheets to the summaries provided and verified the arithmetical accuracy of the summaries without exception for the VP-PT, HR-DO, LR-DO, MB-DO, and RB-DO modes. For the MB-PT mode, the periodic summaries we recalculated totaled 12,307,463 UPT, 5,776,350 VRM, and 498,563 VRH while the FFA-10 form presented 12,066,673 UPT, 5,729,536 VRM, and 493,830 VRH, resulting in variances of 240,790 UPT, 46,814 VRM, and 4,733 VRH. We recalculated the mathematical accuracy of worksheets used to prepare the summaries and 41,964 of the VRM variance and 1,505 of the VRH variance were due to mathematically inaccurate calculations. Per inquiry with management, the variances are due to the exclusion of the Dodger Stadium Express information. The formula errors are in the process of being corrected and checked for accuracy.

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2019 Policy Manual.

For the rail and van pool modes, the Authority utilized a statistical sampling method as described in FTA Circulars 2710.1A. For the bus modes, the Authority utilized a 100% count verification for passenger trips and an estimate of passenger miles based on a statistical sampling method as described in FTA Circulars 2710.2A.

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
 - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - c. Service purchased from a seller is included in the transit agency's NTD report.
 - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2019) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
 - e. Determine how the transit agency estimated annual PMT for the current report year.

Per inquiry with the Authority management, the Authority does not meet any of the three criteria that allows transit agencies to conduct statistical samples for accumulating passenger mile data every third year. Therefore, the Authority conducts statistical sampling annually as described in procedure h.

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a haphazard selection of runs. If the transit agency missed a selected

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

sample run, determine that a replacement sample run was haphazard. Determine that the transit agency followed the stated sampling procedure.

Step performed without exception.

- k. Select a haphazard sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a haphazard sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

Selected a haphazard sample of 150 source documents across all modes from all twelve months in fiscal year 2019, used for accumulating passenger miles traveled (PMT) data and determined they were complete and mathematically accurate. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and identify that stated procedures are followed. Select a haphazard sample of source documents used to record charter bus service and test the arithmetical accuracy of the computations.

Step performed without exception.

- m. For actual vehicle revenue miles (VRM) data, document the collection and recording methodology and identify that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
 - If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
 - If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, the Authority uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles. Selected a haphazard sample of 77 source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception for the VP-PT, HR-DO, LR-DO, MB-DO, and RB-DO modes. For the MB-PT mode, we recalculated total deadhead miles of 1,336,363 compared to the S-10 deadhead miles of 1,345,832, resulting in a variance of 9,469 miles. This variance was caused by the incorrect formulas described in procedure g. The formula errors are in the process of being corrected and checked for accuracy by management, as noted in procedure g.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- n. For rail modes, obtain and read the recording and accumulation sheets for actual VRM's and identify that locomotive miles are not included in the computation.

Step performed without exception. There are no locomotives.

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
 - Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and
 - Access is restricted
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments form (P-40))
 - High Occupancy / Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

Step performed without exception.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Per inquiry of management, no service changes resulted in a change in overall DRMs.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG-DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.

Per inquiry of management, a portion of the Blue Line light rail was closed for construction during 2019, however no change in reporting FG DRM was required as the interruption was less than 12 months.

- r. Measure FG/HIB DRM from maps or by retracing route.

We measured all FG/HIB maps. Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

Per inquiry of management, the Authority is the approved operator for all their FG and the Authority is reporting their actual VRM, PMT, and OE for their services. Step performed without exception.

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2019 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2019 report year, the Agency Revenue Service Date must occur within the transit agency's 2019 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

We obtained the FG/HIB segments form. Per inquiry of management, two new FG segments were added in fiscal year 2019 for Flower Street and Figueroa Street Bus Lanes. Step performed without exception.

- u. Compare operating expenses with audited financial data after reconciling items are removed.

We compared the operating expenses to the draft financial data presented for audit without exception. The audited financial statements were not complete as of the date of this report.

- v. If the transit agency purchases transportation (PT) services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

We compared the PT fare revenues to the B-30 form. For one MB-PT contractor, the fare revenues per the monthly invoices totaled to \$922,591 compared to fare revenues per Form B-30 of \$912,406, resulting in a variance of \$10,185. Per inquiry with management, the source of the variances is known and in the process of being corrected. We agreed the fare revenue for other PT providers without exception. This procedure is not applicable for the van pool mode.

- w. If the transit agency's report contains data for PT services and assurances of the data for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation (IAS-FFA) data of the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

We inquired to management and noted that the report does include PT from private operators, but that an Independent Auditor Statement is not required since the Authority is a public transportation provider and the PT expenditures are included on the B-30 form of the NTD.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

We obtained a copy of the PT contract for each provider and noted that the contract included a description of the services to be provided, the monetary consideration obligated by the Authority for the service and the period covered by the contract and that this period is the same as, or a portion of, the period covered by the Authority's NTD report; and is signed by representatives of both parties to the contract. Management stated that copies of the executed contracts are retained for the last three years, as applicable.

