Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2022-0098, **File Type:** Informational Report **Agenda Number:** 11.

FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 16, 2022

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, 2021.

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, 2021 (FY21):

- Annual Comprehensive 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 the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2021, and 2020.
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial

statements; and

- 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.

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 FY21. Receiving an unmodified opinion indicates that all financial statements for FY21 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements. Crowe identified two findings in the Single Audit Report related to timing issues in accordance with generally accepted accounting principles. Although Metro management agreed with the recommendations, management believes that Metro's presentation of the financial statements was appropriate as the statements followed the Current Financial Resources Measurement Focus and are transparent to the taxpayers.

Due to the considerable size of the document, the Annual Comprehensive Financial Report is accessible on Metro's website at
<http://libraryarchives.metro.net/DB_Attachments/220301_1.%20FY21%20-%20LA%20Metro%20ACFR%2012232021-FINAL.pdf>.

EQUITY PLATFORM

There are no equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ATTACHMENTS

Attachment A - SAS 114 Letter Covering Required Communications
Attachment B - Single Audit Report for FY21
Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for FY21
Attachment D - Transportation Development Act Operations Agency for FY21
Attachment E - Transportation Development Act Schedule of Revenues, Expenditures and Changes in Fund Balances for FY21
Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements as of FY21 and FY20
Attachment G - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for FY21

Attachment H - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for FY21

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Reviewed by: Shalonda Baldwin, Executive Officer, Administration, (213) 418-3265

Stephanie N. Wiggins
Chief Executive Officer

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

REQUIRED COMMUNICATIONS

Fiscal year ended June 30, 2021

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.

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM LACMTA

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to LACTMA under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with the Company that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

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.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- 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 between the entity and 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
GASB Statement No. 84, “Fiduciary Activities” This Statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.	Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.

Accounting Standard	Impact of Adoption
GASB Statement No. 90, "Majority Equity Interests – An Amendment of GAS Statements No. 14 and No 61" This Statement was issued to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.	Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.
GASB Statement No. 93, "Replacement of Interbank Offered Rates" This Statement was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).	Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.
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 the Company'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.
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.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
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 the Company'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. Refer to the discussion below.

1. Management posted an adjustment of $53.7 million to the Measure R fund to correct the improper accrual of payments made related to 3 parcels of land. The payments were made in July 2021, however, since the expenditure related to a condemnation deposit and not typical goods or services, the expenditure was not an obligation to LACMTA prior to payment, nor had LACMTA acquired the properties prior to June 30, 2021.

2. Management posted an adjustment to properly defer $2.3 million of General fund revenue relating to receivables not collected within 90 days of the reporting date.

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 below.

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.

   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 $55.7 million, overstated revenue by approximately $12.6 million, and understated net position by approximately $43.0 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2020, which was reported as waived adjustment in the FY 2020 audit.

2. A known prior period misstatement was waived by management relating to construction expenses that were improperly recorded to the Enterprise fund instead of the Proposition C fund streets and highways expenditures. Management identified and corrected the error in FY 2021, therefore amounts that should have been corrected in prior years are recorded in the current year. Approximately $30.1 million of expenditures/expenses related to prior periods, resulting in a current period overstatement of expenditures/expenses of $30.1 million in the Proposition C fund and governmental activities opinion unit and an understatement of expenses in the Enterprise fund.

3. Known misstatements were waived by management to properly defer revenue relating to receivables not collected within 90 days of the reporting date. The error resulted in overstatement of revenue and understatement of deferred inflows of resources of $9.6 million for the Measure R fund and $4.6 million for the Measure M fund.

4. Two likely misstatements were waived by management related to not accounting for the Regional Transit Access Pass (RTAP) activity for other operators (non LACMTA) as fiduciary activities (Fiduciary Fund). The stored value estimated to be used by other operators results in an increase in cash and net position in the amount of $6.3M. The amount payable to operators results in an increase in cash and accounts payable in the amount of $0.6M. Additionally, the activity for the year related to other operators results in an increase in deductions and additions in the amount of $3.3M.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information Included in an Annual Report Information may be prepared by management that accompanies or includes 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 a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that: • Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or • A material misstatement of fact exists, or the other information is otherwise misleading. If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.	We understand that management has not prepared other 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 the Company's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Difficulties or Contentious Matters We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.	During the audit, there were no such issues for which we consulted outside the engagement team.
Circumstances that Affect the Form and Content of the Auditor's Report We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.	There are no such circumstances that affect the form and content of the auditor's report.
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.

Communication Item	Results
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
Significant Related Party Findings or Issues We are to communicate to you significant findings or issues arising during the audit in connection with the Company'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 during 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
February 11, 2022

Los Angeles County Metropolitan Transportation Authority
Schedule of Uncorrected Misstatements
June 30, 2021
(amounts in thousands)

					Increase (Decrease)						
	Opinion Unit	**Account Name**	**Debit**	**Credit**	**Assets / Deferred Outflows**	**Liabilities / Deferred Inflows**	**Net Position / Fund Balance**	**Revenues**	**Expenses / Expenditures**	**Other Financing S&U**
1	Enterprise fund / Business-type activities	LCFS asset	$ 55,665		$ 55,665					
		Other revenue		$ 12,618				$ 12,618		
		Net position		$ 43,047			$ 43,047			
2	Proposition C fund / Governmental Activities	Fund Balance	$ 30,105				$ (30,105)			
		Expenditures		$ 30,105					$ (30,105)	
	Enterprise fund / Business-type activities	Expenses	$ 30,105						$ 30,105	
		Net Position		$ 30,105			$ 30,105			
3	Measure M fund	Intergovernmental revenue	$ 4,602					$ (4,602)		
		Deferred revenue		$ 4,602		$ 4,602				
	Measure R fund	Deferred revenue	$ 16,089			$ (16,089)				
		Intergovernmental revenue		$ 16,089				$ 16,089		
4	Fiduciary Fund	Cash	$ 6,949		$ 6,949					
		Payable to operators		$ 623		$ 623				
		Net position		$ 6,326			$ 6,326			
		Deductions	$ 3,324					$ (3,324)		
		Additions		$ 3,324				$ 3,324		

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2021

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2021, 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 23, 2021. 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LACMTA's Responses to Findings

LACMTA's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. LACMTA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

Crowe LLP

Los Angeles, California
December 23, 2021

Crowe LLP
Independent Member Crowe Global

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, 2021. 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, 2021.

(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, 2021, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 23, 2021, 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

Los Angeles, California
February 11, 2022

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2021

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Award	Total	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
Federal Grants								
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 1-110 to Downtown LA	20.205	EA#07-278008L	$ 6,272,631	$ 215,464	$ 172,371	$ -	$ -	$ 43,093
Union Station Master Plan: Alameda Esplanade	20.205	07-6065F15-F022	2,150,000	2,463,608	1,792,414	-	-	671,194
Freight Advanced Traveler Information System (FRATIS)	20.205	ATCMTDL-6065(218)	3,000,000	1,154,596	577,298	-	-	577,298
I-605/SR-91 Interchange Improvements	20.205	07-5186	26,000,000	4,815,034	4,262,750	-	552,284	-
Direct Programs:								
Reconstruct Cabrillo Mole Terminal	20.205	CA-70-X017	2,400,000	96,137	76,910	76,910	-	19,227
Highway Planning and Construction Cluster Total			39,822,631	8,744,839	6,881,743	76,910	552,284	1,310,812
Passed through California High-Speed Rail Authority								
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants								
SC Regional Interconnector Pro	20.319	HSR15-170	18,726,102	7,135,404	5,897,823	-	-	1,237,581
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants Total			18,726,102	7,135,404	5,897,823	-	-	1,237,581
Direct Programs:								
Federal Transit Cluster:								
Federal Transit Capital Improvement Grants:								
Metro Rapid System	20.500	CA-03-0796	12,697,426	876,606	515,712	-	-	360,894
Trans Ctr / Bus Park & Shelters	20.500	CA-04-0088	5,570,560	918,746	734,997	734,997	-	183,749
Regional Connector Transit Corridor	20.500	CA-2016-046	504,900,000	200,766,323	137,417,161	-	-	63,349,162
Westside Purple Line Ext. - Section 1	20.500	CA-2016-017	597,710,967	213,803,412	88,019,625	-	-	125,783,787
Westside Purple Line Ext. - Section 2 CMAQ	20.500	CA-2016-045	169,000,000	44,964,266	39,089,552	-	-	5,874,714
Westside Purple Line Extension 2 -FFGA	20.500	CA-2016-047	500,000,000	201,725,964	106,797,509	-	-	94,928,455
Westside Purple Line Extension 3 -FFGA	20.500	CA-2019-170	397,710,967	295,609,839	168,621,478	-	-	126,988,361
Los Angeles Union Station/Cesar Chavez Bus Stop	20.500	CA-2016-123	1,668,557	412,775	330,220	-	-	82,555
Federal Transit - Capital Improvement Grants Total			2,189,258,477	959,077,931	541,526,254	734,997	-	417,551,677
Federal Transit - Formula Grants:								
Metro Rapid Bus Stations/Signal Priority	20.507	CA-90-Y261	24,195,370	3,243	1,626	-	-	1,617
Crenshaw/LAX Transit Project - CMAQ	20.507	CA-2020-018	33,100,000	37,388,456	33,100,000	-	-	4,288,456
Regional Connector - Construction	20.507	CA-95-X251	64,000,000	294,244	260,494	-	-	33,750
Systemwide Light Rail Vehicles	20.507	CA-2016-026	94,930,000	41,207,455	4,230,921	-	-	36,976,534
Pass / Ped. Enhancements and Improvements	20.507	CA-95-X227	2,996,000	58,727	46,982	46,982	-	11,745
Glendale Beeline CNG Mntc/Admn. Facility	20.507	CA-2018-095	2,267,538	270,063	266,311	266,311	-	3,752
FY2020 CMAQ and RSTP Bus Acquisition	20.507	CA-2020-139	150,500,000	160,827,413	105,861,043	-	-	54,966,370
COVID-19 - LACMTA FFY20 5307-06 CARES Act Grant - Operating Assistance and Preventive Maintenance	20.507	CA-2020-184	861,910,265	861,910,265	861,910,265	-	-	-
5307 LA Metro FY21 Rail Preventive Maintenance Vehicles	20.507	CA-2021-002	12,923,447	12,923,447	12,923,447	-	-	-
Federal Transit - Formula Grants Total			1,246,822,620	1,114,883,313	1,018,601,089	313,293	-	96,282,224
State of Good Repair Grants Program								
5337 LA Metro Rail Vehicle Midlife Overhauls	20.525	CA-2018-031	86,251,460	11,788,639	9,430,911	-	-	2,357,728
State of Good Repair Grants Program Total			86,251,460	11,788,639	9,430,911	-	-	2,357,728
Bus and Bus Facilities Formula Program								
Section 5339 Bus Overhauls	20.526	CA-2019-056	96,632,212	28,869,696	22,925,239	-	4,400,000	1,544,457
FY16/17 Section 5339 Bus Acquisitions, CNG Lease, Workforce Dev/Training, and Preventive Maintenance	20.526	CA-2018-062	43,491,979	1,475,967	654,754	-	-	821,213
Bus and Bus Facilities Formula Program Total			140,124,191	30,345,663	23,579,993	-	4,400,000	2,365,670
Federal Transit Cluster Total			3,662,456,748	2,116,095,546	1,593,138,247	1,048,290	4,400,000	518,557,299

(Continued)

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Award	Total	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
Direct Programs:								
Transit Services Programs Cluster								
Enhanced Mobility of Seniors and Individual with Disabilities								
Enhanced Mobility of Seniors and Individuals with Disability Program 5310 All	20.513	CA-16-X066	6,092,451	340,089	269,538	269,538	-	70,551
L.A. County Section 5310 Program Administration	20.513	CA-2018-029	1,043,894	285,784	285,784	-	-	-
LA County Section 5310 All Subrecipients FY17	20.513	CA-2018-065	9,207,811	692,697	586,117	584,692	-	106,580
L.A. County Section 5310 All Subrecipients - FY19	20.513	CA-2020-167	9,787,049	1,280,244	1,028,073	1,028,073	-	252,171
Enhanced Mobility of Seniors and Individual with Disabilities Total			26,131,205	2,598,814	2,169,512	1,882,303	-	429,302
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	854,860	854,860	-	-	-
Job Access and Reverse Commute Program. Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	147,366	73,683	73,683	-	73,683
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	570,227	570,227	570,227	-	-
LA County Job Access and Program Project - Capital/Operating Assist.	20.516	CA-37-X171	7,711,637	156,456	156,456	156,456	-	-
Job Access and Reverse Commute Program			36,966,391	1,728,909	1,655,226	800,366	-	73,683
New Freedom Program:								
New Freedom - Program Adm. FY06-12	20.521	CA-57-X003	2,152,346	331,205	331,205	-	-	-
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X100	7,354,678	447,604	223,802	223,802	-	223,802
New Freedom - Capital/Opertng Assist.	20.521	CA-57-X048	1,755,553	37,144	18,572	18,572	-	18,572
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X084	8,702,026	916,845	893,881	893,881	-	22,964
New Freedom Program Total			19,964,603	1,732,798	1,467,460	1,136,255	-	265,338
Transit Services Programs Cluster Total			83,062,199	6,060,521	5,292,198	3,818,924	-	768,323
Direct Programs:								
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	392,163	284,318	-	-	107,845
LA County and Puget Sound First / Last Mile Partnership with Lyft	20.514	CA-2017-018	1,350,000	3,054,085	106,396	-	-	2,947,689
Public Transportation Research, Technical Assistance, and Training Total			2,800,000	3,446,248	390,714	-	-	3,055,534
Federal Transit Administration Total			3,806,867,680	2,141,482,558	1,611,600,725	4,944,124	4,952,284	524,929,549
Direct Programs:								
Office of the Secretary								
National Infrastructure Investments								
Eastside Access Improvements	20.933	CA-79-0005	11,800,000	6,437,055	6,437,055	-	-	-
TIGER VII Rail to Rail Active Transportation Corridor Connector	20.933	CA-2017-103	15,000,000	8,813,709	465,817	-	8,000,000	347,892
National Infrastructure Investments Total			26,800,000	15,250,764	6,902,872	-	8,000,000	347,892
U.S. Department of Transportation Total			3,833,667,680	2,156,733,322	1,618,503,597	4,944,124	12,952,284	525,277,441
U.S. Department of Homeland Security:								
Direct Programs								
Rail and Transit Security Grant Program								
Transit Security Grant Program	97.075	EMW-2018-RA-0007	6,204,960	367,855	367,855	-	-	-
Transit Security Grant Program	97.075	EMW-2019-RA-0019	7,208,108	98,799	98,799	-	-	-
U.S. Department of Homeland Security Total			13,413,068	466,654	466,654	-	-	-
Total Federal Grants			$3,847,080,748	$2,157,199,976	$1,618,970,251	$ 4,944,124	$ 12,952,284	$ 525,277,441

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2021

Grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Award	Total	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
State Grants:								
I-405 Car Pool Lane		I-405 07-4826A-7_State_TCRP	$ 62,000,000	$ 945,818	$ -	$ -	$ 2,145,021	$ (1,199,203)
Prop 1B Security - FY 08-09		6161-0002	16,155,640	613,248	-	-	605,426	7,822
Prop 1B Security - FY 09-10		6261-0002	16,201,368	894,381	-	-	867,712	26,669
Green Line Extension (Redondo Beach - Torrance)		07A0034-21	9,000,000	7,453,010	-	-	2,303,881	5,149,129
Prop 1B Security - FY 11-12		6461-0002	16,103,043	6,316,070	-	-	9,688,265	(3,372,195)
Regional Rail Planning		HSR 14-28	750,000	4,640	-	-	4,640	-
Prop 1B Security - FY 12-13		6561-0002	16,103,043	16,103,039	-	-	16,103,039	-
Prop 1B Security - FY 13-14		6661-0002	18,984,186	18,984,186	-	-	18,984,186	-
Prop 1B Security - FY 14-15		6761-0002	16,103,043	2,289,797			2,289,797	-
Willowbrook/Rosa Parks Station Improvements		AB2766 MS16090	2,500,000	2,500,000			2,500,000	-
LCTOP_Metro Exposition (Expo) Phase 2 Operations		17-18-D7-113	197,322	197,322	-	-	197,322	-
LCTOP_Metro Gold Line Foothill Extension Phase 2A Operations		17-18-D7-114	197,322	197,322	-	-	197,322	-
LCTOP_Metro Exposition (Expo) Phase 2 Operations		18-19-D07-128	141,835	141,835	-	-	141,835	-
LCTOP_Metro Gold Line Foothill Extension Phase 2A Operations		18-19-D07-129	209,242	209,242	-	-	209,242	-
West Santa Ana Branch Transit Corridor (WSAB)		07A0034-18	18,500,000	12,224,632	-	-	4,373,226	7,851,406
TAP FAREBOX UPGRADE		07A0034-19	8,201,000	241,778	-	-	120,889	120,889
TAP FAREBOX UPGRADE		07A0034-19 A1	14,299,000	1,219,804	-	-	609,902	609,902
TAP FAREBOX UPGRADE		07A0034-20 A1	5,000,000	2,502,034	-	-	1,251,017	1,251,017
Greenhouse Gas Reduction Funds (GGRF)		ATPL-6065(222)	259,000	94,189	-	-	94,189	-
Rosecrans/Marquardt Grade Separation Project		HSR17-19	76,665,000	11,998,697	-	-	11,874,943	123,754
STIP PPM19-6065(233)		STIP PPM 2018-2019 19-6065 (233)	2,309,000	3,525,390	-	-	2,309,000	1,216,390
SR-57/60 Confluence Choke Point		07-5124	22,000,000	9,505,342	-	-	6,463,291	3,042,051
Metro Electric Bus Charging Infrastructure Project		19-20-D07-113	39,098,039	8,452,680	-	-	8,452,680	-
New or Expanded Service by the Metro Freeway Service Patrol		FSP18SB1-6065(228)	8,643,658	3,272,385	-	-	3,272,385	-
STIP PPM20-6065(242)		STIP PPM 2019-2020 20-6065 (242)	2,308,000	53,807	-	-	53,807	-
Total State Grants			$ 371,928,741	$ 109,940,648	$ -	$ -	$ 95,113,017	$ 14,827,631

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

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)

NOTE 6 – PRIOR YEAR EXPENDITURES

In accordance with Government Accounting Standards Board (GASB) guidance, expenditure-driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed. As a result, $650,643,167 of expenditures reported on the Schedule were incurred in fiscal year 2020.