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Per management, the Authority provides most of their services in one UZA and therefore it is all allocated to that one UZA. Additionally, all the services provided are in urbanized areas and allocations to non-urbanized areas are not required, therefore the procedure is not applicable.

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

We compared and agreed the data reported on the Federal Funding Allocation Statistics form (Form FFA-10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. There were no variances greater than 10% in any mode except for LR-DO and RB-DO. In those two modes, we inquired to the Authority and documented the explanations for the variances.

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

Step performed without exception.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY**

Table of Contents

	Page
Independent Auditor's Report on Compliance with the California Code of Regulations (Section 6667); Report on Internal Control over Compliance; and Report on 50% Expenditure Limitation Schedule	1
50% Expenditure Limitation Schedule	3

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA CODE OF
REGULATIONS (SECTION 6667); REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON 50% EXPENDITURE LIMITATION SCHEDULE

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance with the Transportation Development Act

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements described in the Transportation Development Act Guidelines, including Public Utility Code Section 99245 as enacted and amended by statute, and the allocation instructions and resolutions of the Los Angeles County Metropolitan Transportation Authority (as Planning Agency) as required by Section 6667 of the California Code of Regulations adopted by the California Department of Transportation (collectively, Transportation Development Act [TDA]) that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for LACMTA's TDA program based on our audit of the types of compliance requirements referred to above. 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 Transportation Development Act. Those standards 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 the TDA program occurred. An audit includes examining, on a test basis, evidence about LACMTA'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 for the TDA program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on the Transportation Development Act Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the TDA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the TDA program and to test and report on internal control over compliance in accordance with the TDA program, 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 LACMTA'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 with a type of compliance requirement of a TDA program 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 a type of compliance requirement of the TDA program 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 a type of compliance requirement of the TDA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on 50% Expenditure Limitation Schedule

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 50% expenditure limitation schedule is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 50% expenditure limitation schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Amounts expressed in thousands)

1	Total operating cost	\$	1,854,960
2	Total capital requirements		1,702,134
3	Total debt service		668,625
4	Total of lines 1, 2, and 3		4,225,719
5	Less federal grant received		653,482
6	Less State Transit Assistance (STA) funds received		193,452
7	Total of lines 5 and 6		846,934
8	Total of line 4 less line 7		3,378,785
	50% of line 8		1,689,393
	Total permissible Local Transportation Fund expenditures	\$	1,689,393



**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT**

Table of Contents

	Page
Independent Auditor's Report on Compliance with the California Code of Regulations (Sections 6640-6662); Report on Internal Control over Compliance; and Report on Schedules of Revenues, Expenditures, and Changes in Fund Balances	1
Schedule of Revenues, Expenditures, and Changes in Fund Balances	3
Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balances	4

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA
CODE OF REGULATIONS (SECTIONS 6640-6662); REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance with the Transportation Development Act

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements described in the Transportation Development Act Guidelines, including California Code of Regulations (Sections 6640-6662) (Transportation Development Act [TDA]) that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for LACMTA's TDA program based on our audit of the types of compliance requirements referred to above. 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 Transportation Development Act. Those standards 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 the TDA program occurred. An audit includes examining, on a test basis, evidence about LACMTA'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 for the TDA program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on the Transportation Development Act Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the TDA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the TDA program and to test and report on internal control over compliance in accordance with the TDA program, 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 LACMTA'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 with a type of compliance requirement of a TDA program 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 a type of compliance requirement of the TDA program 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 a type of compliance requirement of the TDA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LACMTA as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balances is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019
(Amounts expressed in thousands)

Revenues:	<u>Planning</u>	<u>Administration</u>	<u>Total</u>
Local grants and contracts	\$ 5,135	\$ 3,365	\$ 8,500
Expenditures:	<u>5,135</u>	<u>3,365</u>	<u>8,500</u>
Excess of revenues over expenditures	—	—	—
Other financing uses;			
Transfer out	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	—	—	—
Fund balance – beginning of year	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance – end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See notes to Schedule of Revenues Expenditures, and Change in Fund Balance.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

(1) Transportation Planning Agency

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the regional transportation planning agency responsible for long-range transportation planning and is designated under the provisions of Section 65080 of the California Government Code (the Code) to prepare and adopt the Regional Transportation Plan (RTP) and the Regional Transportation Improvement Program (RTIP). Both the RTP and RTIP are directed to achieve a coordinated and balanced regional transportation system for the county in its jurisdiction. LACMTA is also the administrator of the Local Transportation Fund (LTF) under the provisions of Section 9532 of the Code.

The LTF was created by the Transportation Development Act (TDA) to fund transit projects in each county. The LTF retail sales taxes collected statewide by the California Department of Tax and Fee Administration and which are returned to individual counties according to the amount collected within that county. Los Angeles County sales tax receipts are deposited in the Los Angeles County Treasurer's Office. LACMTA, as administrator of the LTF, is authorized to distribute funds from the Treasurer's Office to claimants for transit projects that are in accordance with the Code.

(2) Basis of Accounting

The TDA Fund uses the modified accrual basis of accounting as required by generally accepted accounting principles. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND**

**Financial Statements
Fiscal Years Ended June 30, 2019 and 2018**

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND**

Table of Contents

	Page
Independent Auditor's Report	1
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>	3
Management's Discussion and Analysis (Unaudited)	5
Financial Statements:	
Balance Sheets	8
Statements of Revenues, Expenditures, and Changes in Fund Balances	9
Notes to the Financial Statements	10
Supplementary Information (Unaudited)	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	13
Supplemental Schedule of Allocations	14
Supplemental Schedule of Expenditures and Transfers	15
Independent Auditor's Report on Compliance	16

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of the LACMTA, as of June 30, 2019 and 2018, and the changes in financial position thereof 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 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the Los Angeles County Metropolitan Transportation Authority, as of June 30, 2019 and 2018, 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. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers are presented for purposes of additional analysis and are not a required part of the financial statements.

The management's discussion and analysis, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis is fairly stated, in all material respects, in relation to the financial statements as a whole.

The budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the STA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the STA Fund's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California
December 10, 2019

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

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the STA Fund's financial statements, and have issued our report thereon dated December 10, 2019. As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the STA Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the STA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the STA Fund'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 STA 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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid.

Crowe LLP

Los Angeles, California
December 10, 2019

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2019 and 2018

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

Our discussion and analysis of STA Fund's financial performance presents an overview of the STA Fund's financial activities during the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The financial statements, notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of the management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

2019 Financial Highlights

- Sales tax collected for the year increased by \$44,932 or 29.77% compared with prior year primarily due to increase in the price of diesel and gasoline fuel in addition to the passage of Senate Bill 1 (SB 1) which increased the excise tax rates for motor vehicle and diesel fuel, and also increased the additional statewide sales and use tax rate effective November 1, 2017.
- Actual sales tax received from the State totaled \$195,872 compared with original and final budget of \$150,487 resulting in a favorable variance of \$45,385.
- Total other financing uses of funds increased by \$144,444 or 294.74% compared with the prior year primarily due to an increase in State allocation received and made available to subsidize LACMTA Enterprise Fund for bus and rail operation and maintenance and transportation subsidies to cities/other agencies.

2018 Financial Highlights

- Sales tax collected for the year increased by \$76,913 or 103.90% compared with prior year. The increase was mainly due to additional sales tax received from the passage of Senate Bill 1 (SB 1) with an increase in diesel and gas taxes starting November 1, 2017.
- Actual sales tax received from the State totaled \$150,940 compared to original and final budget of \$60,000 resulting in a favorable variance of \$90,940 mainly due to the supplemental allocations received with the passage of Senate Bill 1 (SB 1) that were not budgeted during the fiscal year 2018.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2019 and 2018

Total other financing uses of funds increased by \$11,480 or 30.59% compared with prior year brought about by an increase in State allocation received and made available to subsidize the LACMTA Enterprise Fund for bus and rail operation and maintenance.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the financial statements. The STA Fund's financial statements consisted of two components: (1) the fund financial statements, and (2) the notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

The condensed balance sheets show the STA Fund's assets and liabilities as of June 30, 2019, 2018, and 2017. The differences between the assets and liabilities are reported as fund balances. The fund balance may serve as a useful indicator of the STA Fund's financial health.

The comparative statements of revenues, expenditures and changes in fund balance for the fiscal years show the underlying events or activities of the fund that impacted the fund balances.

Condensed Balance Sheets

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total assets	\$ 103,909	\$ 114,973	\$ 33,829
Total liabilities	24,038	9,544	24,224
Fund balances	79,871	105,429	9,605
Total liabilities and fund balances	<u>\$ 103,909</u>	<u>\$ 114,973</u>	<u>\$ 33,829</u>

Total assets decreased by \$11,064 or 9.62% as of June 30, 2019 compared to June 30, 2018 primarily due to an increase in drawdown from cities/other agencies and subsidies to Enterprise funds for its operation and rail maintenance operations. Total liabilities increased by \$14,494 or 151.87% as of June 30, 2019 compared to June 30, 2018 mainly due to the increase in accrual of subsidies to LACMTA Enterprise fund for its bus and rail operation and maintenance.