SECTION I – 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?	__X__ Yes ____ 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:	
ALN 20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
ALN 20.500 / 20.507 / 20.525 / 20.526	Federal Transit Cluster
ALN 20.513 / 20.516 / 20.521	Transit Services Programs Cluster
Dollar threshold used to distinguish type A and B programs:	$ 4,856,911
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Accounting for Acquisition Expenditure Accruals (Significant Deficiency)

Criteria

Generally accepted accounting principles require entities to record liabilities and related expenses that result from exchange transactions when goods or services have been received in exchange for a promise to compensate the vendor or service provider. Liabilities are defined as present obligations to sacrifice resources that the government has little or no discretion to avoid. Management should have internal controls in place to ensure that such liabilities and expenses are fairly stated.

Condition

During our testing of account payable, we identified two payments made in July 2021 and accrued as of June 30, 2021 to the State of California Condemnation Fund relating to 3 parcels of land. Based on supporting documentation, the two payments were deposits initiated at the discretion of LACMTA in order to begin the process of acquiring the properties, and therefore did not represent obligations of LACMTA as of June 30, 2021.

Cause

Management did not properly identify the date at which the expenditure became an obligation of LACMTA, causing the expenditure to be recorded in the improper period. The payment was accrued in fiscal year 2021 based on the date of the related internal legal memoranda. However, since the expenditure related to a condemnation deposit and not typical goods or services, the expenditure was not an obligation to LACMTA prior to payment, nor had LACMTA acquired the properties prior to June 30, 2021.

Effect

Liabilities and expenditures of the Measure R fund were overstated by $53.7 million. Management posted an audit adjustment to correct the error.

Recommendation

We recommend that the accounts payable department only accrue invoices for goods or services that have already been received or for other present obligations that the government has little or no discretion to avoid. We also recommend additional layers of review over material balance accruals, especially during the year-end closing process, to ensure that cutoff of accounts payable is appropriate.

Management's Response

We concur with the recommendation. Management will ensure to only accrue invoices for goods or services that have already been received or for other present obligations that the government has little or no discretion to avoid. Also, additional layers of review will be implemented over material balance accruals during the year-end closing process to ensure that cutoff of accounts payable is appropriate.

(Continued)

Finding 2021-002 – Accounting for Unavailable Revenue (Significant Deficiency)

Criteria

The modified accrual basis of accounting requires that revenues are recognized in the accounting period in which they become susceptible to accrual, defined as when they become both measurable and available to finance expenditures of the fiscal period. LACMTA's accounting policy considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Condition

Our testing of intergovernmental revenue and receivables identified 5 invoices that were recognized as revenue in the fiscal year but were not collected within 90 days of the fiscal year end. The errors we totaled $1.8 million for the general fund, $4.6 million for the Measure M fund, and $9.6 million for the Measure R fund. After initially communicating the error, management identified an additional $0.5 million error in the general fund.

Cause

Management's process for identifying and analyzing balances for revenue deferral solely included the balances of billed receivables. Unbilled receivable balances were not reviewed.

Effect

Revenue was overstated and deferred inflows of resources for deferred revenue were understated by $2.3 million in the general fund. Management posted an adjustment to correct the error in the general fund. Revenue is overstated and deferred inflows of resources for deferred revenue are understated by $4.6 million in the Measure M fund and $9.6 million in the Measure R fund.

Recommendation

We recommend that management review the collection dates for balances for both billed and unbilled receivables as of fiscal year end to identify deferred revenues for adjustment. Management should ensure that these post-closing adjustments are reviewed and approved for both accuracy and completeness.

Management's Response

We concur with the recommendations. Management will ensure a more thorough process is established to review the collection dates for balances for both billed and unbilled receivables as of fiscal year end to identify deferred revenues for adjustment. Management will also ensure that these post-closing adjustments are reviewed and approved for both accuracy and completeness.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

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, 2021

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the attached procedures on the Federal Funding Allocation Statistics Form FFA-10 (FFA-10), related to the District's compliance with the Federal Transit Administration's (FTA) Declarations section of the 2021 Policy Manual and 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, as of June 30, 2021. LACMTA management is responsible for compliance with those requirements.

LACMTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating assisting users in understanding compliance with the above specified requirements. Additionally, FTA has agreed to and acknowledged that the procedures are appropriate to meet their purposes. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures and reporting on findings based on the procedures performed.

The procedures and the associated findings are in Attachment A.

We were engaged by LACMTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. 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.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors, the management of LACMTA, and the FTA 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
February 7, 2022

The procedures below 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 LACMTA for the fiscal year ending June 30, 2021 for each of the following modes:

- Motor Bus – directly operated (MB-DO)
- Motor Bus – purchased transportation (MB-PT)
- Rapid Bus – directly operated (RB-DO)
- Heavy Rail – directly operated (HR-DO)
- Light Rail – directly operated (LR-DO)
- Vanpool – purchased transportation (VP-PT)
- Demand Response – directly operated (DR DO)

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 2021 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

Findings: Procedure 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 2021 Policy Manual.

Findings: Procedure 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).

Findings: Procedure 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.

Findings: We selected a haphazard sample of 276 source documents from all modes and from several different months in fiscal years 2020, 2019, and 2018 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.

Demand response program began in December 2020, therefore for DR DO no prior year documents.

(Continued)

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.

Findings: 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.

Findings: We selected a haphazard sample of 85 source documents, noting the documents that required approval included approval on all source documents. Step performed without exception.

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.

Findings: 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.

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 2021 Policy Manual.

Findings: For rail and van pool modes, LACMTA utilized a statistical sampling method as described in FTA Circulars 2710.1A. For bus and demand response modes, LACMTA 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 (2020) 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.

Findings: Per inquiry with LACMTA management, LACMTA 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, LACMTA conducts statistical sampling annually as described in procedure h.

(Continued)

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

Findings: 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.

Findings: We selected a haphazard sample of 66 source documents across all modes from all twelve months in fiscal year 2021, used for accumulating passenger miles traveled (PMT) data. 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.

Findings: 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.

Findings: Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, LACMTA uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles.

We selected a haphazard sample of 160 source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception for the MB-DO, RB-DO, HR-DO, LR-DO and DR-DO modes.

For MB-PT, we recalculated total deadhead miles of 729,185 compared to the S-10 deadhead miles of 730,175, resulting in a variance of 990 miles.

(Continued)

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.

Findings: 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.

Findings: Step performed without exception.

p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that 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.

Findings: 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.

Findings: Per inquiry of management, no temporary interruptions in transit service occurred in fiscal year 2021.

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

Findings: Step performed without exception.

(Continued)

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.

Findings: Per inquiry of management, LACMTA is the approved operator for all their FG and LACMTA 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 2020 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 2020 report year, the Agency Revenue Service Date must occur within the transit agency's 2020 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.

Findings: We obtained the FG/HIB segments form. No new segments were added in fiscal year 2021.

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

Findings: We compared the operating expenses to the draft financial data presented for audit without exception for MB-DO, MB-PT, VP-PT, HR-DO, LR-DO and RB-DO.

For DR-DO, the financial data reported $17,286,869 and FFA-10/F30 reported $17,285,579 for a variance of $1,290.

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

Findings: For MB-PT we compared the PT fare revenues to the B-30 form without exception. This procedure is not applicable for the VP-PT.

w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

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

x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation 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.

Findings: 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 LACMTA 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 LACMTA'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.

Findings: Per management, LACMTA 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.

Findings: We compared and agreed the data reported on the FFA-10 form to comparable data for the prior report year and calculated the percentage change from the prior year to the current year.

The following changes outside the threshold were identified for each mode. For all changes identified, we inquired to LACMTA and documented the explanations for the variances.

- **MB-DO VRM, PMT and OE decreased greater than 10%**
- **MB-PT VRM and PMT decreased greater than 10%**
- **RB-DO VRM and PMT decreased greater than 10%; RB DO OE increased greater than 10%**
- **HR-DO PMT decreased greater than 10%**
- **LR-DO VRM and PMT decreased greater than 10%**
- **VP-PT VRM, PMT and OE decreased greater than 10%**

Demand response program began in December 2020, therefore for DR DO no prior year data to compare.

(Continued)

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.

Findings: Step performed without exception.

Crowe

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY

50% EXPENDITURE LIMITATION SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY

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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, 2021.

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, 2021.

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, 2021, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 23, 2021, 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 23, 2021

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in thousands)

1 Total operating cost	$	1,736,774
2 Total capital requirements		1,947,098
3 Total debt service		720,776
4 Total of lines 1, 2, and 3		**4,404,648**
5 Less federal grant received		1,614,099
6 Less State Transit Assistance (STA) funds received		140,403
7 Total of lines 5 and 6		**1,754,502**
8 Total of line 4 less line 7		**2,650,146**
50% of line 8		1,325,073
Total permissible Local Transportation Fund expenditures	**$**	**1,325,073**

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, 2021

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

TRANSPORTATION DEVELOPMENT ACT

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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]) and SB1 State of Good Repair that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2021.

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, 2021.

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, 2021, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 23, 2021, 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

Los Angeles, California
December 23, 2021

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

TRANSPORTATION DEVELOPMENT ACT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021
(Amounts expressed in thousands)

Revenues:	**Planning**	**Administration**	**Total**
Local grants and contracts	$ 6,009	$ 3,193	$ 9,202
Expenditures:	6,009	3,193	9,202
Excess of revenues over expenditures	—	—	—
Other financing uses;			
Transfer out	—	—	—
Net change in fund balance	—	—	—
Fund balance – beginning of year	—	—	—
Fund balance – end of year	$ —	$ —	$ —

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

NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2021

(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.

(3) State of Good Repair

Total State of Good Repair (SGR) funds received for the year totals $33,467,347 consisting of $14,584,090 for PUC Section 99313 and $18,883,257 for PUC Section 99314. Total expenditures and transfers out are $15,195,696 and $14,316,963 for PUC Sections 99313 and 99314 respectively.

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

Financial Statements

Fiscal Years Ended June 30, 2021 and 2020

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

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Crowe LLP
Independent Member Crowe Global

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, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

(Continued)

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, 2021 and 2020, and the changes in its 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, 2021 and 2020, 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, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers, as listed in the table of contents, have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 8, 2021 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 the effectiveness of STA Fund's 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 STA Fund's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Los Angeles, California
December 8, 2021

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, 2021, 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 8, 2021. 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 accordance 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) as a basis for designing 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the STA Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

Crowe LLP

Los Angeles, California
December 8, 2021

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, 2021 and 2020. 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.

2021 Financial Highlights

- Sales tax revenues for the fiscal year decreased by $38,409 or 19.37% compared with prior year. Despite an average increase of 3.00% in the first quarter over the same period last year, sales tax revenues dropped an average of 25% in the last three quarters compared to the same quarters of FY20. The decrease in sales tax during the 2nd & 3rd quarters of FY21 may be attributed in part to decreased travelling, many businesses closed or operating at reduced hours as mandated due to the COVID 19 pandemic and unemployment.
- Actual sales tax revenues in FY21 totaled $159,881 was higher by $1,662 or 1.05% than the original and final budget of $158,219 which was projected at 20% lower than FY20 actual revenues.
- Total transfers out decreased by $71,306 or 33.68% compared to prior year mainly due to decrease in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also decreased by $14,228 or 36.29% over FY20 in anticipation of decreased sales tax revenues over the prior year.

2020 Financial Highlights

- Sales tax revenues for the year increased by $2,418 or 1.23% compared with prior year. Despite an average increase of 3.00% in the first three quarters over the same period last year, sales tax revenues dropped more than 12% in the last quarter compared to the third quarter of FY20 or a 3% decrease compared to the same period in FY19. The decrease in sales tax during the last quarter of FY20 may be attributed in part to decreased travelling resulting from coronavirus lockdowns and stay-home orders due to the COVID 19 pandemic.

- Actual sales tax revenues in FY20 totaled $198,290 was lower by $17,533 or 8.12% than the original and final budget of $215,823 which was projected at 10% higher than FY19 actual revenues. Actual receipts decreased 3% during the period of April through June 2020 as compared to the same period in FY19, and decreased 12% over the revenues compared to the third quarter of FY20.
- Total transfers out decreased by $71,306 or 33.68% compared to prior year mainly due to decrease in subsidies for Metro's rail operations and maintenance costs, while transportation subsidies to cities/other agencies also decreased by $14,227 or 36.28% over FY20 due to lower subsidy allocations in FY21.

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, 2021, 2020, and 2019. 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

	2021	2020	2019
Total assets	$ 116,799	$ 123,284	$ 103,909
Total liabilities	93,198	94,573	24,038
Fund balances	23,601	28,711	79,871
Total liabilities and fund balances	$ 116,799	$ 123,284	$ 103,909

Total assets decreased by $6,485 or 5.26% as of June 30, 2021 compared to June 30, 2020 primarily due to the decrease in sales receipts and lower sales tax and interest receivables. Total liabilities decreased by $1,375 or 1.45% as of June 30, 2021 compared to June 30, 2020 mainly due to the decrease in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

Total assets increased by $19,375 or 18.64% as of June 30, 2020 compared to June 30, 2019 primarily due to collection of sales tax receivables in prior year in addition to the timing of payment of accounts payable and accrued liabilities due at year-end. Total liabilities increased by $70,535 or 293.43% as of June

30, 2020 compared to June 30, 2019 mainly due to increase in interfund payable to the Enterprise Fund resulting from the timing of interfund transfers of subsidies allocated for bus and rail operations and maintenance and an increase in accounts payable and accrued liabilities also attributed to timing of payments of subsidies due at year-end.

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

	2021	2020	2019
Revenues	$ 160,276	$ 199,760	$ 197,998
Expenditures and other financing uses of funds	(165,386)	(250,920)	(223,556)
Net change in fund balances	(5,110)	(51,160)	(25,558)
Fund balances – beginning of year	28,711	79,871	105,429
Fund balances – end of year	$ 23,601	$ 28,711	$ 79,871

Total revenues decreased by $39,484 or 19.77% during fiscal year 2021 compared to fiscal year 2020. Despite an average increase of 2.81% in the first quarter over the same period last year, sales tax revenues dropped an average of 25% in the last three quarters compared to the same quarters of FY20. Expenditures and other financing uses decreased by $85,534 or 34.09% during fiscal 2021 compared to fiscal year 2020 mainly due to decrease in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and a decrease in local transportation subsidies claims by the cities/other local transportation agencies.

Total revenues increased by $1,762 or 0.89% during fiscal year 2020 compared to fiscal year 2019. Despite more than 3% average increase in sales tax revenues in the first three quarters of FY20 compared to the same period of FY19, it decreased 12% in the fourth quarter compared to the third quarter or a 3% decrease over the same period of FY19. Expenditures and other financing uses increased by $27,364 or 12.24% during fiscal 2020 compared to fiscal year 2019 mainly due to higher bus and rail operating subsidies transferred to the LACMTA Enterprise Fund, and an increase in local transportation subsidies paid to the cities/other local transportation agencies

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Balance Sheets
June 30, 2021 and 2020
(Amounts expressed in thousands)

	2021	2020
Assets		
Cash and cash equivalents	$ 36,558	$ 72,926
Interest receivable	95	258
Sales tax receivable	41,214	50,100
Due from other funds	38,932	-
Total assets	116,799	123,284
Liabilities		
Accounts payable and accrued liabilities	6,861	10,185
Due to other funds	86,337	84,388
Total liabilities	93,198	94,573
Fund balances		
Restricted	23,601	28,711
Total liabilities and fund balances	$ 116,799	$ 123,284

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, 2021 and 2020
(Amounts expressed in thousands)

	2021	2020
Revenues:		
Sales tax	$ 159,881	$ 198,290
Investment income	395	1,470
Total revenues	160,276	199,760
Expenditures:		
Transportation subsidies	24,983	39,211
Excess of revenues over expenditures	135,293	160,549
Other financing uses:		
Transfers out	(140,403)	(211,709)
Net change in fund balances	(5,110)	(51,160)
Fund balances - beginning of year	28,711	79,871
Fund balances - end of year	$ 23,601	$ 28,711

See accompanying notes to financial statements.

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, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

(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, 2021 and 2020, the STA Fund had receivables of $41,214 and $50,100 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 $36,558 at June 30, 2021 and $72,926 at June 30, 2020. 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, 2021 and 2020.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR 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, 2021 and 2020, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for $86,337 and $84,388, respectively, for various unpaid operating and capital subsidies. Due from other funds mainly from Enterprise Fund is $38,932 as of June 30, 2021 and none as of June 30, 2020.

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, 2021 and 2020, the STA Fund transferred $140,403 and $211,709 to LACMTA Enterprise Fund, respectively.

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, 2021 and 2020, the STA Fund received an allocation of $159,881 and $198,290 respectively.