Total assets increased by \$81,144 or 239.87% as of June 30, 2018 compared to June 30, 2017 primarily due to higher allocation and larger receivable accrued in FY18 compared to the prior year. Total liabilities decreased by \$14,680 or 60.60% as of June 30, 2018 compared to June 30, 2017 mainly due to the disbursement in FY17 of the amounts due to Enterprise Fund for its operating and capital expenses.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2019 and 2018

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues	\$ 197,998	\$ 151,635	\$ 74,170
Expenditures and other financing uses of funds	<u>(223,556)</u>	<u>(55,811)</u>	<u>(51,471)</u>
Net change in fund balances	(25,558)	95,824	22,699
Fund balances – beginning of year	<u>105,429</u>	<u>9,605</u>	<u>(13,094)</u>
Fund balances – end of year	<u><u>\$ 79,871</u></u>	<u><u>\$ 105,429</u></u>	<u><u>\$ 9,605</u></u>

Total revenues increased \$46,363 or 30.58% during fiscal year 2019 compared to fiscal year 2018 primarily due to an increase in investment income with favorable interest yield and the increase in the price of gasoline and diesel fuel tax with Senate Bill 1 (SB 1) that went into effect in November 1, 2017. Expenditures and other financing uses increased \$167,745 or 300.56% during fiscal 2019 compared to fiscal year 2018 mainly due to an increase in claims for transportation subsidies by cities/other agencies and by LACMTA Enterprise fund for its bus and rail operations where fiscal year 2018 allocations were programmed together in fiscal year 2019.

Total revenues increased by \$77,465 or 104.44% during fiscal year 2018 compared to fiscal year 2017 primarily due to the supplemental sales tax allocations received from the State as a result of the passage of Senate Bill 1 (SB 1). Expenditures and other financing uses increased by \$4,340 or 8.43% during fiscal 2018 compared to fiscal year 2017 mainly due to higher bus and rail operating subsidies to the LACMTA Enterprise Fund.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
 Balance Sheets
 June 30, 2019 and 2018
 (Amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 51,400	\$ 66,803
Interest receivable	439	266
Sales tax receivable	52,070	47,866
Due from other funds	—	38
Total assets	<u>103,909</u>	<u>114,973</u>
Liabilities		
Accounts payable and accrued liabilities	611	2,655
Due to other funds	23,427	6,889
Total liabilities	<u>24,038</u>	<u>9,544</u>
Fund balances		
Restricted	<u>79,871</u>	<u>105,429</u>
Total liabilities and fund balances	<u>\$ 103,909</u>	<u>\$ 114,973</u>

See accompanying notes to financial statements.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Statements of Revenues, Expenditures, and Changes in Fund Balances
Fiscal years ended June 30, 2019 and 2018
(Amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>
Revenues:		
Sales tax	\$ 195,872	\$ 150,940
Investment income	<u>2,126</u>	<u>695</u>
Total revenues	197,998	151,635
Expenditures:		
Transportation subsidies	<u>30,104</u>	<u>6,803</u>
Excess of revenues over expenditures	<u>167,894</u>	<u>144,832</u>
Other financing uses:		
Transfers out	<u>(193,452)</u>	<u>(49,008)</u>
Net change in fund balances	(25,558)	95,824
Fund balances - beginning of year	<u>105,429</u>	<u>9,605</u>
Fund balances - end of year	<u><u>\$ 79,871</u></u>	<u><u>\$ 105,429</u></u>

See accompanying notes to financial statements.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Notes to Financial Statements
June 30, 2019 and 2018

1. Summary of Significant Accounting Policies

(a) General Description

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of retail sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

(b) Basis of Accounting

The STA Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request.

(c) Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The STA Fund is considered a governmental fund. The measurement focus is the determination of changes in financial position, rather than net income determination. Additionally, the STA Fund is considered a special revenue governmental fund. Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes.

(d) Financial Statement Presentation

The accompanying financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the LACMTA as of June 30, 2019 and 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Notes to Financial Statements
June 30, 2019 and 2018

(e) Cash and Cash Equivalents

The STA Fund's cash and cash equivalents include deposits with the Los Angeles County Investment Pool (LACIP). The STA Fund is an involuntary participant in the LACIP.

(f) Sales Tax Receivable

Sales tax receivables represent uncollected amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. As of June 30, 2019 and 2018, the STA Fund had receivables of \$52,070 and \$47,866 respectively.

2. Cash and Investments

Cash balances of the STA Fund are pooled with other County funds and invested by the Los Angeles County Treasurer (the Treasurer). These funds are subject to withdrawal from the Treasurer's pool upon demand.

STA Fund's pooled cash and investments with the LACIP amounted to \$51,400 at June 30, 2019 and \$66,803 at June 30, 2018. The County Board of Supervisors provides regulatory oversight for the LACIP. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2019 and 2018.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be obtained by writing to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

3. Due to/from Other Funds

Due to or from other funds represent payables owed to or receivable from a particular LACMTA fund for temporary loans, advances, goods delivered, or services rendered. As of June 30, 2019 and 2018, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for \$23,427 and \$6,889, respectively, for various unpaid operating and capital subsidies.

4. Interfund Transfers

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund. For the fiscal years ended June 30, 2019 and 2018, the STA Fund transferred \$193,452 and \$49,008 to LACMTA Enterprise Fund, respectively.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Notes to Financial Statements
June 30, 2019 and 2018

5. Sales Tax Revenue

Sales tax revenue represents amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. For the years ended June 30, 2019 and 2018, the STA Fund received an allocation of \$195,872 and \$150,940 respectively.

6. Payable to Cities and Jurisdictions

As of June 30, 2019 and 2018, the STA Fund had accrued liabilities to various cities and other jurisdictions of \$611 and \$2,655, respectively. These accrued liabilities represented claims for the current fiscal year allocation that were disbursed by the STA Fund in the following fiscal year.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Unaudited)
Fiscal year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final budget
Revenues:				
Sales tax	\$ 150,487	\$ 150,487	\$ 195,872	\$ 45,385
Investment income	—	—	2,126	2,126
Total revenues	150,487	150,487	197,998	47,511
Expenditures:				
Transportation subsidies	25,918	25,918	30,104	(4,186)
Excess of revenues over expenditures	124,569	124,569	167,894	43,325
Other financing sources (uses):				
Transfers out	(191,076)	(191,076)	(193,452)	(2,376)
Net change in fund balances	(66,507)	(66,507)	(25,558)	40,949
Fund balances – beginning of year	105,429	105,429	105,429	—
Fund balances – end of year	\$ 38,922	\$ 38,922	\$ 79,871	\$ 40,949

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Supplemental Schedule of Allocations (Unaudited)
Fiscal years ended June 30, 2019 and 2018
(Amounts expressed in thousands)

CCR Code	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	2019 Total	2018 Total
Arcadia	\$ 89	\$ —	\$ —	\$ 89	\$ 42
Claremont	35	—	—	35	24
Commerce	113	—	—	113	65
Culver City	1,410	—	—	1,410	807
Foothill Transit	6,490	—	—	6,490	3,606
Gardena	1,415	—	—	1,415	798
La Mirada	27	—	—	27	18
Long Beach	6,057	—	—	6,057	3,494
LACMTA	72,040	—	71,490	143,530	84,090
Montebello	2,135	—	—	2,135	1,237
Norwalk	824	—	—	824	449
Redondo Beach	192	1	—	193	109
Santa Monica	5,208	—	—	5,208	2,989
Torrance	1,648	—	—	1,648	956
Antelope Valley	585	—	—	585	410
LADOT	1,213	—	—	1,213	839
Santa Clarita	565	—	—	565	416
Foothill –BSCP	263	—	—	263	183
Total STA fund allocations	<u>\$ 100,309</u>	<u>\$ 1</u>	<u>\$ 71,490</u>	<u>\$ 171,800</u>	<u>\$ 100,532</u>

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

**Supplemental Schedule of Expenditures and Transfers (Unaudited)
Fiscal years ended June 30, 2019 and 2018
(Amounts expressed in thousands)**

CCR Code	FY2019				FY2018			
	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total
Arcadia	\$ 69	\$ —	\$ —	\$ 69	\$ 16	\$ —	\$ —	\$ 16
Claremont	13	25	—	38	3	—	—	3
Commerce	162	—	—	162	46	—	—	46
Culver City	1,771	—	—	1,771	195	37	—	232
Foothill Transit	6,753	—	—	6,753	1,991	—	—	1,991
Gardena	1,773	244	—	2,017	441	—	—	441
La Mirada	—	—	—	—	6	—	—	6
Long Beach	7,622	—	—	7,622	1,930	—	—	1,930
LACMTA	103,806	—	89,646	193,452	10,119	—	38,889	49,008
Montebello	1,344	373	—	1,717	299	—	—	299
Norwalk	964	—	—	964	369	—	—	369
Redondo Beach	226	—	—	226	82	—	—	82
Santa Clarita	981	—	—	981	—	—	—	—
Santa Monica	6,136	—	—	6,136	722	—	—	722
Torrance	1,648	—	—	1,648	666	—	—	666
Total STA fund expenditures	\$ 133,268	\$ 642	\$ 89,646	\$ 223,556	\$ 16,885	\$ 37	\$ 38,889	\$ 55,811

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2019 and 2018, and the related statement of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated December 10, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that LACMTA failed to comply with the terms, covenants, provisions, or conditions of Section 6751 of the California Code of Regulations, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding LACMTA's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management, LACMTA's Board of Directors, others within LACMTA, and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Los Angeles, California
December 10, 2019



Crenshaw Project Corporation

**(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)**

Financial Statements

For the Year Ended June 30, 2019

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Financial Statements
For the Fiscal Year Ended June 30, 2019

Table of Contents

	Page
Independent Auditor's Report	1
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	3
Management's Discussion and Analysis	5
Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crenshaw Project Corporation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Crenshaw Project Corporation (CPC), a blended component unit of the Los Angeles County Metropolitan Transportation Authority, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the CPC's basic 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CPC, as of June 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019 on our consideration of the CPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CPC's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California

October 4, 2019

**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 Board of Directors
Crenshaw Project Corporation
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Crenshaw Project Corporation (CPC) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements, and have issued our report thereon dated October 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CPC'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPC'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 CPC'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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid.