6. Payable to Cities and Jurisdictions

As of June 30, 2021 and 2020, the STA Fund had accrued liabilities to various cities and other jurisdictions of $6,861 and $10,185, 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, 2021

	Original Budget	**Final Budget**	**Actual**	**Variance with Final budget**
Revenues:				
Sales tax	$ 158,219	$ 158,219	$ 159,881	$ 1,662
Investment income	—	—	395	395
Total revenues	158,219	158,219	160,276	2,057
Expenditures:				
Transportation subsidies	28,074	28,074	24,983	3,091
Excess of revenues over expenditures	130,145	130,145	135,293	5,148
Other financing sources (uses):				
Transfers out	(179,711)	(179,711)	(140,403)	39,308
Net change in fund balances	(49,565)	(49,565)	(5,110)	44,455
Fund balances – beginning of year	28,711	28,711	28,711	—
Fund balances – end of year	$ (20,854)	$ (20,854)	$ 23,601	$ 44,455

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Schedule of Allocations (Unaudited)
Fiscal years ended June 30, 2021 and 2020
(Amounts expressed in thousands)

CCR Code	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	2021 Total	2020 Total
Arcadia	$ 89	$ —	$ —	$ 89	$ 118
Claremont	32	—	—	32	45
Commerce	109	—	—	109	153
Culver City	1,357	—	—	1,357	1,873
Foothill Transit	6,309	—	—	6,309	8,695
Gardena	1,372	—	—	1,372	1,904
La Mirada	26	—	—	26	35
Long Beach	5,984	—	—	5,984	8,203
LACMTA	70,148	—	76,232	146,380	201,818
Montebello	2,101	—	—	2,101	2,879
Norwalk	804	—	—	804	1,107
Redondo Beach	192	—	—	192	262
Santa Monica	5,090	—	—	5,090	7,035
Torrance	1,613	—	—	1,613	2,223
Antelope Valley	706	—	—	706	886
LADOT	1,372	—	—	1,372	1,695
Santa Clarita	622	—	—	622	800
Foothill –BSCP	296	—	—	296	376
Total STA fund allocations	$ 98,222	$ —	$ 76,232	$ 174,454	$ 240,108

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

Schedule of Expenditures and Transfers (Unaudited)
Fiscal years ended June 30, 2021 and 2020
(Amounts expressed in thousands)

	FY2021				FY2020			
CCR Code	**Operating 6730(a)**	**Capital 6730(b)**	**Rail 6730(c)**	**Total**	**Operating 6730(a)**	**Capital 6730(b)**	**Rail 6730(c)**	**Total**
Arcadia	$ 68	$ —	$ —	$ 68	$ 54	$ —	$ —	$ 54
Claremont	27	—	—	27	20	—	—	20
Commerce	146	—	—	146	113	3	—	116
Culver City	1,173	—	—	1,173	1,873	—	—	1,873
Foothill Transit	6,605	—	—	6,605	9,071	1,798	—	10,869
Gardena	1,372	—	—	1,372	1,904	—	—	1,904
La Mirada	20	—	—	20	16	17	—	33
Long Beach	5,984	—	—	5,984	8,203	—	—	8,203
LACMTA	70,148	—	70,255	140,403	96,667	—	115,042	211,709
LADOT	—	—	—	—	1,695	—	—	1,695
Montebello	1,199	—	—	1,199	1,744	—	—	1,744
Norwalk	804	—	—	804	1,107	—	—	1,107
Redondo Beach	258	2	—	260	197	—	—	197
Santa Clarita	622	—	—	622	800	—	—	800
Santa Monica	5,090	—	—	5,090	7,035	1,338	—	8,373
Torrance	1,613	—	—	1,613	2,223	—	—	2,223
Total expenditures & transfers	$ 96,824	$ 2	$ 70,255	$ 165,386	$132,722	$ 3,156	$ 115,042	$ 250,920

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, 2021 and 2020, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated December 8, 2021.

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

Crowe LLP

Los Angeles, California
December 8, 2021

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Financial Statements and Supplementary Information

June 30, 2021

(With Independent Auditor's Report Thereon)

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

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Crowe LLP
Independent Member Crowe Global

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, 2021 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.

(Continued)

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, 2021, and the changes in financial position 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 December 8, 2021 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 the effectiveness of SAFE's 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 SAFE's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Los Angeles, California
December 8, 2021

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statement of Net Position
June 30, 2021
(Amounts expressed in thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 20,383
Investments	12,039
Intergovernmental receivable	1,398
Interest receivable	50
Total assets	33,870
Liabilities:	
Accounts payable and accrued expenses	1,105
Total liabilities	1,105
Net position:	
Restricted for motorist aid system projects	32,765
Total net position	**$** 32,765

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, 2021
(Amounts expressed in thousands)

		Governmental Activities
Program expenses, net of revenues:		
Transit operations:		
Congestion relief operations	$	4,942
Total program expenses		4,942
General revenues:		
License fees		8,314
Investment income		(52)
Other		-
Total general revenues		8,262
Change in net position		3,320
Net position – beginning of year		29,445
Net position – end of year	**$**	32,765

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, 2021
(Amounts expressed in thousands)

		Special Revenue Fund
Assets:		
Cash and cash equivalents	$	20,383
Investments		12,039
Intergovernmental receivable		1,398
Interest receivable		50
Total assets	$	33,870
Liabilities:		
Accounts payable and accrued liabilities		1,105
Fund balance:		
Restricted for motorist aid system projects		32,765
Total liabilities and fund balance	$	33,870

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 Fiscal year ended June 30, 2021
(Amounts expressed in thousands)

		Special Revenue Fund
Revenues:		
License fees	$	8,314
Investment loss		(52)
Other		-
Total revenues		8,262
Expenditures:		
Administration and other transportation projects		4,942
Total expenditures		4,942
Net change in fund balance		3,320
Fund balance – beginning of year		29.445
Fund balance – end of year	**$**	**32,765**

See accompanying notes to the basic financial statements.

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.

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.

(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 on a generally accepted accounting principles (GAAP) basis.

(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, 2021, SAFE has a receivable for license fees of $1,398.

(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, 2021.

(2) Cash and Investments

The following is a breakdown of SAFE's cash and investments as of June 30, 2021.

LACMTA investment pool	$	31,670
Los Angeles County investment pool		752
Total	$	32,422

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, 2021. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Annual Comprehensive Financial Report (ACFR). A copy of the LACMTA's ACFR 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, 2021. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR 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 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, 2021, 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, 2021, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

(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 $2,918 of outstanding contractual commitments as of June 30, 2021 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 Fiscal year ended June 30, 2021
(Amounts expressed in thousands)

	Original Budget*	Final Budget*	Actual	Variance with Final Budget
Revenues:				
License fees	$ 7,500	$ 7,500	$ 8,314	$ 814
Investment income	25	25	243	218
Net appreciation in fair value of investments	—	—	(295)	(295)
Total revenues	**7,525**	**7,525**	**8,262**	**737**
Expenditures:				
Administration and other transportation projects	7,436	7,437	4,942	2,495
Total expenditures	**7,436**	**7,437**	**4,942**	**2,495**
Net change in fund balance	89	88	3,320	3,232
Fund balances – beginning of year	29,445	29,445	29,445	—
Fund balances – end of year	**$ 29,534**	**$ 29,533**	**$ 32,765**	**$ 3,232**

*Budget prepared in accordance with GAAP.

Crowe

Crowe LLP
Independent Member Crowe Global

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, 2021, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 8, 2021.

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) as a basis for designing 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 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAFE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

Crowe LLP

Los Angeles, California
December 8, 2021

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

LOW CARBON TRANSIT OPERATIONS PROGRAM
COMPLIANCE REPORT

Fiscal year ended June 30, 2021

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, 2021.

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, 2021.

(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 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

Los Angeles, California
December 23, 2021

Los Angeles County
Metropolitan Transportation Authority
California

FY21

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

Metro

Los Angeles County Metropolitan
Transportation Authority
Los Angeles, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

Metro

Prepared by the
Accounting Department

Nalini Ahuja, Chief Financial Officer
Jesse Soto, Controller

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Metro

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2021

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INTRODUCTORY SECTION

Los Angeles County
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952
213.922.2000
metro.net

December 23, 2021

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

Dear Honorable Board of Directors:

Subject: Annual Comprehensive Financial Report

The Annual Comprehensive Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2021 is submitted herewith. State law requires LACMTA to publish a complete set of audited financial statements within six months of the close of each fiscal year.

LACMTA is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Uniform Guidance. Information related to the Single Audit, including the Schedule of Federal and State awards, findings, and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe LLP, a firm of licensed Certified Public Accountants, has audited the LACMTA's financial statements. The main goal of the independent audit is to provide reasonable assurance that the financial statements of LACMTA as of and for the fiscal year ended June 30, 2020 are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion on LACMTA's financial statements as of and for the fiscal year ended June 30, 2021. The independent auditor's report is located in the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal controls. Because the cost of internal control should not exceed anticipated benefits, the objective of the controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

Management's Discussion and Analysis (MD&A), shown on pages 19 to 41, provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

LACMTA was created by State of California Assembly Bill 152, *Los Angeles County Metropolitan Transportation Authority Reform Act of 1992*, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as a planner, coordinator, designer, builder, operator and funding partner of the transportation network serving the most populous county in the nation. As one of the largest providers of public transportation in the United States, LACMTA's coordinated systems have about 195.4 million bus and rail boardings in FY 2021 within its 4,093-square-mile service area.

LACMTA's financial reports include the activities of the Public Transportation Services Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE). Although they are legally separate entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY22 Budget - LACMTA starts the financial cycle by reviewing current year budget variances (both revenue and expense) in order to gauge past performance and anticipated future funding demands. The annual budget process begins with the Planning Parameters presented to the board in January or February. The parameters include estimated revenue and expense growth assumptions, service levels, construction project cash flows and funding availability based on information available at the time the Board Report is composed. Extensive public outreach efforts are conducted from February through May to obtain feedback from LA County taxpayers on the Budget followed by a public hearing in May with Board Adoption targeted for May each year.

Budget Summary

The $8.0 billion FY22 adopted budget is $2.0 billion or 33.0% more than the FY21 budget.

As the nation gradually recovers from the unexpected economic downturn caused by COVID-19, LACMTA approaches FY22 well equipped to transport the Los Angeles County region into a forward-looking post-pandemic future. Thanks to the accelerated roll out of COVID-19 vaccinations and anticipated economic recovery, as well as the continuation of federal stimulus for public transportation via the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, the $8.0 billion FY22 Proposed Budget gives an optimistic outlook for the coming year. In response to immediate financial challenges arising from the pandemic, transit service levels were temporarily reduced in FY21 to align service with on-street realities. This reduction is being reversed in FY22 as LACMTA Transit operations restore bus and rail services to pre-pandemic levels, and as more sectors of the economy continue to open and people slowly return to transit.

LACMTA is committed to providing the region a vital mobility option that considers enhanced service for all riders. The plan for FY22 includes transit service improvements designed to support ridership recovery. NextGen's network changes, speed and reliability improvements, along with the expansion of Metro Micro (MicroTransit) to nine zones will be fully implemented in FY22. Also, significant investments in the Better Bus Program and the critical elements for enhancing mobility will begin to be implemented. We will also reach a major milestone in the expansion of Metro rail, as we prepare for the openings of Crenshaw/LAX and Regional Connector. These new lines will completely change intercity and intracity rail transportation, significantly improving connectivity across our region.

Our expanding system will also be enhanced through fundamental changes in safety and security. In response to recent calls for security reform and the reassessment of law enforcement contracts, a Public Safety Advisory Committee (PSAC) has been established to develop a community-based approach to public safety, and together with System Security & Law Enforcement, will bring forth recommendations for Board consideration. Our commitment to invest in public safety and homeless initiatives will improve the customer experience, which is essential for ridership recovery.

The proposed $8.0 billion budget for FY22 is balanced and focuses on recovery from the ongoing COVID-19 pandemic through an equity lens. This year's budget outlook is slightly more optimistic, representing a 33.0% increase over the FY21 levels. This increase is primarily due to additional funding from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, which provides essential supplemental Federal relief funding to LACMTA and other transit operators in the region. Without the CRRSA Act, restoring transit services to pre-pandemic levels would not be possible.

In the FY22 transit operations plan, bus and rail services will be restored back to pre-COVID-19 levels by September 2021, per Board Motion 27.1 adopted in February 2021, with additional customer service enhancements. In response to the Motion, service restoration is the top priority for FY22 budget development. Also included in the FY22 proposed service plan are capitalizable prerevenue service hours for the new Metro rail extensions: Crenshaw/LAX and Regional Connector. This supports an effort to bring multiple rail lines into revenue service at the same time. LACMTA Transit's capital improvement program to maintain the existing transit system in a safe and reliable condition is called State of Good Repair (SGR). It includes funds to maintain, upgrade, and modernize assets and infrastructure throughout the transit system.

The total proposed budget for the SGR program is $442.3 million. It includes funds for maintaining, upgrading, and modernizing assets and infrastructure throughout the transit system. The largest investments this year focus on the purchase of new buses and rail cars, along with the modernization of existing buses and rail cars. The combined FY22 Proposed Budget for Transportation Infrastructure Development (TID) and Regional Rail programs is $3.2 billion, an increase of $635.5 million, or 24.3% from the FY21 Budget. The biggest factor for this increase can be attributed to various projects moving into the construction phase, the costliest phase of project delivery.

The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed, providing essential funding to maintain transit services and lost revenues. Following the intent of the CARES Act, LACMTA utilized these funds to maintain transit services and preserve jobs. Appendix VI provides a summary of how the CARES Act funding was used. In December 2020, provision of supplemental revenue to augment bus and rail eligible funds. The Southern California Association of Governments (SCAG) Regional Council approved the distribution of $911.5 million to Los Angeles County. A total of $776.4 million is allocated to LACMTA to facilitate fund exchanges for transit operator allocations, with $682.5 million for Metro Transit and $93.9 million to Tier 2 Operators, Metrolink, Access Services, and Regional Paratransit/ Voluntary Reporters.

Budgetary Controls - LACMTA's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. The budgetary control for capital projects is at the life-of-project level and thus the funding commitment does not lapse at the end of each fiscal year. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

The Board of Directors (Board) approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation. The budget includes operating, capital, regional funding, and other components necessary to implement the policy directions contained in previously Board-adopted long-term plans such as the Long Range Transportation Plan (LRTP) and the more detailed Short Range Transportation Plan (SRTP). In addition to operating its own services, LACMTA funds other municipal bus operators, commuter rail services, ADA paratransit, Metrolink, Access Services, and a wide array of transportation projects.

Local Economy

As recently reported by the Los Angeles Economic Development Corporation (LAEDC), the exogenous, single-event shock of a global pandemic caused by the highly contagious novel coronavirus (herein "COVID-19") initiated a rapid paradigm shift. Life came to a grinding halt as governments across the globe acted to reduce transmission of the deadly virus. As a result, the flow of economic activity was stanched seemingly overnight across many industries. Global supply chains were interrupted by factory closures and quarantines. Travel restrictions flatlined both international and domestic tourism, business travel, and related spending. Public gatherings were prohibited, suspending many forms of entertainment and recreation. Consumer spending rapidly fell in the United States as businesses were forced to close their doors to the public in order to limit infection. Almost instantaneously, we found ourselves entangled in the "shock and awe" of a COVID-19 recession induced by the global health crisis.

Last year, we noted how the sustained top-line economic and GDP growth, full employment and stock market highs leading up to the pandemic were not translating into prosperity for all; there were deeper levels to the economic story that needed to be further unpacked, which were laid bare by the secondary effects of the COVID-19 pandemic in 2020. We highlighted the need for those engaged in economic development to construct more resilient, industrially diverse and inclusive economic systems to provide defense against uncertain futures, to offer economic security and assistance to those most vulnerable to economic shocks and to connect more of our region's residents to the industrial drivers of our economy.

COVID-19 has only increased the severity of pre-existing challenges and inequalities in Los Angeles County, and if left unchecked, it may continue to do so for years to come. The economic impact of COVID-19 has been highly variable depending on the segment of the population and economy involved. Low-income workers have been experiencing job loss at disproportionately high rates, small businesses are closing at higher levels due to drastically decreased revenues and low levels of liquidity, and non-essential service industries that rely on person-to-person interaction are faring worse than essential industries and knowledge-based industries which were able to transition to remote work. Women are leaving the labor force at a higher rate, likely to care for and oversee the education of their children engaged in online learning at home. Meanwhile, minorities continue to be disproportionately impacted by the virus in terms of cases, deaths, jobs lost and business insolvencies, as many minority business owners have been forced into high-risk, low-margin sectors such as food service due to structural distortions that existed long before the pandemic, such as limited access to financial capital.

Mass inoculation against the COVID-19 virus is a clear and viable solution to the current public health crisis. Solving the subsequent economic crisis will prove much more difficult, especially as the pandemic has perhaps permanently changed the nature and place of work.