Crowe LLP

Los Angeles, California
October 4, 2019

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

As management of the Crenshaw Project Corporation (CPC), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the CPC for the fiscal year ended June 30, 2019. This discussion and analysis is designed to assist the readers in focusing on the significant financial issues and activities of the CPC.

We encourage the readers to consider the information presented herein in conjunction with the financial statements beginning on page 8. The financial statements, the notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

Background

The Crenshaw Project Corporation (CPC) was formed on March 23, 2012 for the sole purpose of participating in financing public transportation projects of the Los Angeles County Metropolitan Transportation Authority (LACMTA).

The CPC currently serves as the conduit borrower as part of a financing agreement with the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) program to partially finance the construction of LACMTA's Crenshaw/LAX Transit Corridor Project (Project).

Financial Highlights

- In September 2012, the CPC secured a \$545,900 TIFIA loan from the USDOT to partially finance the Project. The loan under the TIFIA program is secured by Measure R sales tax revenues allocated to the Project. As of June 30, 2019, CPC has drawn down the full amount of TIFIA loan proceeds.
- Total assets of \$594,799 represent advances to LACMTA while total liabilities of \$594,799 consist of the principal amount of \$545,900 and the aggregate interest accretion of \$48,899 on the TIFIA loan. Therefore, there is no net position as of June 30, 2019.
- Total expenses of \$24 consist mostly of loan fees and other administration charges which were reimbursed by LACMTA.
- As of June 30, 2019, \$2.02 billion has been expended on the Project and included in LACMTA's Comprehensive Annual Financial Report (CAFR) under the Capital Assets section of the Statement of Net Position of the Enterprise fund.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Overview of the Basic Financial Statements

This Management's Discussion and Analysis serves as an introduction to the CPC's basic financial statements. The CPC's basic financial statements are: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

The CPC's basic financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as promulgated by the Government Accounting Standards Board (GASB). The CPC is structured as an Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred. See the notes to the financial statements for the summary of the CPC's significant accounting policies.

The Statement of Net Position presents information on all of the CPC's assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the CPC's operations. The Statement of Cash Flows presents the cash flows generated by the CPC to meet its current maturing obligations. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Presented below are the condensed Statement of Net Position and condensed Statement of Revenues, Expenses, and Changes in Net Position as of and for the year ended June 30, 2019.

Condensed Statement of Net Position	
Non-current assets	\$ 594,799
Total assets	594,799
Non-current liabilities	594,799
Total liabilities	594,799
Net position	\$ —
Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Revenues	\$ 24
Expenses	24
Change in net position	—
Net position - beginning of year	—
Net position - end of year	\$ —

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Net Position
June 30, 2019
(Amounts expressed in thousands)

Assets

Non-current assets	
Advances to LACMTA	\$ 594,799
Total Assets	<u>594,799</u>

Liabilities

Non-current liabilities	
Notes payable	594,799
Total Liabilities	<u>594,799</u>

Net Position	<u><u>\$ —</u></u>
---------------------	--------------------

The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
 (A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019
 (Amount expressed in thousands)

Operating revenues		
Charges for services	\$	24
Operating expenses		
Professional, technical and other services		24
Change in net position		<hr/> —
Net position - beginning of year		<hr/> —
Net position - end of year	\$	<hr/><hr/>—

The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Cash Flows
For Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

Cash flows from operating activities	
Receipts from LACMTA	\$ 24
Payments to vendors	(24)
Net cash flows from operating activities	<u>—</u>
Net increase (decrease) in cash and cash equivalents	—
Cash and cash equivalents - beginning of year	—
Cash and cash equivalents - end of year	<u><u>\$ —</u></u>
Non-cash financing activity	
Interest accretion on notes payable	\$ 14,135

The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

The notes to the financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise stated, all dollar amounts are expressed in thousands.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Crenshaw Project Corporation (CPC) was formed for the specific purpose of securing a loan from United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program for the construction of LACMTA's Crenshaw/LAX Transit Corridor Project (Project). The Project has an approved life-of-project (LOP) budget of \$2.05 billion that covers the design and construction of a new 8.5-mile double-track Light Rail Transit (LRT) line, including eight transit stations, procurement of a minimum of 20 light rail vehicles, and the construction of a full service maintenance facility known as the "Southwestern Yard". The Project will extend from the EXPO Line (at the intersection of Exposition and Crenshaw Boulevards) and the Metro Green Line near the existing Aviation/LAX Station.

The CPC is governed by a Board of Directors (CPC Board) consisting of the same members of the Board of Directors of LACMTA (Metro Board). The Chair, First-Chair and Second-Chair of the Metro Board shall have the corresponding positions on the CPC Board. The Board members may serve only as long as they are members of the Metro Board. Each Director shall serve a term commensurate with his or her term on the Metro Board. The CPC is a blended component unit of LACMTA because it is financially dependent upon LACMTA, and LACMTA's approval is needed for the CPC to expend its budgets or charges and issue long-term debt. Although the CPC is a legally separate entity, it is in-substance part of LACMTA's operations, and therefore the data from the CPC is included in LACMTA's financial data. These financial statements present only the CPC and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2019, or the changes in the financial position for the year then ended.