As vaccines have been rolled out across the nation, the federal reserve has enacted expansionary monetary policy in light of the deep recessionary effects of the pandemic and interest rates are expected to remain low for the foreseeable future. A new administration in the White House portends upcoming changes that address climate change and systemic issues such as racial and socioeconomic disparities. The House of Representatives recently passed the Senate-amended budget resolution, and a reconciliation bill for the COVID-19 rescue package is being drafted which will provide much-needed support to businesses and households negatively impacted by COVID-19. The optimism related to a new stimulus bill and vaccine distribution has had a positive impact on the stock market as of late. Still, it will take years for the economy to fully recover, especially for those who have been hit the hardest, and there are potential clouds looming on the horizon, such as the prospect of inflation and overheating valuations in certain asset classes

At the onset of 2020, the Los Angeles County economy was enjoying a long and unprecedented expansionary period where economic fundamentals were strong, and the chance of a recession was low. Circumstances changed rapidly by the end of the first quarter, overturning all forecasts of growth and stability. As with other jurisdictions across the nation, Los Angeles County's "Safer At Home" order issued on March 19, 2020, required mandated closures and restrictions for businesses; bars, gyms, schools, and entertainment centers were forced to close, with restaurants limited to take-out and delivery services only. Restrictions began to relax towards the end of May 2020, authorizing businesses to reopen in phases or tiers, but two separate surges in the number of cases resulted in reinstated restrictions in July and November, which impacted the trajectory of the county's economic recovery. Currently, Los Angeles County has reported over 1 million COVID-19 cases since the onset of the pandemic, with about 1 in every 10 Angelinos documented as having contracted the virus. Providentially, for businesses and individuals alike, the vaccination process has begun with nearly 800,000 individuals receiving the vaccine at the end of January 2021.

With a large share of its economic base in industries hardest hit by the pandemic, the Los Angeles County economy has been severely affected by the COVID-19 pandemic. Hardest hit industries in the county include: hospitality and tourism; the motion picture and television industry; non-essential retail, such as furniture and clothing stores; personal care services; and arts, entertainment and recreation that includes performing arts, spectator sports, museums, and amusement parks. Mandated closures and business restrictions, unprecedented job loss and changes in consumption reversed economic growth in 2020; real gross county product (GCP) fell 3 percent year-over-year.

The effects of the COVID-19 pandemic on employment were seen most intensely in March and April of 2020. An estimated 716,100 nonfarm jobs were lost within those two months, and by May, the County's seasonally adjusted unemployment rate skyrocketed from 4.3 percent in February to a shocking 21.1 percent in May. Nearly 45 percent of those jobs lost in March and April have been recovered with 318,100 nonfarm job additions from May through December,2020.

All major industry sectors saw a decline in employment as a result of the virus, with Leisure and Hospitality and Trade, Transportation and Utilities, which includes retail, experiencing the largest negative employment shocks. The region continues to recover jobs in the wake of the pandemic, however, many industries facing the most severe restrictions are still trailing behind in the recovery process including: arts, entertainment and recreation; food services and drinking places; information (with large declines in the motion picture and sound recording industry); and other services (which includes personal care services such as hair and nail salons).

Long-term Financial Planning

Long-term financial planning is accomplished in two stages at LACMTA: (1) the Long Range Transportation Plan (LRTP) and (2) the Short Range Transportation Plan (SRTP). The LRTP is a 25-40 year plan that is updated approximately every five years; the LRTP financial forecast is updated annually and presented to the Board to show how funds are being programmed, and provide a financial outlook and risk assessment. The LRTP is adopted by the Board and prioritizes the highway and transit infrastructure projects and transit services for the entire region. The 2020 LRTP was adopted by the Board in September 2021. The SRTP is a five to fifteen-year plan that is updated between LRTP cycles and adopted by the Board. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The LRTP and the SRTP use the most recent Adopted Annual Budget as the baseline for the period covered in those plans. These Plans (LRTP/SRTP) rely upon a magnitude of underlying assumptions that may differ from the Annual Budgets adopted by the Board each year. The Annual Budget represents the legal authority for spending LACMTA dollars.

Relevant Financial Policies

The Board retains a financial stability policy at the same time the annual proposed budget is approved each year. The policy remains in effect until it is amended or changed by the Board.

The Financial Stability Policy (Policy) is divided into three sections: Goals, Strategies, and General Fiscal Policies. The purpose of the Policy is to ensure that LACMTA prudently manages its financial affairs and establishes appropriate cash reserves in order to meet its future commitments.

Also included in the Policy are the Business Planning Parameters and Debt Financial Standards. The purpose of the Business Planning Parameters is to provide management with a framework for developing the following year's budget and other LACMTA financial plans and to establish future business targets for management to achieve. The purpose of the Debt Financial Standards is to limit the level of debt that may be incurred and to ensure that debt assumptions used in financial planning are based on financial parameters similar to, or more conservative than, those that would be placed on LACMTA by the financial marketplace. These standards are consistent with the Board-approved Debt Policy.

In addition to the Policy and LACMTA Debt Policy, the Board has adopted a Cost Management Policy that identifies uniform procedures to follow in the event of a Measure R or Measure M capital project cost increase, a Fiscal Responsibility Policy that accounts for debt interest incurred and allocates the cost to Measure R capital projects, and a LRTP Priorities Policy that identifies criteria to prioritize capital projects if there is limited funding for all LACMTA projects. These additional policies help LACMTA manage financial risks related to project costs, debt, and variability of funding.

Major Initiatives

Although capital projects experienced a temporary slowdown last year due to the financial constraints brought on by the pandemic, LACMTA is ramping back up with a handful of projects moving into the construction phase in FY22. Two projects which have made significant progress, East San Fernando Valley Light Rail Transit (LRT) and Airport Metro Connector, are expected to move into construction. On the highway side, the I-5 North Capacity Enhancements in the Santa Clarita area will begin construction, while the I-605 Hot Spots and SR-57/SR-60 projects continue along various segments in each corridor.

Concurrent progress continues on all Measures R and M projects as they too move toward environmental clearance and shovel readiness. Sepulveda Pass Corridor, for example, proceeds through the environmental clearance process, and West Santa Ana Branch Corridor will continue its engagement process before the Board approves a locally preferred alternative. LACMTA remains committed to expanding mobility by delivering new highway and transportation infrastructure projects, as well as continuing its planning of current projects in queue and strategically providing funding for regional transportation investments.

Restoring and Enhancing Service

Together with the accelerated roll out of COVID-19 vaccinations in Los Angeles County, continued Federal stimulus of the CRRSA Act, and anticipated economic recovery in the third quarter of FY22, the Metro Transit program is gearing up to operate pre-COVID-19 bus and rail service levels at a noticeably higher level of quality to improve customer experience and increase ridership. In FY22, continued investments for the final implementation phase of NextGen will deliver more reliable service with speed improvements, covering more miles in less time, with the aim of reaching pre- COVID-19 levels.

Another component of the speed improvement is transit capital infrastructure investment which is being studied for bus priority lane expansion on tier 1 lanes. This phase also includes the expansion of Metro Micro service to a total of nine zones. In June 2020, the Board approved Motions 37.0 and 37.1 to form a Public Safety Advisory Committee (PSAC) to develop a community-based approach to public safety on the transit system. The FY22 Adopted Budget includes a set aside budget amount for the second half of FY22 in anticipation for PSAC's recommendations on new security models while it reflects the Board approved law enforcement contract value through the first half of the fiscal year, demonstrating LACMTA's commitment for public safety and security.

In addition, for immediate implementation, Board Motion 26.2 from March 2021 introduces new initiatives for redefining post-pandemic public safety, exploring community-based approaches to policing, and addressing homelessness issues on LACMTA transit services. Public Safety initiatives include transit ambassadors for an increased presence at facilities and on LACMTA vehicles, elevator attendants at stations, call point security program with blue light call boxes, and studies to prevent tunnel intrusion. Homelessness initiatives include short-term shelters, dispatch of homeless outreach, and methods to gauge the success of homelessness efforts. As an additional enhancement, Customer Experience initiatives are underway to improve safety and cleanliness as part of the bus and rail ridership experience including installation of vinyl seats, rider alert systems, as well as pilots for ride rescues and bus stop improvements. Ridership research and surveys will be conducted to monitor the results of the efforts and gauge satisfaction.

At the same time, the LACMTA Transit program is poised to begin pre-revenue operations of the new Metro rail extensions, Crenshaw/LAX and Regional Connector, enhancing the intercity and intracity rail transportation landscape in Los Angeles County while posing significant operation service changes for LACMTA. The FY22 Adopted Budget includes capitalizable pre-revenue service hours for testing the transition to seamlessly integrate these two new rail line extensions with the existing rail network. When revenue operation commences, the new rail extensions will offer one-seat travel options across Los Angeles County, significantly improving the connectivity of the region's transportation network with easier connections within the Metro rail system.

Equity

Budgets reflect our values. As we cautiously emerge from a year of struggle and unprecedented change, our values to serve the people of Los Angeles County have only grown more critical. Transportation is essential to connect people to resources, opportunities, aid, and community. An equitable transportation system is a key foundation to a region in recovery. We take our stewardship of taxpayer dollars and our commitment to equity seriously. This means that equity must be reflected at every level in LACMTA's budget.

This year, in developing the FY22 Adopted Budget, the Office of Equity & Race (OER) piloted the Metro Budget Equity Assessment Tool (MBEAT), the Agencywide comprehensive equity assessment to the budget proposal. We worked with 17 LACMTA departments, covering topics as diverse as bus stop power washing to joint development projects to train car battery replacement. The MBEAT process was successful in increasing awareness of equity in all departmental budget development and challenged staff to apply an equity lens to their budgetary requests. Through the process, we sought opportunities to engage with communities and center their experiences. We asked many questions stemming from our mission to ensure benefits for all by prioritizing marginalized communities and protecting vulnerable groups from disproportionate harm. Our assessment methodology resulted in an index that categorized MBEAT submissions based on these priorities, as well as recommended next steps to monitor or enhance equity considerations.

This inaugural MBEAT process and interactive dialogue with the departments and the public showed us three main things.

a. Equity assessments require equity education. The goal of the MBEAT is not to "punish" or assign demerits to department or project budgets. Rather, the tool is used to identify potential disproportionate harms to marginalized communities, opportunities to shift goals or change measurements to increase equitable outcomes, and any needs to build further staff capacity to implement equity into a public agency budget.
b. Broad, blanketed improvements for LACMTA's riders are good and we can do more. It is no secret that lower income riders of color comprise a significant majority of LACMTA's core ridership. One benefit of using the MBEAT is to help staff go beyond equating transit improvements alone with equitable outcomes. We want to dig deeper and better understand the needs, challenges, goals, and experiences of marginalized groups, including but not limited to, people of color, lower income households, people living with disabilities, people with limited English proficiency, and other vulnerable travelers such as women, girls, femmes, and non-binary people, older adults, youth, and unhoused riders. Through this work, we can start to make more equitable budget decisions.
c. The scope of LACMTA's collective departmental impact is vast. Some projects have a clear equity opportunity, while others may not. The MBEAT provides space for LACMTA staff to consider disproportionate impacts on marginalized communities and what LACMTA can do to reduce harm or mitigate negative impacts. Equity work is a verb; it is ongoing and the MBEAT provides tools for LACMTA staff to meet the Agency's commitment to equity.

Another aspect of budget equity includes incorporating the values and priorities of LACMTA riders, customers, taxpayers, and other members of the public impacted by LACMTA's services, projects, and policies. We recognize and appreciate that public interest in government budgets has recently skyrocketed. OER is coordinating with the Offices of Communications, Customer Experience, and Management & Budget to enhance the public's understanding of and engagement with the LACMTA 's annual budget. This starts with clearer education and targeted outreach to increase public fluency of LACMTA's $8.0 billion annual budget and its process. It also requires sufficient time for the public to review, analyze, and develop feedback to each year's adopted budget. Lastly, it hinges on transparency and accountability of budget aspects that can be influenced by a public engagement process. Our goal is to develop a comprehensive budget engagement strategy that combines all these necessary elements to develop a representative and equitable Agency budget.

Talking about equity is one thing. Implementing equity at LACMTA will be an ongoing, growing process and we commit to bring as many along as we can.

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to LACMTA for its comprehensive annual financial report for the fiscal year ended June 30, 2020. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe LACMTA's current report continues to conform to the Certificate of Achievement Program's requirements and it will be submitted to the GFOA for consideration.

Acknowledgments

I want to thank the Accounting Department, who has worked diligently in the preparation of these financial statements, and all other departments for their assistance in providing the data necessary to prepare the report. I would like to acknowledge the Board and our CEO for their continuous support in maintaining the highest standard of professionalism in the management of LACMTA's finances. Finally, I want to thank our independent auditors, Crowe LLP, for their efforts throughout this audit engagement.

Respectfully submitted,

Nalini Ahuja
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

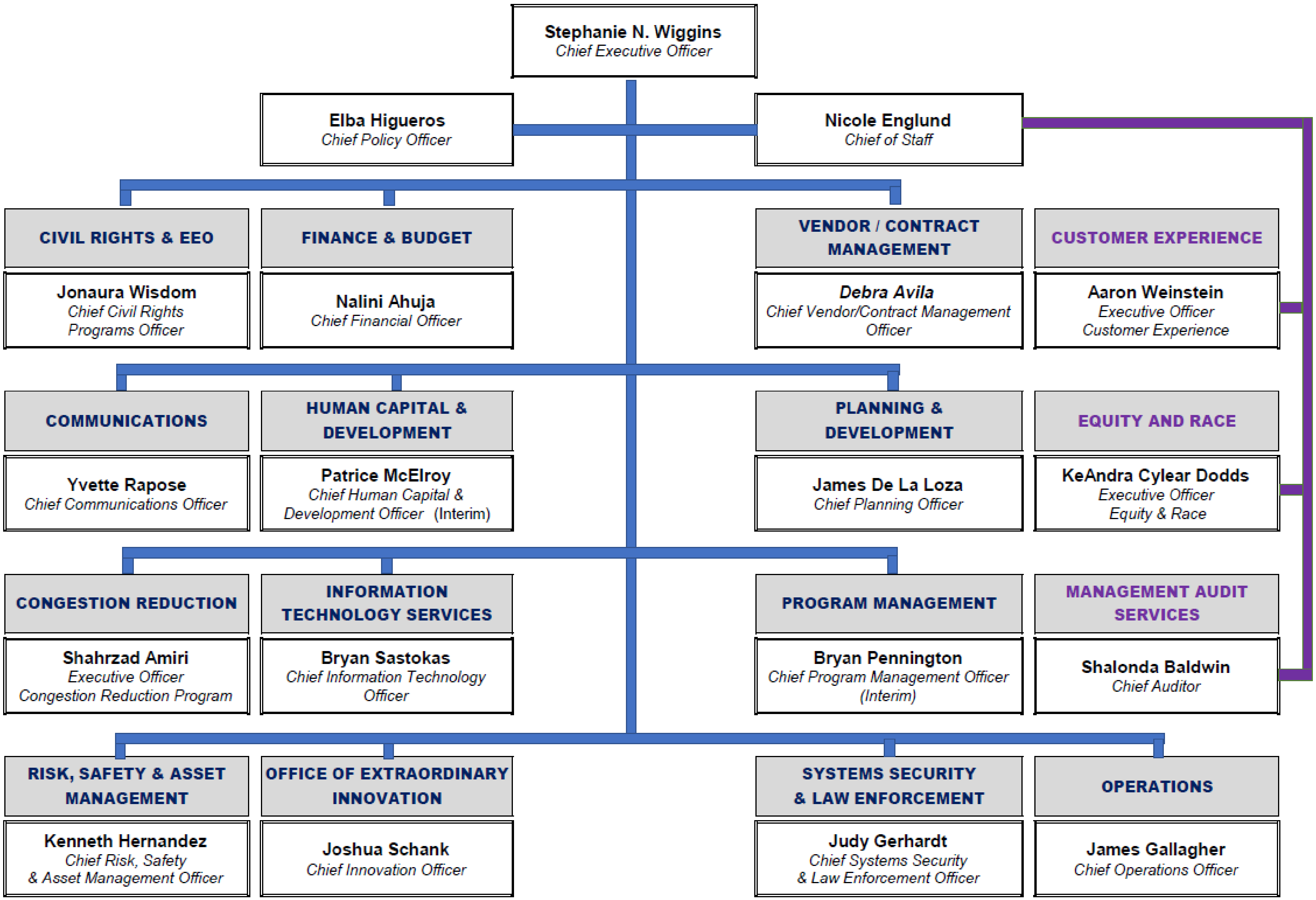
Presented to

Los Angeles County
Metropolitan Transportation Authority
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

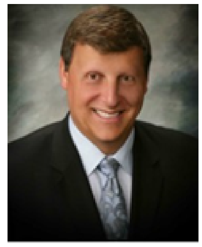
Los Angeles County Metropolitan Transportation Authority
Management Organizational Chart



Los Angeles County Metropolitan Transportation Authority

BOARD OF DIRECTORS
(Updated as of July 2021)

Hilda L. Solis
Chair
Los Angeles Board Supervisor District 1
District Appointee

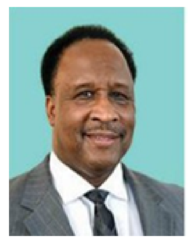


Ara Najarian
First Vice Chair
Appointee of Los Angeles County City Selection Committee (North County/San Fernando Valley Sector) - Sector Appointee

Jacquelyn Dupont-Walker
Second Vice Chair
Appointee of Mayor of the City of Los Angeles

Kathryn Barger
Board Member
Los Angeles County Board Supervisor
District 5 - District Appointee

Mike Bonin
Board Member
Appointee of Mayor of the City of Los Angeles

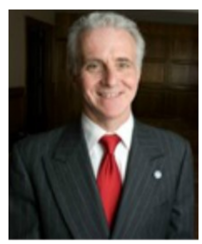


James Butts
Board Member
Appointee of Los Angeles County City Selection Committee (Southwest Corridor Sector)

Fernando Dutra
Board Member
Appointee of Los Angeles County City Selection Committee (Southeast Long Beach Sector)

Eric Garcetti
Board Member
Mayor of the City of Los Angeles

Janice Hahn
Board Member
Los Angeles County Board Supervisor
District 4
District appointee



Paul Krekorian
Board Member
Appointee of Mayor of the City of Los Angeles

Sheila Kuehl
Board Member
Los Angeles County Board Supervisor
District 3
District appointee

Holly Mitchell
Board Member
Los Angeles County Board Supervisor
District 2
District appointee

Tim Sandoval
Board Member
Appointee of Los Angeles County City Selection Committee, San Gabriel Valley sector
Sector appointee

Tony Tavares
Nonvoting Board Member
District 7 Director
California Department of Transportation (Caltrans)
Appointee of the Governor of California - District appointee

Los Angeles County Metropolitan Transportation Authority

List of Board Appointed Officials

Stephanie N. Wiggins
Chief Executive Officer

Collette Langston
Board Secretary

Karen Gorman
Inspector General

Jonaura Wisdom
Chief Civil Right Programs Officer

Charles Safer
Assistant County Counsel

Executive Staff

Nicole Englund
Chief of Staff

Yvette Rapose
Chief Communications Officer

Nalini Ahuja
Chief Financial Officer

Bryan Pennington (Interim)
Chief Program Management Officer

Bryan Sastokas
Chief Information Technology Officer

Kenneth Hernandez
Chief Risk, Safety & Asset Management Officer

Shalonda Baldwin
Chief Auditor

Jonaura Wisdom
Chief Civil Rights Programs Officer

James Gallagher
Chief Operations Officer

Debra Avila
Chief Vendor/Contract Management Officer

Elba Higueros
Chief Policy Officer

Patrice McElroy (Interim)
Chief Human Capital & Development Officer

James De La Loza
Chief Planning Officer

Judy Gerhardt
Chief Systems Security & Law Enforcement Officer

Joshua Schank
Chief Innovation Officer

Shahrzad Amiri
Executive Officer - Congestion Reduction Programs

KeAndra Cylear Dodds
Executive Officer - Equity & Race

Aaron Weinstein
Executive Officer - Customer Experience

Los Angeles County Metropolitan Transportation Authority

FINANCIAL SECTION

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LACMTA'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 did not audit the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, which represent 74%, 76%, and 70% of the assets, net position, and revenues/additions, respectively, of the aggregate remaining fund information. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, is based solely on the report of the other auditor. 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. The financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards.*

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.