Fund Accounting

The proprietary fund type is used to account for ongoing operations and activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. The CPC uses the proprietary fund type to account for the goods and services provided to LACMTA on a cost reimbursement basis. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include reimbursements from LACMTA for operating expenses. Operating expenses include professional services and administrative expenses. The CPC applies all applicable Government Accounting Standard Board (GASB) pronouncements in accounting and reporting for its

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

proprietary operations. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments, including restricted assets with an original maturity date of 90 days or less, are considered to be cash and cash equivalents. Otherwise, they are considered to be investments.

Receivables and Payables

Interagency receivables/payables are amounts owed to/due from other LACMTA funds for services performed. Payables are amounts due to vendors for goods or services received. There were no accounts payable to vendors outstanding as of June 30, 2019.

Effect of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and the corresponding deferred outflows of resources for AROs. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. There was no impact on the changes in net position as a result of the adoption of this statement.

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. There was no impact on the changes in net position as a result of the adoption of this statement.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before The End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The CPC early implemented this statement for the fiscal year ending June 30, 2019. There was no impact on the changes in net position as a result of the adoption of this statement.

Note 2 - Advances to LACMTA

Advances to LACMTA consist of cash advances to partially finance the construction of the Project. As of June 30, 2019, the outstanding balance of advances to LACMTA totaled \$594,799.

Note 3 - Notes Payable

In September, 2012, the CPC secured a direct loan not to exceed \$545,900 from the United States Department of Transportation (USDOT) under the TIFIA program to partially finance the construction of the Project. The loan, secured by a portion of LACMTA's Measure R sales tax revenues allocated to the Project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034. At June 30, 2019, CPC has fully drawn the \$545,900 principal amount. On each June 1 and December 1, interest accrued in the six-month period

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

ending on such date is added to the outstanding balance of the TIFIA loan. The principal amount is payable in annual installments on June 1 of each year commencing on June 1, 2021, while the interest payments are payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2020. As of June 30, 2019, the outstanding balance of the TIFIA loan, including \$48,899 in interest accretion, was \$594,799.

In the event of default described under the provisions of the TIFIA Loan Agreement, the TIFIA Lender, by written notice to LACMTA, may declare the unpaid principal amount of the TIFIA loan to be immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the Agreement and other TIFIA Loan Documents. The TIFIA Lender may suspend or debar LACMTA from further participation in any Government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

The CPC's annual debt service requirements (including future interest accretion to principal) are as follows:

Year Ending		Principal	Interest	Total
June 30				
2020	\$	(13,387)	\$ 13,387	\$ —
2021		(59)	14,759	14,700
2022		8,620	14,780	23,400
2023		8,829	14,571	23,400
2024		9,024	14,376	23,400
2025-2029		219,520	63,380	282,900
2030-2034		362,252	29,197	391,449
	\$	594,799	\$ 164,450	\$ 759,249

The annual debt service requirements were calculated based on allocation of loan payments from the principal amount of \$545,900.



SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Financial Statements and Supplementary Information
June 30, 2019
(With Independent Auditor's Report Thereon)

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Table of Contents

	Page
Independent Auditor's Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet	5
Statement of Revenues, Expenditures, and Change in Fund Balance	6
Notes to the Basic Financial Statements	7
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual [Unaudited]	13
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>	14
Status of Prior Year Findings	16

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises SAFE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAFE as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SAFE's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of SAFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAFE's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California
November 25, 2019

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Statement of Net Position

June 30, 2019

(Amounts expressed in thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 16,698
Investments	9,720
Intergovernmental receivable	1,446
Interest receivable	68
Total assets	<u>27,932</u>
Liabilities:	
Accounts payable and accrued expenses	<u>667</u>
Total liabilities	<u>667</u>
Net position:	
Restricted for motorist aid system projects	<u>27,265</u>
Total net position	<u>\$ 27,265</u>

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Statement of Activities
For year ended June 30, 2019
(Amounts expressed in thousands)

	<u>Governmental Activities</u>
Program expenses, net of revenues:	
Transit operations:	
Congestion relief operations	\$ 5,416
Total program expenses	<u>5,416</u>
General revenues:	
License fees	8,337
Investment income	<u>768</u>
Total general revenues	<u>9,105</u>
 Change in net position	 3,689
Net position – beginning of year	<u>23,576</u>
Net position – end of year	<u>\$ 27,265</u>

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Balance Sheet

June 30, 2019

(Amounts expressed in thousands)

	<u>Special Revenue Fund</u>
Assets:	
Cash and cash equivalents	\$ 16,698
Investments	9,720
Intergovernmental receivable	1,446
Interest receivable	68
Total assets	<u>\$ 27,932</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>667</u>
Fund balance:	
Restricted for motorist aid system projects	<u>27,265</u>
Total liabilities and fund balance	<u>\$ 27,265</u>

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 For the year ended June 30, 2019
 (Amounts expressed in thousands)

	<u>Special Revenue Fund</u>
Revenues:	
License fees	\$ 8,337
Investment income	768
Total revenues	<u>9,105</u>
Expenditures:	
Administration and other transportation projects	<u>5,416</u>
Total expenditures	<u>5,416</u>
Net change in fund balance	3,689
Fund balance – beginning of year	<u>23,576</u>
Fund balance – end of year	<u><u>\$ 27,265</u></u>

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise indicated, all dollar amounts are expressed in thousands.