(Continued)

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, schedule of contributions - CalPERS - Miscellaneous Plan, the schedule of changes in net pension liability and related ratios - Employee Retirement Income Plans, the schedule of contributions to Employee Retirement Income Plans, the schedule of changes in net OPEB liability and related ratios, schedule of investments returns – other postemployment benefits plan, schedule of contributions – other postemployment benefits plan, and the budgetary comparison information for the general fund, Proposition A fund, Proposition C fund, Measure R fund, Measure M fund, Transportation Development Act fund and State Transit Assistance fund, as listed in the table of contents, 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 and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACMTA's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, budgetary comparison information - Service Authority for Freeway Emergencies fund and other special revenue funds, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

The introductory section and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, on our consideration of LACMTA'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 the effectiveness of LACMTA's 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 LACMTA's internal control over financial reporting and compliance.

Crowe LLP

Los Angeles, California
December 23, 2021

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Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer our readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2021. This discussion and analysis is designed to:

- Provide an overview of LACMTA's financial activities
- Highlight significant financial issues
- Discuss changes in LACMTA's financial position
- Explain any material deviations from the approved budget
- Identify individual major fund issues

We encourage readers to consider the information presented here in conjunction with additional information that we have in our letter of transmittal which can be found on pages 1-10 of this report.

All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- LACMTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2021 by $13,222,307. Of this amount, a negative amount of $1,569,028 is reported as unrestricted net position.

- Business-type activities net position for the current year increased by $1,302,881, or 14.96% mainly due to an increase in capital assets funded by federal and local grants mostly attributed to major rail construction projects on the Westside Subway Extensions 1, 2 and 3, the Crenshaw/LAX Transit Corridor, the Gold line Foothill Extension, and the Regional Connector projects, in addition to Division 20 Portal Widening Turnback and Metro Center Street projects.

- The increase in the governmental activities net position of $568,066, or 21.48% was mainly due to a combination of the increase in sales tax revenues and intergovernmental revenues combined with a decrease in transfers to the Enterprise Fund for operating subsidies.

- At the close of fiscal year 2021, LACMTA's governmental funds reported combined fund balances totaling $2,449,983, an increase of $590,174 compared to the prior year. Of this amount, $2,311,236 was restricted, $22,329 was committed, $21,939 was assigned, $19 was nonspendable, and $94,460 was unassigned and available for spending at LACMTA's discretion.

- At the end of fiscal year 2021, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance for the General fund was $138,728 or approximately 106.26% of total General fund expenditures.

- During fiscal year 2021, long-term debt slightly increased by $132,670, or 2.02%, from the previous fiscal year. The increase was mainly due to the issuance of new Proposition C bonds to finance ongoing capital projects.

- Business-type activities operating revenues decreased significantly by $193,698 or 70.68% compared to the previous fiscal year mostly from fare revenues which dropped 90% over fiscal year 2020 resulting from lockdowns and stay-at-home orders that ran through mid of fiscal year 2021 due to the COVID-19 pandemic. Moreover, in response to the socio-economic hardships brought about by the pandemic, LACMTA made its service free to qualified students and low-income residents.

- Sales tax revenues increased by $351,102 or 9.01% from the prior fiscal year. The recent reduction of COVID-19 cases, the administration of COVID-19 vaccines, and the lifting of the lockdowns, has spurred more economic activity that created economic recovery.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LACMTA's financial statements. LACMTA's financial statements are comprised of three components: (1) the government-wide financial statements; (2) the fund financial statements; and (3) the notes to the financial statements. This report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of LACMTA's finances in a manner similar to private-sector entities.

The Statement of Net Position on page 43 presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, and the difference is reported as net position. Over time, trends of increasing or decreasing net position may serve as useful indicator of whether the financial position of LACMTA is improving or deteriorating.

The Statement of Activities on pages 44-45 presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs regardless of the timing of related cash flows using the total economic resources measurement focus. It shows the gross and net costs of LACMTA's functions.

Both the Statement of Net Position and the Statement of Activities distinguish between the functions that are intended to recover a significant portion of their costs from user fees and charges for business-type activities and the functions that are principally supported by governmental revenues for governmental activities.

The government-wide financial statements include LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA's information. These entities include the Public Transportation Services Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE).

Fund Financial Statements

A fund is a group of related accounts that is distinguished by specific activities or objectives in accordance with special regulations or restrictions. LACMTA uses fund accounting to ensure and demonstrate compliance with legal requirements. LACMTA's funds are divided into three categories: proprietary, governmental, and fiduciary.

Proprietary Funds

LACMTA maintains only one Proprietary fund: the Bus and Rail Operations Enterprise Fund. All transit-related transactions, including support services, capital, debt, ExpressLanes, and Union Station operation activities are recorded in this fund and are presented as business-type activities in the government-wide financial statements.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. The Proprietary fund financial statements can be found on pages 53-57.

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near-term inflows and outflows of spendable resources, as well as balances of available spendable resources at the end of the fiscal year.

The governmental fund financial statements can be found on pages 46-47 and 50-51.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 49 and 52 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

LACMTA maintains eleven individual governmental funds, seven of which are considered major funds. Individual fund data for the major funds are presented in the governmental funds' balance sheet and governmental funds' statement of revenues, expenditures, and changes in fund balances.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major Special Revenue fund on pages 161-167, for the nonmajor funds on page 171, and for the aggregate remaining Special Revenue funds on page 172.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. They cover the five employee pension plans and the Other Postemployment Benefits (OPEB) Trust fund that are administered by LACMTA. The fiduciary fund statements can be found on pages 58-59.

Notes to the Financial Statements

Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding of LACMTA's finances. The notes to the financial statements are on pages 61-142.

Other Information

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information, other supplementary information, and statistical information beginning on page 143.

Government-wide Financial Analysis

Statement of Net Position

LACMTA's net position at June 30, 2021 increased by $1,870,947 or 16.48%, when compared to June 30, 2020. The increase in net position was mostly due to increase in capital assets funded by local, state and federal grants mostly related to major rail construction projects on the Regional Connector, Crenshaw/LAX Transit Corridor, Westside Subway Extension Sections 1 and 2, the Goldline Foothill Extension, and the Division 20 Portal Widening Turnback project.

The following table is a summary of the Statement of Net Position as of June 30, 2021 and 2020:

Los Angeles County Metropolitan Transportation Authority
Summary Statement of Net Position

	Business-type Activities		Governmental Activities		Total	
	2021	2020	2021	2020	2021	2020
Current & other assets	$ 2,002,298	$ 1,883,406	$ 2,889,046	$ 2,319,242	$ 4,891,344	$ 4,202,648
Capital assets	17,802,659	16,453,688	749,417	749,417	18,552,076	17,203,105
Total assets	19,804,957	18,337,094	3,638,463	3,068,659	23,443,420	21,405,753
Deferred outflows of resources	352,452	207,367	—	—	352,452	207,367
Total assets and deferred outflows of resources	20,157,409	18,544,461	3,638,463	3,068,659	23,795,872	21,613,120
Long-term liabilities	9,053,150	8,623,751	—	—	9,053,150	8,623,751
Other liabilities	663,639	630,410	427,919	423,872	1,091,558	1,054,282
Total liabilities	9,716,789	9,254,161	427,919	423,872	10,144,708	9,678,033
Deferred inflows of resources	431,166	583,727	—	—	431,166	583,727
Total liabilities and deferred inflows of resources	10,147,955	9,837,888	427,919	423,872	10,575,874	10,261,760
Net investment in capital assets	11,392,995	9,917,311	749,417	749,417	12,142,412	10,666,728
Restricted for:						
Debt service	365,657	566,387	—	—	365,657	566,387
Proposition A ordinance projects	—	—	474,584	139,813	474,584	139,813
Proposition C ordinance projects	—	—	472,023	237,396	472,023	237,396
Measure R ordinance projects	—	—	276,965	330,128	276,965	330,128
Measure M ordinance projects	—	—	672,442	631,957	672,442	631,957
TDA and STA projects	—	—	259,018	177,846	259,018	177,846
Other nonmajor governmental projects	—	—	128,234	138,948	128,234	138,948
Unrestricted (deficit)	(1,749,198)	(1,777,125)	180,170	239,282	(1,569,028)	(1,537,843)
Total net position	$10,009,454	$ 8,706,573	$ 3,212,853	$ 2,644,787	$13,222,307	$11,351,360

The increase in current and other assets of $569,804 or 24.57%, in the governmental activities was primarily due to the increase in cash and investments and sales tax receivables resulting from the increase in sales tax revenues attributed to an improved consumer retail spending this year compared to fiscal year 2020 due to the reduction of COVID-19 cases, the administration of COVID-19 vaccines, and the lifting of the lockdowns, that spurred more economic activities.

The increase in capital assets of $1,348,971 or 8.20% , in the business-type activities was mainly due to ongoing major rail construction projects including the Crenshaw/LAX Transit Corridor, Westside Subway Extension Sections 1-3, the Regional Connector, and the Goldline Foothill Extension Phase 2B, the Division 20 Portal Widening, and Turnback Facility and the Metro Center Street projects. Major capital projects are described in more detail on pages 31-35.

The increase in deferred outflows of resources in the business-type activities of $145,085 or 69.97% over fiscal year 2020 was mainly related to OPEB attributed to changes in assumptions. Deferred inflows of resources decreased by $152,561 or 26.14% from previous fiscal year also related to OPEB mainly attributed to differences between expected and actual experiences.

Statement of Activities

The following table is a summary of the Statement of Activities for the years ended June 30, 2021 and 2020:

Los Angeles County Metropolitan Transportation Authority
Summary Statement of Activities

	Business-type Activities		Governmental Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	$ 80,343	$ 274,041	$ 19,760	$ 17,006	$ 100,103	$ 291,047
Operating grants and contributions	862,493	571,212	132,597	95,545	995,090	666,757
Capital grants and contributions	787,620	733,203	—	—	787,620	733,203
General revenues:						
Sales tax	—	—	4,248,622	3,897,520	4,248,622	3,897,520
Investment income	20,646	11,509	14,275	41,782	34,921	53,291
Net appreciation (decline) in fair value of investments	1,256	(1,396)	(12,016)	12,941	(10,760)	11,545
Gain on disposition of capital assets	1,245	895	—	—	1,245	895
Miscellaneous	9,699	12,050	58,480	80,623	68,179	92,673
Total program revenues	1,763,302	1,601,514	4,461,718	4,145,417	6,225,020	5,746,931
Program expenses:						
Bus and rail operations	2,480,546	2,570,831	—	—	2,480,546	2,570,831
Union station operations	13,352	14,865	—	—	13,352	14,865
Toll operations	26,765	57,259	—	—	26,765	57,259
Transit operators programs	—	—	378,088	404,115	378,088	404,115
Local cities programs	—	—	754,786	686,270	754,786	686,270
Congestion relief operations	—	—	34,753	44,122	34,753	44,122
Highway projects	—	—	239,881	291,654	239,881	291,654
Regional multimodal capital programs	—	—	90,072	102,784	90,072	102,784
Paratransit programs	—	—	87,392	139,642	87,392	139,642
Other transportation subsidies	—	—	92,350	141,024	92,350	141,024
General government	—	—	156,088	174,909	156,088	174,909
Total program expenses	2,520,663	2,642,955	1,833,410	1,984,520	4,354,073	4,627,475
Increase (decrease) in net position before transfers	(757,361)	(1,041,441)	2,628,308	2,160,897	1,870,947	1,119,456
Transfers	2,060,242	2,472,486	(2,060,242)	(2,472,486)	—	—
Increase in net position	1,302,881	1,431,045	568,066	(311,589)	1,870,947	1,119,456
Net position - beginning of year	8,706,573	7,643,418	2,644,787	2,956,376	11,351,360	10,599,794
Cumulative effect of change in accounting principle	—	(367,890)	—	—	—	(367,890)
Net position - beginning of year, as restated	8,706,573	7,275,528	2,644,787	2,956,376	11,351,360	10,231,904
Net position – end of year	$10,009,454	$8,706,573	$3,212,853	$2,644,787	$13,222,307	$11,351,360

Business-type activities recovered from operating revenues 4.63% of total operating expenses, excluding depreciation, compared to 14.96% in the prior year. The remaining costs were covered by grants, including federal grants from the CARES Act, and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources and grants.

Capital grants and contributions in the business-type activities increased by $54,417 or 7.42% from the previous fiscal year. The increase was mainly due to the increase in federal grants reimbursements mostly for major rail constructions on the Regional Connector, the Westside Subway Extension Section 1, and the Crenshaw/LAX Transit Corridor, in addition to the increase in funding for the purchase of 40' and 60' CNG buses.

Operating grants and contributions in the governmental activities increased by $37,052 or 38.78% compared to the previous year, due to the receipt of funding for the Low Carbon Transit Operations Program (LCTOP) and increase in other state funding attributed to the Rosecrans and Marquardt project.

Most of the governmental program expenses relate to subsidies for countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies totaled $1,530,313 reflecting a slight decrease of $48,922 or 3.10% from previous year, and they represented the largest governmental expenditures. Subsidies are pass-through federal, state and local funding to other agencies in Los Angeles County for public transit, traffic systems, street and road maintenance, and other transit related improvement projects.

Highway project activities decreased by $51,773 or 17.75% mainly due to lesser acquisitions of properties and decrease in planning activity costs compared to previous fiscal year.

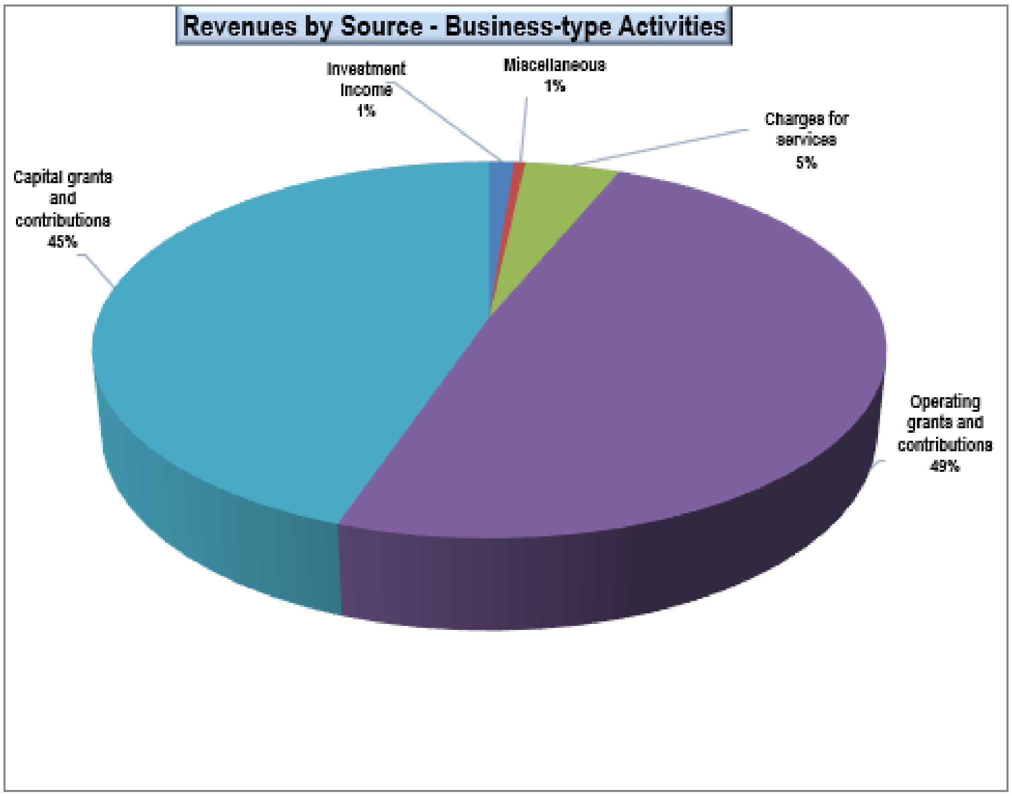
Regional multi-modal program activities decreased by $12,712 or 12.37% from prior fiscal year due to the decrease in expenses related to planning activities on major projects such as the Southern California Interconnector Project and the Eastside Extension Phase II project.