(1) **Summary of Significant Accounting Policies**

(a) ***Reporting Entity***

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

(b) ***Operations***

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 625 (not in thousands) call boxes along 436 (not in thousands) miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates, and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

(c) ***Government-wide Financial Statements***

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

The government-wide financial statements report information on all of the non-fiduciary activities of the agency and are reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. License fees and investment earnings not considered program revenues are reported as general revenues.

(d) ***Fund Accounting***

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Additionally, the SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted to specific purposes. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

(e) ***Fund Balance and Net Position***

Restricted fund balance and net position include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balance and net position were classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et seq by which the fund was created.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

(f) ***Budgetary Accounting***

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By policy, the board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations. The budget is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

(g) ***Cash and Investments***

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of \$50 are withdrawn and deposited into the LACMTA internal investment pool. Cash and investments are reported at fair market value which is the quoted market price.

(h) ***Receivables***

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license fees due from the State Department of Motor Vehicles. As of June 30, 2019, SAFE has a receivable for license fees of \$1,446.

(i) ***Vehicle Registration Fees***

Vehicle registration fees revenue is recognized when earned and is generated by a \$1 (amount not in thousands) per each car registered in Los Angeles County, which is collected by the State Department of Motor Vehicles.

(j) ***Effects of New GASB Pronouncements***

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2019.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

(2) Cash and Investments

The following is a breakdown of SAFE's cash and investments as of June 30, 2019.

LACMTA investment pool	\$ 25,647
Los Angeles County investment pool	771
Total	<u>\$ 26,418</u>

SAFE's cash balances are pooled with other LACMTA funds participating in the investment pool by the LACMTA Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2019. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Comprehensive Annual Financial Report (CAFR). A copy of the LACMTA's CAFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE's cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2019. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No. 3*, certain required disclosures regarding investment policies and practices with respect

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

to the risk associated with their concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

(a) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2019, SAFE does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

(b) Custodial Credit Risk

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2019, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

(3) Significant Commitments

SAFE has entered into a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had \$591 of outstanding contractual commitments as of June 30, 2019 that had not been claimed or disbursed.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

For the year ended June 30, 2019

(Amounts expressed in thousands)

	Original Budget*	Final Budget*	Actual	Variance with Final Budget
Revenues:				
License fees	\$ 7,750	\$ 7,750	\$ 8,337	\$ 587
Investment income	100	100	768	668
Total revenues	7,850	7,850	9,105	1,255
Expenditures:				
Administration and other	8,193	8,193	5,416	2,777
Subsidies to LACMTA	1,000	1,000	—	1,000
Total expenditures	9,193	9,193	5,416	3,777
Net change in fund balance	(1,343)	(1,343)	3,689	5,032
Fund balances – beginning of year	23,576	23,576	23,576	—
Fund balances – end of year	\$ 22,233	\$ 22,233	\$ 27,265	\$ 5,032

*Budget prepared in accordance with GAAP.

**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**

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the special revenue fund of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAFE'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 SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE'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 SAFE'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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
November 25, 2019

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)

Status of Prior Year Findings

Year ended June 30, 2019

FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2018-001 – Accounting for Revenue in the Proper Period (Material Weakness)

Condition: May 2017 and June 2017 license fee revenue, totaling \$1,458,262, were improperly accounted for as fiscal year 2018 revenue.

Status: This finding has been corrected.



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

**LOW CARBON TRANSIT OPERATIONS PROGRAM
COMPLIANCE REPORT**

Fiscal year ended June 30, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH RULES AND
REGULATIONS OF THE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance with Low Carbon Transit Operations Program Guidelines

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements described in the Low Carbon Transit Operations Program (LCTOP) Guidelines adopted by the California Department of Transportation that could have a direct and material effect on LACMTA's compliance with the LCTOP Guidelines for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the LCTOP Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for LACMTA's LCTOP program based on our audit of the types of compliance requirements referred to above. 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 LCTOP Guidelines. Those standards 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 the LCTOP program occurred. An audit includes examining, on a test basis, evidence about LACMTA'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 for the LCTOP program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on the LCTOP Guidelines

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the LCTOP program for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the LCTOP program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the LCTOP program and to test and report on internal control over compliance in accordance with the LCTOP program, 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 LACMTA'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 with a type of compliance requirement of a LCTOP program 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 a type of compliance requirement of the LCTOP program 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 a type of compliance requirement of the LCTOP program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019