Paratransit programs decreased by $52,250 or 37.42% from prior fiscal year due to lesser Access Services expenditures for ADA compliance in current fiscal year.

Other transportation subsidies in the governmental activities decreased by $48,674, or 34.51%, compared to the previous year. The decrease was mainly attributed to the decrease in Measure R and Measure M formula allocation programs, decrease in FTA pass-through grants for senior and people with disabilities programs, and SR126/Commerce Center Drive project.

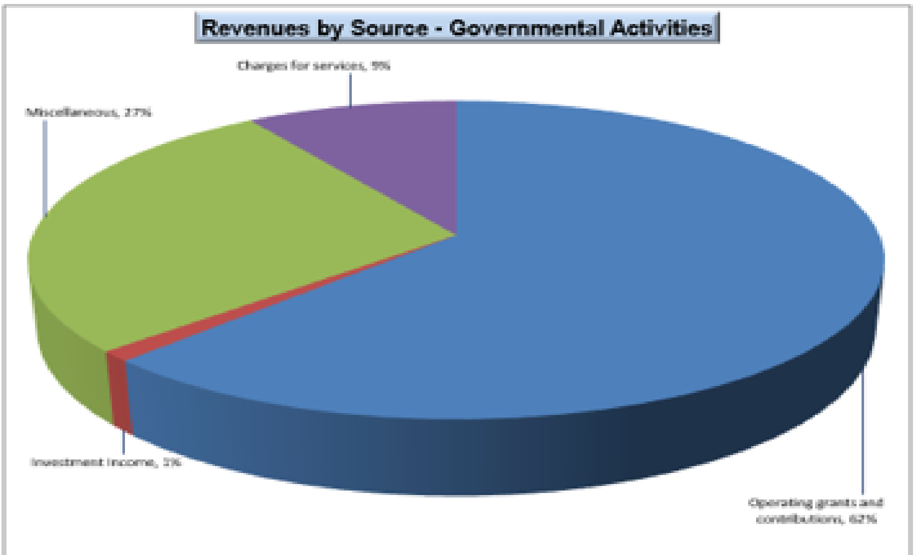
General government projects decreased by $18,821 or 10.76% mainly due to the decrease in state grants that partially funded system-wide connectivity projects.

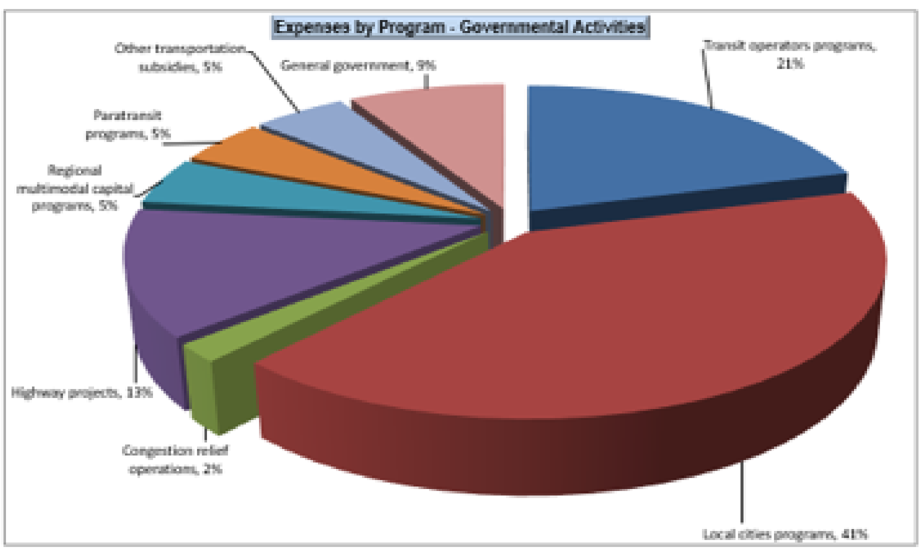
Below is a graphical depiction of the components of business-type revenues for the fiscal year ended June 30, 2021.



Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

Below are graphical depictions of the components of governmental revenues and expenditures for the fiscal year ended June 30, 2021.





Financial Analysis of LACMTA's Funds

Proprietary Funds

The Proprietary fund financial statements provide the same information found in the business-type section of the government-wide financial statements, but in more detail.

The net increase of $1,302,881 or 14.96% in net position was primarily due to the increase in capital assets that were funded by federal and state grants mostly attributed to major rail construction projects on the Westside Subway Extension Sections 1-3, the Crenshaw/LAX Transit Corridor, the Regional Connector Transit Corridor, the Gold Line Foothill Extension Phase 2, and the Division 20 Portal Widening Turnback, and increase in federal grants from the CARES Act that funded the Enterprise Fund's bus and rail operations preventive maintenance and operations cost.

Governmental Funds

As previously stated, governmental funds present information about current financial (consumable) resources because they directly impact the short-term flow of resources and financing requirements. This situation is particularly true in regard to the different categories of fund balances. The Unassigned fund balance of $94,460 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $2,449,983 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by $37,004 mainly due to lesser revenue billings for eligible projects expenditures and decrease in miscellaneous income from the sale of low carbon fuel standard credits. Of the $166,717 fund balance, $72,257 is restricted, committed, or assigned for future expenditures.

The Proposition A fund balance increased by $334,771, mainly due to higher sales tax revenue and lesser subsidies transfer out. The total fund balance of $474,584 was restricted as to use by the Proposition A ordinance.

The Proposition C fund balance increased by $234,627 mainly due to lesser acquisitions, subsidies expenditures, budgeted transfers out for capital projects mostly related to the Muni farebox upgrades, the Patsaouras Plaza station improvements, and the Willowbrook/Rosa Parks station improvements projects. Proposition C ordinance restricts the use of the fund balance of $472,023.

The Measure R fund balance decreased by $53,163 mainly due to increase in transfers out for projects mostly related to Westside Subway Extension Section 2. The restricted fund balance of $276,965 will be used to fund future programs eligible under the Measure R ordinance.

The Measure M fund balance increased by $40,485 mainly due to lesser transfers for capital expenditures and higher sales tax revenues generated during the year. The restricted fund balance of $672,442 will be used to fund future programs eligible under the Measure M ordinance.

The Transportation Development Act (TDA) of 1971 provides two funding sources, namely the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA).

The TDA Local Transportation fund balance increased by $86,282 mainly due to higher revenues from sales tax, lesser transfers out for capital projects while subsidies for claims filed by jurisdictions were lesser. The fund balance of $235,417 is restricted under the provisions of the Transportation Development Act.

The State Transit Assistance (STA) fund balance decreased by $5,110 due to decrease in sales tax revenues and decline in Investment income as a result of the COVID-19 lockdowns and stay-home orders.

General Fund Budgetary Highlights

The General fund includes activities associated with the government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 1.56% of LACMTA's total governmental fund revenues, while expenditures represent 7.12% of total governmental fund expenditures.

The original budget decreased by $8,097 mainly due to a revision in the final budget with a decrease in expenditures for its planning and administrative projects.

Revenues

The main sources for the General fund are lease and rental income from LACMTA's owned properties, the sale of low carbon fuel credits, and other general revenues. Total actual revenues were lower than budget by $2,949 mainly due to decrease in investment income and lesser sales of Carbon Fuel Standard (LCFS) credits.

Expenditures

The General Fund provides resources to pay for bus and rail operating activities, joint development administration, property management expenditures, administration of LACMTA's rideshare services and other general expenditures.

The favorable expenditure variance of $70,171 compared to final budget was mainly due to lesser spending in transit planning and other programming activities, transportation subsidy payments and expenditures related to governmental and oversight activities.

The favorable variance in the Other Financing Sources and Uses of Funds of $9,262 compared to budget was mainly due to the combined effect of a higher than expected transfers from the Prop A, Prop C, and TDA funds representing sales tax administration fees.

Capital Assets Administration

Los Angeles County Metropolitan Transportation Authority

Capital Assets (Net of accumulated depreciation)

	Business-type Activities		Governmental Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 1,700,668	$ 1,604,911	$ 749,417	$ 749,417	$ 2,450,085	$ 2,354,328
Buildings & improvements	5,315,307	5,440,029	—	—	5,315,307	5,440,029
Equipment	73,836	74,812	—	—	73,836	74,812
Vehicles	1,542,509	1,514,734	—	—	1,542,509	1,514,734
Construction in progress	9,170,339	7,819,202	—	—	9,170,339	7,819,202
Total Capital Assets	$ 17,802,659	$ 16,453,688	$ 749,417	$ 749,417	$ 18,552,076	$ 17,203,105

Major capital asset projects in various stages of development at the end of the current fiscal year included the following:

Gold Line Foothill Extension Project

The Metro L Line (Gold Line) Foothill Extension Project includes the cities of Pasadena, Arcadia, Monrovia, Duarte, Irwindale, Azusa, Glendora, San Dimas, La Verne, Pomona, Claremont, and Montclair in the counties of Los Angeles and San Bernardino. The L Line (Gold line) Foothill extension is being built in two phases, Phase 2A and 2B.

The first phase, Phase 2A was budgeted at $741 million and extended from the Sierra Madre Villa Station in Pasadena to the City of Azusa. Phase 2A provided 6 new stations and approximately 11.1 miles, including additional 5 miles of freight rail track relocations and improvements. The first phase, Phase 2A, commenced revenue operation in March 2016.

Phase 2B will extend from Azusa to the City of Montclair and will be constructed in two Segments. Segment I is currently budgeted at $1.532 billion for the construction of approximately 70% of the 12.3-mile project alignment. The remaining 30% shall be constructed as additional funds are identified. Phase 2B has 6 new passenger stations (4 as part of the base contract and 2 for the Montclair option when funding is secured) and includes improvements to existing bridges and roadways, retaining walls, sound walls, and associated parking facilities. As of June 30, 2021, $ 364 million has been expended. The expected substantial completion for the Phase 2B base contract is early 2025.

Regional Connector Transit Corridor Project

The Regional Connector Transit Corridor Project (Project) has approved budgets totaling $1.816 billion. This Project received a Full-Funding Grant Agreement (FFGA) from the FTA and a Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from the U.S. Department of Transportation (USDOT). The federal funding combined with state and local funding is directed to construct the 1.9-mile dual track, underground light rail line. The Project includes three new stations, at the intersections of 1st Street/Central Ave., 2nd Street/Broadway, and 2nd Street/Hope. The Project will connect the existing Blue and Exposition Light Rail Lines to the existing Gold Light Rail Line. The Project Budget includes environmental planning, preliminary engineering, final design, management and administration, real estate acquisitions, light rail vehicle acquisitions, construction phases, testing and start-up, finance costs, and concurrent non-FFGA activities. As of June 30, 2020, $1.529 billion has been expended. The expected revenue operation for the Regional Connector is anticipated in summer/fall 2022.

Crenshaw/LAX Transit Project

The Crenshaw/LAX Transit Project (Project) has an approved Life-of-Project (LOP) budget of $2.148 billion. The Project covers the design and construction of a new 8.5-mile double-track light rail line, including eight new stations, the procurement of a minimum of 22 light rail vehicles, and 49% of the cost of the construction of the Division 16 Southwestern Yard (SWY) full-service operations and maintenance facility. The Project has received a TIFIA Loan Agreement from USDOT. The Project will extend from the E Line (Expo), at the intersection of Exposition and Crenshaw Boulevards) and the C Line (Green) near the existing Aviation/LAX Station. In May 2015, the Board approved a revision to the Project alignment to include accommodations for the future 96th Street Station as part of the Airport Metro Connector project. In May 2020, the Board increased the LOP by $90 million. The expected revenue operation for the Project is 2021. As of June 30, 2021, $2.042 billion has been expended.

Westside Purple Line Extension Project

The Westside Purple Line Extension Project is an $8.4 billion project that will extend the existing Purple Line by approximately 9.1 miles beginning at the Wilshire/Western Station to Westwood/VA Hospital Station. The project consists of three Sections as described below:

- The Westside Purple Line Extension Section 1 Project (Project) has an approved LOP budget of $3.5 billion. The Project will extend 3.9 miles from the existing Wilshire/ Western Station to a terminus station at the intersection of Wilshire and La Cienega

Boulevards. The Project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and procurement of 34 heavy rail vehicles. The Design/Build Contract of $1.6 billion was awarded to Skanska-Traylor-Shea, a Joint Venture for tunneling, stations, track work, systems, and systems integration testing. The Design/Build Contract of $52.8 million was awarded to Clark Construction Group for the construction of Division 20 Rail Maintenance and Operation Facility is substantially complete. This Project has received a FFGA from the FTA and a TIFIA Loan Agreement from the USDOT. The Project is expected to begin revenue operation in Fall 2024. As of June 30, 2021, $2.132 billion has been expended.

- The Westside Purple Line Extension Section 2 Project (Project) has an approved LOP budget of $2.4 billion. The Project will extend 2.6 miles from the future Wilshire/La Cienega Station to Century City/Constellation Station. The Project has received a FFGA from the FTA and a TIFIA Loan Agreement from the USDOT. The Project includes two underground stations and procurement of 20 heavy rail vehicles. The Design/Build Contract of $1.4 billion was awarded in April 2017 to Tutor Perini/ O&G, a Joint Venture for the tunneling, stations, track work, systems, and systems integration. The Project is expected to begin revenue operation in 2025. As of June 30, 2021, $ 1.286 billion has been expended.

- The Westside Purple Line Extension Section 3 Project (Project) has an approved LOP budget of $3.2 billion. The Project will extend 2.6 miles from the future Century City/ Constellation Station to a terminus station at the Westwood/VA Hospital Station. The Project includes two underground stations and procurement of 16 heavy rail vehicles. Two Design/Build contracts with a combined value of $1.8 billion have been issued; the first to Frontier-Kemper Constructors, Inc./Tutor Perini, a joint venture for tunnels, and the second to Tutor Perini/O&G, a joint venture for stations, track work, systems, and systems integration testing. The Project did receive a FFGA from the FTA in March 2020. The Project is expected to begin revenue operation in March 2027. As of June 30, 2021, $860 million has been expended.

Light Rail Vehicle Acquisition Project

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved LOP budget including the four executed Options is $972 million. In April 2012, the Board approved a contract with KI to manufacture and deliver 78 new LRVs as base order vehicles. In August 2013, the Board executed Options 1 and 4 of the contract, which included 28 and 69 additional vehicles, respectively. In April 2015, the Board approved to execute Option 2 for an additional 39 vehicles, and Option 3 for another 21 vehicles. The 78 base order vehicles are intended for use on the Foothill Gold Line Extension and the EXPO light rail extensions and delivery was completed on April 2017. A portion of the Option 1 of the contract of 28 LRVs will be used on the Crenshaw/LAX light rail line expansion project while the remaining, along with all LRVs in Option 4, will be used for system-wide fleet replacement. Options 2 and 3 of the contract are intended for the Regional Connector, future service improvements, and for the replacement of the decommissioned P865 and P2020 fleets. As of June 30, 2021, a total of one hundred eighty-seven (187) new P3010 LRVs have been conditionally accepted and placed into revenue service; forty-seven (47) at Gold line Foothill Extension line and one hundred forty (139) at the Blue, EXPO and Green lines. As of June 30, 2021, $835 million has been expended.

Bus Acquisition Project

LACMTA executed contracts for 4 bus procurements in FY18 in addition to 1 bus procurement executed in FY17. These contracts authorized the replacement of up to 1,000 transit buses. The configurations of these buses are 40' CNG, 60' CNG, 40' battery electric, and 60' battery electric. The electric buses are the first Zero Emission Vehicles delivered under LACMTA's ambitious plan to convert the entire bus operation to zero emission by 2030. The combined LOP budget for all contracts is $784 million. As of June 30, 2021, $532 million has been expended.

- For the 40' CNG buses, the contract was awarded to El Dorado National-California, Inc. for a base order of 295 buses and an option order of 259 buses. In FY21, we received 136 buses for a total of 431 out of 554 Base and Option buses. With schedule adjustments due to the pandemic's impact on production, delivery of buses is scheduled to be complete in FY22. The current approved LOP budget is $420.8 million.

- For the 60' CNG buses, the contract was awarded to New Flyer of America Inc. for a base order of 65 buses (8700-8764). The pilot bus was delivered to LACMTA in February 2018. Delivery of the production buses began in September 2019. In September 2019, LACMTA's Board approved the exercise of the contract modification option to purchase 70 60' CNG articulated buses (8765-8834). All buses has been successfully delivered by the end of FY21. There are some remaining balances/ retention pending contract close out. Metro and New Flyer came to agreement on for the retainage of the final 4 buses . New Flyer will need to fulfill and meet the remaining contractual milestones in order for the retentions to be released – this is forecasted to be achieved in FY23. The current approved LOP budget is $149.3 million.

- For the 40' Battery Electric buses, the contract was awarded to BYD Coach & Bus, LLC (BYD) for a base order of 60 buses. The buses will be utilized to electrify the Silver Line. The En-route and Depot chargers installations at the El Monte Transit Center and Division 9 respectively are planned for operation in late 2022 such that approximately 30% charging capacity will be available at that time. In September 2019, LACMTA's Board approved the contract option to purchase an additional forty 40' battery electric buses. The contract option was recently awarded to BYD in July 2021. In March 2019, production of the first 5 pilot buses commenced with the pilot buses delivered in Q3(Jan-Mar) of FY21. Pilot buses are undergoing rigorous acceptance testing at this time to ensure minimal issues with 95 production buses. The current approved LOP Budget is $129 million.

- For the 60' Battery Electric buses, two contracts were awarded: One to New Flyer of America for a base order of forty (40) buses and another to BYD Coach & Bus, LLC (BYD) for 5 buses. The buses will be utilized to electrify the G Line. Full conversion to electric operation and station completion occurred in March 2021. All forty (40) New Flyer vehicles were delivered and placed into service by the end of CY2020. Production of the BYD buses is ongoing, with the first 3 buses delivered in August 2021 and are undergoing Acceptance tests. The 2 remaining will be delivered by October 2021. The current approved LOP Budget is $80 million for the 60' New Flyer and $5.1 million for BYD; total of $85 million.

Division 20 Portal Widening Turnback

Division 20 Portal Widening Turnback is a Design-Bid-Build project with an approved Life-of-Project (LOP) budget of $802 million. T.Y. LIN International is the Engineer of Record responsible for providing final design services. At present, non-revenue Metro Red/Purple Line trains proceed south of Union Station and through the portal just south of the US 101 Freeway before entering a complex set of switches in the Division 20 rail yard. In order to increase train speeds and ensure the reliability of operations, the existing tunnel portal must be widened to accommodate additional tracks and switches that diverge to become the turnback and yard leads. The trackwork at the portal will be reconfigured to connect to new storage tracks to the south and west side of the yard. The reconfiguration of the yard will not preclude a potential future revenue station at 6th Street. Construction and pre-revenue testing of the portal widening and turnback facility must be completed before Westside Purple Line Extension Section 1 (PLE1) opens for revenue service on November 8, 2023. The Project must also provide access for rail welding by Westside Purple Line Extension Section 1 (PLE1) contractor between December 17, 2019 to July 24, 2022. Currently the Division 20 Portal Widening Turnback project and contract C1136 continues to work on Portal excavation and driving piles, Retaining Wall adjacent to the ESOC/Center Street Project, and to be followed by the demolition and cover of the Portal entrance. On C1184 contract, the Transfer Power Sub Station Pad installation for replacement and upgrade for D20, RGC, and G2B is underway. As of June 30, 2021, $370 million has been expended and is expected to complete Spring 2024 in coordination with completion of Westside Purple Line Extension Section 1 (PLE1).

Additional information on capital assets can be found on page 92.

Long-term Debt Administration

As of June 30, 2021, LACMTA had a total of $6,715,389 in long-term debt outstanding. Of this amount, $5,291,635 related to bonds secured by sales tax revenues, $70,020 was secured by farebox and other general revenues, and $194,021 related to lease/leaseback obligations. The remaining balance consisted of commercial paper notes of $206,023 and other debt as shown below:

Los Angeles County Metropolitan Transportation Authority
Long-term Debt
(Amounts expressed in thousands)

	Business-type Activities		Governmental Activities		Total	
	2021	2020	2021	2020	2021	2020
Sales tax revenue bonds and refunding bonds	$ 5,291,635	$ 5,002,979	$ —	$ —	$ 5,291,635	$ 5,002,979
Lease/lease to service obligations	194,021	186,256	—	—	194,021	186,256
General revenue and refunding bonds	70,020	79,615	—	—	70,020	79,615
Notes payable	—	608,186	—	—	—	608,186
Commercial paper notes and revolving lines of credit	206,023	230,523	—	—	206,023	230,523
Total long-term debt	5,761,699	6,107,559	—	—	5,761,699	6,107,559
Unamortized bond premium	953,755	475,234	—	—	953,755	475,234
Unamortized bond discount	(65)	(74)	—	—	(65)	(74)
Total long-term debt, net	$ 6,715,389	$ 6,582,719	$ —	$ —	$ 6,715,389	$ 6,582,719

Long-term debt increased by $132,669 mainly due to the issuance of new sales tax revenue bonds and sales tax revenue refunding bonds, including bond premium, offset by the annual principal repayments and amortization, and full repayment of TIFIA loans resulting from the bond refunding. Lease/lease to service obligations also increased due to interest accretion.

During fiscal year 2021, LACMTA issued Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds) with an aggregate principal amount of $1,356,095 at a premium of $442,910. The bond proceeds, including funds released from accounts related to TIFIA funding agreements, were used to repay all TIFIA loans that partially financed the construction of the Crenshaw/LAX project, the Regional Connector Transit Corridor project, and the Westside Purple Line Extension Sections 1 and 2 projects, with outstanding principal balances totaling $1,757,820. The remaining funds were used to finance the on-going construction of the aforementioned projects, in an amount equal to the aggregate undrawn amounts under the approved TIFIA Loan Agreements. The refunding generated a $250,228 in net present value of net cash flow savings over 17 years.

LACMTA also issued Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2021-A, with a principal amount of $321,905, which proceeds, including bond premium of $104,151, were used to finance eligible current capital projects and to repay $105,000 outstanding principal balance of short-term borrowings from Prop C Revolving Obligations with Wells Fargo bank.

Bond Ratings

LACMTA's bonds are rated by Standard & Poor's, Moody's, Fitch, and Kroll. As of June 30, 2021, the ratings are as follows:

Bond Issue Type	Standard & Poor's	Moody's	Fitch	Kroll (1)
Proposition A First Tier Senior Lien Bonds	AAA	Aa1	NR	AAA
Proposition C Senior Sales Tax Revenue Bonds	AAA	Aa1	AA+	NR
Measure R Senior Sales Tax Revenue Bonds	AAA	Aa1	NR	NR
Measure R Junior Subordinate Sales Tax Revenue Bonds	AA	NR	AA	NR
General Revenue Bonds	AA+	Aa2	NR	NR

(1) Kroll Bond Rating Agency rates the Proposition A Sales Tax Revenue Refunding Bonds, Series 2018 only.

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Additional information on LACMTA's long-term debt can be found on pages 125-138.

Economic Factors and Next Year's Budget

The $8.00 billion budget for FY22 is balanced and aligns resources in a fiscally responsible manner to achieve the five goals established by Vision 2028, Metro's comprehensive strategic plan:

- Provide high-quality mobility options that enable people to spend less time traveling
- Deliver outstanding trip experiences for all users of the transportation system
- Enhance communities and lives through mobility and access to opportunity
- Transform Los Angeles County through regional collaboration and national leadership
- Provide responsive, accountable, and trustworthy governance within the LA Metro organization

The budget assumes the following major revenue sources and expenditures:

REVENUE SOURCES

- Local sales tax and Transportation Development Act (TDA) revenues are budgeted at $3.9 billion, a $108.9 million, or 2.9%, increase from the prior year. Projections are based on an economic analysis of the recovery from the COVID-19 pandemic's impact on taxable sales, nationally recognized forecasting sources, and Metro's own historical experience.
- State Transit Assistance (STA) and Senate Bill 1 (SB1) revenues for bus and rail operations and capital in FY22 are expected to be $127.8 million region wide, representing a 30.4% decrease from the FY21 Budget based on State Controllers' Office (SCO) estimates.
- Fare revenues are expected to come in at $73.2 million, a 229.3% increase from the FY21 Budget, reflecting ridership projections, the fare collection impact of social distancing measures, and the impacts of promotional fare adopted by the Metro Board. Despite the large percentage increase, this amount is still far below pre-pandemic levels.
- ExpressLanes toll revenues are expected to come in at $46.6 million in FY22, a 33.5% increase from the FY21 Budget, primarily due to anticipated increased traffic and service demand on ExpressLanes and freeways during the pandemic recovery.
- Advertising revenues of $24.1 million are expected in FY22, which is 27.8% above the FY21 Budget.
- Other revenues are expected to come in at $109.1 million in FY22, a 95.5% increase over the prior year, and include bike program revenues, park and ride revenues, lease revenues, vending revenues, film revenues, Service Authority for Freeway Emergencies (SAFE) revenues, county buydown, auto registration fees, transit court fees, Compressed Natural Gas (CNG) credits, investment income, and other miscellaneous revenues.

- Metro received $776.4 million from the Federal CRRSA Act. $7.5 million will be used to reimburse COVID-19-related Personal Protective Equipment and other eligible costs. For some regional operators, local funds will besubstituted, reducing Metro's net allocation to $682.5 million, as approved by the Metro Board. Other grant reimbursements, bond proceeds, sales tax carryover, and Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown at a total of $3.1 billion are in line with planned Transit Infrastructure Development and State of Good Repair expenditure activities.

EXPENDITURES

Metro Transit
The Metro Transit program is made up of Operations and Maintenance (O&M), State of Good Repair (SGR) and Regional Operating Services. It reflects the resources required to operate and maintain bus and rail service at pre-COVID-19 levels and ensures that critical infrastructure remains operational.

Bus and Rail Service Plan
Bus and rail service will be restored back to pre-COVID-19 levels by increasing bus service to seven million annualized Revenue Service Hours (RSH) by September 2021 and rail service to 1.2 million RSH by end of FY22. To provide this service, bus and rail operator availability is one of the most critical challenges. In preparation for returning to pre-COVID-19 service levels, Metro has resumed and accelerated the operator-hiring process. The FY22 service plan reflects a restoration of service that outpaces ridership projections and will continue to address physical distancing needs, overcrowding, and service reliability issues.

The FY22 adopted service plan does more than just restore service levels. It also makes significant service improvements and enhancements designed to foster ridership recovery. The NextGen bus improvement plan, which invests in improving the boarding and riding experience, will be fully implemented in FY22. NextGen will significantly change the current network by reallocating underutilized services to higher ridership lines. In addition, as part of the NextGen plan, the Metro Micro program is expanding to include nine zones of service to address customers' desire for tripmaking options in the lower density areas of the region. Bus and rail boardings will escalate over time to get us back to pre-COVID-19 ridership levels.

Operating Capital
Metro Transit's Operating Capital program includes Safety and Security projects, State of Good Repair (SGR), and Capital Infrastructure improvements. The SGR program includes all improvement, modernization, maintenance, replacement and general capital asset expenses performed on the existing transit systems. FY22 milestones and deliverables include: Receive 80 forty-foot CNG buses and five sixty-foot zero-emission electric buses; Final acceptance of remaining P3010 LRVs, continued heavy rail testing, and evaluation of "first article" vehicles; Enhance the customer experience through light rail vehicle (LRV) and

heavy rail vehicle (HRV) midlife modernization projects. These projects will preempt vehicle failures and increase operational performance; Continue major rail improvements and maintenance at rail facilities and right-of-way focusing the Metro C Line (Green) track system and circuit refurbishments; and installation of blue light emergency call boxes at bus and rail facilities.

Subsidy Funding

Subsidy Funding represents resources distributed to regional partners to carry out local transportation needs. This includes subsidies paid to local jurisdictions, Municipal Operators and community operators, Access Services, and funding for other programs such as the Congestion Reduction Demonstration (CRD) Toll Revenue Grant Program, Open Streets, Active Transportation, Transit Oriented Development (TOD) Planning grants, and the Destination Crenshaw/Sankofa Park Project. Metro's regional Fare Assistance program, Low Income Fares is Easy (LIFE), is increasing slightly due to sales tax growth in Measure M funding available for the program. Overall, the Subsidy Funding program expenditures are projected to increase to $1.4 billion, or 11.5% over the FY21 Budget.

Regional Rail

The Regional Rail program consists of Metro's operating and capital support of the Metrolink commuter rail system and Metro managed regional rail capital expansion/ betterments, development, construction, and corridor studies. The FY22 Adopted Budget of $233.0 million represents an $11.7 million decrease from FY21. The decrease is due in part to reduced need for right-of-way acquisitions in FY22. Funding for Metrolink commuter rail operations anticipates a continuation of the 30% service level reduction implemented due to pandemic-related impacts on ridership. As recovery from the pandemic progresses, we anticipate a return to pre-pandemic service levels in FY22. The return to full service will be based on increased ridership in conjunction with social distancing guidelines and other public health guidance. The $5.7 million decrease in funding to Metrolink is due to a reduction in the operating subsidy requirement in FY22, as the post-pandemic recovery is forecasted to generate additional fare revenues compared to FY21.

General Planning and Programs

General Planning and Programs consists of other mobility initiatives supporting the Agency's goal of delivering improved mobility, air quality, and sustainability. The FY22 Adopted Budget of $175.2 million represents a $19.5 million or 12.5% increase from the prior year. The operational budget for Bike Share, Parking, Transit Court, and Union Station are aligned to the service levels and customer demand anticipated in FY22.

Project highlights include:

a. Rail to Rail/River Active Transportation Corridor soil remediation and final design for Segment A and supplemental alternative analysis for Segment B;
b. Los Angeles River Bike Path Phase 2 environmental clearance and design;

c. First/Last Mile planning or post-planning work for Crenshaw/LAX, Regional Connector, L Line (Gold) Foothill Extension 2B and Westside D Line (Purple) Extension projects
d. Growing a Greener Workforce training programs and implementation of Environmental Management Systems (EMS) at 19 Metro locations;
e. Construction of the Metro Training and Innovation Center;
f. Centinela Grade Separation preliminary engineering design;
g. Transit Oriented Communities Implementation Plan and West Santa Ana Branch Transit Oriented Development Strategic Implementation Plan;
h. Union Station capital improvement projects including Parking Lot G Enhancement, Basement Drainage System Renovation, Threat and Vulnerability Assessment Closed-Circuit Television (TVA-CCTV) System Expansion, Security Operations Center and Central Dispatch Upgrade, Waterproofing and Drainage Repair, Plumbing System Upgrade and Metropolitan Water District (MWD) Walkway Repairs;
i. Public Private Partnership (P3) development work on Travel Rewards Research Pilot and Unsolicited Proposals to identify solutions to mobility challenges in the region such as Zero Bus Emissions and Roofing.

For details of LACMTA's FY22 budget, please visit LACMTA's website at www.metro.net.

Further Information

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Additional information can be obtained by visiting LACMTA's website at www.metro.net.

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Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
June 30, 2021
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	$ 214,528	$ 1,265,831	$ 1,480,359
Cash and cash equivalents - restricted	720,072	—	720,072
Investments - unrestricted	421,845	649,759	1,071,604
Investments - restricted	160,560	—	160,560
Receivables, net	191,753	983,007	1,174,760
Internal balances	9,570	(9,570)	—
Inventories	81,912	—	81,912
Prepaid and other current assets	8,037	19	8,056
Lease accounts	194,021	—	194,021
Capital assets:			
Land and construction in progress	10,871,007	749,417	11,620,424
Other capital assets, net of depreciation	6,931,652	—	6,931,652
TOTAL ASSETS	19,804,957	3,638,463	23,443,420
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	180,441	—	180,441
Deferred outflows related to OPEB	168,396	—	168,396
Deferred outflows related to ARO	3,615	—	3,615
TOTAL DEFERRED OUTFLOWS OF RESOURCES	352,452	—	352,452
LIABILITIES			
Accounts payable and accrued liabilities	539,981	400,686	940,667
Accrued interest payable	78,674	—	78,674
Pollution remediation obligation	12,489	—	12,489
Unearned revenues	18,374	22,137	40,511
Other liabilities	14,121	2,787	16,908
Long-term liabilities:			
Due within 1 year	434,531	—	434,531
Due in more than 1 year	8,618,619	—	8,618,619
TOTAL LIABILITIES	9,716,789	425,610	10,142,399
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on debt refunding	20,024	—	20,024
Deferred inflows related to pension	12,723	—	12,723
Deferred inflows related to OPEB	398,419	—	398,419
TOTAL DEFERRED INFLOWS OF RESOURCES	431,166	—	431,166
NET POSITION			
Net investment in capital assets	11,392,995	749,417	12,142,412
Restricted for:			
Debt service	365,657	—	365,657
Tax Measures			
Proposition A ordinance projects	—	474,584	474,584
Proposition C ordinance projects	—	472,023	472,023
Measure R ordinance projects	—	276,965	276,965
Measure M ordinance projects	—	672,442	672,442
TDA and STA projects	—	259,018	259,018
Other nonmajor governmental projects	—	128,234	128,234
Unrestricted (deficit)	(1,749,198)	180,170	(1,569,028)
TOTAL NET POSITION	$ 10,009,454	$ 3,212,853	$ 13,222,307

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

Los Angeles County Metropolitan Transportation Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Functions/Programs			
Business-type activities:			
Bus and rail operations	$ 2,480,546	$ 28,125	$ 862,493
Union Station operations	13,352	13,404	—
Toll operations	26,765	38,814	—
Total business-type activities	2,520,663	80,343	862,493
Governmental activities:			
Transit operators programs	378,088	—	—
Local cities programs	754,786	—	—
Congestion relief operations	34,753	—	—
Highway projects	239,881	—	—
Regional multimodal capital programs	90,072	—	—
Paratransit programs	87,392	—	—
Other transportation subsidies	92,350	—	—
General government	156,088	19,760	—
Total governmental activities	1,833,410	19,760	—
Total	$ 4,354,073	$ 100,103	$ 862,493

General revenues:
Sales tax
Investment income
Net appreciation (decline) in fair value of investments
Gain on disposition of capital assets
Miscellaneous
Total general revenues
Transfers
Change in net position

Net position – beginning of year

Net position – end of year

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net position: Business-type Activities	Governmental Activities	Total
$ 787,620	$ (802,308)	$ —	$ (802,308)
—	52	—	52
—	12,049	—	12,049
787,620	(790,207)	—	(790,207)
—	—	(378,088)	(378,088)
—	—	(754,786)	(754,786)
3,428	—	(31,325)	(31,325)
16,022	—	(223,859)	(223,859)
37,884	—	(52,188)	(52,188)
—	—	(87,392)	(87,392)
4,379	—	(87,971)	(87,971)
70,884	—	(65,444)	(65,444)
132,597	—	(1,681,053)	(1,681,053)
$ 920,217	(790,207)	(1,681,053)	(2,471,260)
	—	4,248,622	4,248,622
	20,646	14,275	34,921
	1,256	(12,016)	(10,760)
	1,245	—	1,245
	9,699	58,480	68,179
	32,846	4,309,361	4,342,207
	2,060,242	(2,060,242)	—
	1,302,881	568,066	1,870,947
	8,706,573	2,644,787	11,351,360
	$ 10,009,454	$ 3,212,853	$ 13,222,307

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2021
(Amounts expressed in thousands)

		Major	
		Special	
	General Fund	Proposition A	Proposition C
ASSETS			
Cash and cash equivalents	$ 80,748	$ 216,793	$ 235,624
Investments	48,741	132,911	144,459
Receivables:			
Sales tax	—	193,684	193,691
Accounts	11,463	—	—
Interest	38	315	541
Intergovernmental	6,515	—	4,902
Notes	6,000	—	—
Due from other funds	68,810	—	—
Prepaid and other assets	19	—	—
TOTAL ASSETS	$ 222,334	$ 543,703	$ 579,217
LIABILITIES			
Accounts payable and accrued liabilities	$ 18,523	$ 69,119	$ 105,995
Due to other funds	5,708	—	—
Unearned revenues	20,827	—	—
Other liabilities	1,285	—	—
TOTAL LIABILITIES	46,343	69,119	105,995
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	9,274	—	1,199
TOTAL DEFERRED INFLOWS OF RESOURCES	9,274	—	1,199
FUND BALANCES			
Nonspendable	19	—	—
Restricted	27,970	474,584	472,023
Committed	22,329	—	—
Assigned	21,939	—	—
Unassigned	94,460	—	—
TOTAL FUND BALANCES	166,717	474,584	472,023
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 222,334	$ 543,703	$ 579,217

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

Funds				Nonmajor Funds	
Revenue Funds					
Measure R	Measure M	TDA	STA	Other Governmental Funds	Total Governmental Funds
$ 100,897	$ 330,153	$ 177,878	$ 36,558	$ 87,180	$ 1,265,831
61,850	202,430	—	—	59,368	649,759
193,490	192,858	96,064	41,214	—	911,001
—	250	—	—	—	11,713
1,182	1,332	272	95	81	3,856
26,900	5,049	—	—	7,071	50,437
—	—	—	—	—	6,000
24,894	—	3	38,932	21,465	154,104
—	—	—	—	—	19
$ 409,213	$ 732,072	$ 274,217	$ 116,799	$ 175,165	$ 3,052,720
$ 125,573	$ 59,630	$ 13,507	$ 6,861	$ 1,478	$ 400,686
889	—	25,293	86,337	45,447	163,674
—	—	—	—	—	20,827
—	—	—	—	—	1,285
126,462	59,630	38,800	93,198	46,925	586,472
5,786	—	—	—	6	16,265
5,786	—	—	—	6	16,265
—	—	—	—	—	19
276,965	672,442	235,417	23,601	128,234	2,311,236
—	—	—	—	—	22,329
—	—	—	—	—	21,939
—	—	—	—	—	94,460
276,965	672,442	235,417	23,601	128,234	2,449,983
$ 409,213	$ 732,072	$ 274,217	$ 116,799	$ 175,165	$ 3,052,720

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Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Balance Sheet
to the Statement of Net Position – Governmental Activities
June 30, 2021
(Amounts expressed in thousands)

Fund balances – total governmental funds (page 47)	$ 2,449,983
Government capital assets are not financial resources and, therefore, are not reported in the funds.	749,417
Proceeds of long-term liabilities reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances provide current financial resources to the governmental funds but are reported as long-term liabilities in the Statement of Net Position-Governmental Activities.	(1,500)
Governmental funds report revenue only to the extent that increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. This is the amount of revenue pertaining to future period.	14,953
Net position of governmental activities (page 43)	$ 3,212,853

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Amount expressed in thousands)

			Major
		Special	
	General Fund	Proposition A	Proposition C
REVENUES			
Sales tax	$ —	$ 911,302	$ 911,310
Intergovernmental	36,679	—	20,535
Investment income	825	849	1,965
Net appreciation (decline) in fair value of investments	(2,124)	951	(1,067)
Lease and rental	15,954	—	—
Licenses and fines	439	—	—
Other	18,114	—	—
TOTAL REVENUES	69,887	913,102	932,743
EXPENDITURES			
Current			
Administration and other transportation projects	114,233	—	38,583
Transportation subsidies	16,320	349,623	451,398
TOTAL EXPENDITURES	130,553	349,623	489,981
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(60,666)	563,479	442,762
OTHER FINANCING SOURCES (USES)			
Transfers in	106,293	635	69,065
Transfers out	(82,631)	(229,343)	(277,200)
Net transfers	23,662	(228,708)	(208,135)
Issuance of long-term liabilities	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	23,662	(228,708)	(208,135)
NET CHANGE IN FUND BALANCES	(37,004)	334,771	234,627
Fund balances – beginning of year	203,721	139,813	237,396
FUND BALANCES – END OF YEAR	$ 166,717	$ 474,584	$ 472,023

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

	Funds				Nonmajor Funds	
	Revenue		Funds			
	Measure R	Measure M	TDA	STA	Other Governmental Funds	Total Governmental Funds
	$ 912,444	$ 911,235	$ 442,450	$ 159,881	$ —	$ 4,248,622
	51,815	7,005	—	—	39,123	155,157
	2,838	6,004	854	395	545	14,275
	(3,957)	(5,420)	—	—	(399)	(12,016)
	—	—	—	—	—	15,954
	—	—	—	—	41,781	42,220
	—	—	—	—	—	18,114
	963,140	918,824	443,304	160,276	81,050	4,482,326
	113,425	31,881	—	—	4,975	303,097
	340,962	223,876	120,989	24,983	2,162	1,530,313
	454,387	255,757	120,989	24,983	7,137	1,833,410
	508,753	663,067	322,315	135,293	73,913	2,648,916
	11,510	—	—	—	—	187,503
	(573,426)	(624,082)	(236,033)	(140,403)	(84,627)	(2,247,745)
	(561,916)	(624,082)	(236,033)	(140,403)	(84,627)	(2,060,242)
	—	1,500	—	—	—	1,500
	(561,916)	(622,582)	(236,033)	(140,403)	(84,627)	(2,058,742)
	(53,163)	40,485	86,282	(5,110)	(10,714)	590,174
	330,128	631,957	149,135	28,711	138,948	1,859,809
	$ 276,965	$ 672,442	$ 235,417	$ 23,601	$ 128,234	$ 2,449,983

Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

Amounts reported for the governmental activities in the Statement of Activities (page 25) are different because:	
Net change in fund balances – total governmental funds (page 51)	$ 590,174
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These unearned revenues are not available in the current period.	(22,108)
Change in net position of governmental activities (page 45)	$ 568,066

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
Proprietary Fund – Enterprise Fund
June 30, 2021
(Amounts expressed in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	$ 214,528
Cash and cash equivalents - restricted	282,110
Investments - unrestricted	421,845
Investments - restricted	13,188
Receivables, net	179,391
Inventories	81,912
Due from other funds	9,570
Prepaid and other current assets	8,037
Total current assets	1,210,581
Noncurrent assets:	
Cash and cash equivalents - restricted	437,962
Investments - restricted	147,372
Notes receivable	12,362
Lease accounts	194,021
Capital assets:	
Land and construction in progress	10,871,007
Other capital assets, net of depreciation	6,931,652
Total noncurrent assets	18,594,376
Total assets	19,804,957
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	180,441
Deferred outflows related to OPEB	168,396
Deferred outflows related to ARO	3,615
Total deferred outflows of resources	352,452
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 20,157,409

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

(Amounts expressed in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 539,981
Accrued interest payable	78,674
Claims payable	75,402
Compensated absences payable	93,651
Asset retirement obligations	634
Bonds and notes payable	264,844
Other current liabilities	14,121
Total current liabilities	1,067,307
Noncurrent liabilities:	
Claims payable	337,955
Compensated absences payable	33,598
Net pension liability	578,239
Net OPEB liability	1,215,301
Asset retirement obligations	2,981
Pollution remediation obligation	12,489
Bonds and notes payable	6,450,545
Unearned revenues	18,374
Total noncurrent liabilities	8,649,482
Total liabilities	9,716,789
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on debt refunding	20,024
Deferred inflows related to pension	12,723
Deferred inflows related to OPEB	398,419
Total deferred inflows of resources	431,166
NET POSITION	
Net investment in capital assets	11,392,995
Restricted for debt service	365,657
Unrestricted (deficit)	(1,749,198)
Total net position	$ 10,009,454

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund – Enterprise Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	$ 20,449
Auxiliary transportation	7,676
Lease and rental	13,404
Toll revenues	38,814
Total operating revenues	80,343
OPERATING EXPENSES	
Salaries and wages	659,341
Fringe benefits	327,131
Professional and technical services	330,111
Material and supplies	85,359
Casualty and liability	49,840
Fuel, lubricants, and propulsion power	83,148
Purchased transportation	51,813
Depreciation	596,376
Other	150,030
Total operating expenses	2,333,149
OPERATING LOSS	(2,252,806)
NON-OPERATING REVENUES (EXPENSES)	
Local grants	6,881
Federal grants	855,612
Investment income	20,646
Net appreciation in fair value of investments	1,256
Interest expense	(187,514)
Gain on disposition of capital assets	1,245
Other revenue	9,699
Total net non-operating revenues	707,825
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,544,981)
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	23,538
State grants	5,595
Federal grants	758,487
Total capital grants and contributions	787,620
TRANSFERS	
Transfers in	2,095,848
Transfers out	(35,606)
Total transfers	2,060,242
CHANGE IN NET POSITION	1,302,881
Net position – beginning of year	8,706,573
NET POSITION – END OF YEAR	$ 10,009,454

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

Los Angeles County Metropolitan Transportation Authority
Statement of Cash Flows
Proprietary Fund – Enterprise Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	88,318
Payments to suppliers		(716,567)
Payments to employees and benefit payments		(993,873)
Net cash used for operating activities		(1,622,122)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers from other funds		1,132,851
Federal operating grants received		965,791
State and local operating grants received		6,520
Net cash flows from non-capital financing activities		2,105,162
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the issuance of debt		665,930
Proceeds from disposition of capital assets		1,333
Federal capital grants received for capital projects		742,729
State and local capital grants received for capital projects		36,665
Transfers from other funds for capital project reimbursements		934,670
Payments for bonds and notes payable		(533,263)
Acquisition and construction of capital assets		(1,948,864)
Interest paid		(187,754)
Net cash used for capital and related financing activities		(288,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturity of investments		18,004,486
Purchase of investments		(18,153,706)
Investment earnings		19,338
Net cash used for investing activities		(129,882)
Net increase in cash and cash equivalents		64,604
Cash and cash equivalents – beginning of year		869,996
CASH AND CASH EQUIVALENTS – END OF YEAR	$	934,600

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

Los Angeles County Metropolitan Transportation Authority
Statement of Cash Flows (Continued)
Proprietary Fund – Enterprise Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

Reconciliation of operating loss to net cash used for operating activities		
Operating loss	$	(2,252,806)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		596,376
Other non-operating revenue		9,699
Increase in deferred outflows related to pension		(35,627)
Decrease in deferred outflows from asset retirement obligations		822
Increase in receivables		(6,255)
Increase in prepaid and other current assets		(2,429)
Increase in inventories		(2,696)
Increase in accounts payable and accrued liabilities		33,898
Decrease in pollution remediation obligation		(4,372)
Increase in compensated absences payable		6,463
Increase in claims payable		11,891
Increase in accrued payroll liabilities		4,585
Increase in net pension liability		53,395
Increase in net OPEB liability		225,801
Decrease in asset retirement obligations		(822)
Decrease in other current liabilities		(1,735)
Increase in unearned revenues		4,530
Decrease in deferred inflows related to pension		(4,312)
Decrease in deferred inflows related to other post employment benefit plan		(258,528)
Total adjustments		630,684
Net cash used for operating activities	$	(1,622,122)
Non-cash investing, capital and financing activities		
Capital assets included in accounts payable and accrued liabilities	$	296,630
Capital grants and contributions included in intergovernmental receivable	$	152,627
Bond premium/discount amortization	$	68,534
Interest accretion on lease/leaseback obligations	$	9,667
Net gain (loss) in fair value of investments	$	1,256
Gain (loss) on disposition of capital assets	$	1,245

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

Los Angeles County Metropolitan Transportation Authority
Statement of Fiduciary Net Position - Employee Retirement and OPEB Trust Funds
June 30, 2021
(Amounts expressed in thousands)

ASSETS		
Cash and cash equivalents	$	5,543
Investments:		
Bonds		332,323
Domestic stocks		280,090
Non-domestic stocks		9,023
Pooled investments		2,004,984
Receivables:		
Member contributions		2,247
Securities sold		1,319
Interest and dividends		2,039
Prepaid items and other assets		58
Total assets		2,637,626
LIABILITIES		
Accounts payable and other liabilities		3,215
Securities purchased		4,606
Total liabilities		7,821
NET POSITION		
Restricted for:		
Pensions		2,086,697
OPEB		543,108
Total Net Position	$	2,629,805

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

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Fiduciary Net Position - Employee Retirement and OPEB Trust Funds
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

ADDITIONS		
Contributions:		
Employer	$	91,601
Member		34,631
Total contributions		126,232
From investing activities:		
Net appreciation in fair value of investments		547,436
Investment income		29,925
Investment expense		(6,916)
Other income		702
Total investing activities		571,147
Total additions		697,379
DEDUCTIONS		
Retiree benefits		139,874
Administrative expenses		2,399
Total deductions		142,273
Net increase in net position		555,106
Net position - beginning of year		2,074,699
NET POSITION - END OF YEAR	$	2,629,805

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a 14-member Board of Directors (Board). The Board is comprised of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

Management has prepared LACMTA's financial statements and those of its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially accountable upon LACMTA and because LACMTA's approval is needed for the units to expend their budgets or charges and issue long-term debt. Although they are legally separate entities, the blended component units are in substance part of LACMTA's operations and data from these units are combined with LACMTA's financial data.

LACMTA administers the activities of the Public Transportation Services Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE) and includes the activities of these organizations in the accompanying financial statements. PTSC, PRMA, and EXPO provide services exclusively to LACMTA. LACMTA shares its governing board with CPC and SAFE, and the management of LACMTA has operational responsibility for both CPC and SAFE. PTSC, PRMA, EXPO, and CPC are presented and reported in the business activity type funds and SAFE is reported in the governmental fund type. Additional detailed financial information for each of these entities can be obtained from LACMTA's Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

PTSC was created in August 1997 to conduct activities essential to the provision of public transportation in and around Los Angeles County. To achieve this goal, LACMTA entered into an acquisition agreement under which the planning, programming, administrative, operational management, and construction functions of LACMTA were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by LACMTA.

PRMA was established in October 1998 for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA provides workers' compensation coverage for all LACMTA and PTSC employees and provides public liability and property damage insurance coverage for all LACMTA properties.

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 95-station Metro Rail system. The first phase of the project runs 8.6 miles from the Metro Rail Station at 7th and Flower Streets in downtown Los Angeles to Washington and National Boulevards in Culver City. The second phase is approximately 6.6 miles and is continuing from the Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. The first phase of the project commenced revenue operations in April 2012. The second phase commenced revenue operations in May 2016.

CPC was established in March 2012 for the purpose of securing a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Crenshaw/LAX Corridor project. This project covers the design and construction of a new 8.5 mile double-track light rail lines with a minimum of six transit stations and a full service maintenance facility known as “Southwestern Yard.” The Crenshaw/LAX Corridor project will extend from the EXPO Line at the intersection of Exposition and Crenshaw Boulevards and the Green Line near the existing Aviation/LAX station.

SAFE was established in 1988 under the authority of the California Legislature to provide emergency aid to motorists on freeways and expressways within Los Angeles County.

B. Government-wide and Fund Financial Statements

LACMTA’s financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, as amended, *Financial Statements and Management’s Discussion and Analysis for State and Local Governments,* consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Business-type activities, which rely to a significant extent on fees and charges for services, are reported separately from governmental activities, which normally are supported by taxes and intergovernmental revenues.

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. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included within the program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. However, intra-activity billing for services provided and used is not eliminated in the process of consolidation.

Separate fund financial statements are provided for proprietary funds, governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economic resources measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, 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. Long-term debt is recorded only when payment is due.

Interest income associated with the current fiscal period is subject to accrual and has been recognized as revenue of the current fiscal period and reported in the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of LACMTA's Enterprise fund are charges to customers for services, rental, and toll revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is LACMTA's policy to use restricted resources first. Unrestricted resources are used as they are needed.

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. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: proprietary, governmental, and fiduciary, as described below.

The Proprietary fund is used to account for LACMTA's ongoing operations and activities similar to those found in the private sector where the determination of net income is necessary or useful to provide sound financial administration. The Enterprise fund, which accounts for bus and rail operations, the Union Station leasing program, and the Metro *ExpressLanes* operations, is LACMTA's only Proprietary fund.

Bus and rail operations are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and governmental transfers. All major transit operations capital projects are partially funded by proceeds from debt secured by sales tax revenue, State and Federal grants, and contributions from the governmental funds. Sales tax secured debt is reported as a liability in the Enterprise fund. The financial resources used to pay the debt principal and interests are reported as contributions from the governmental funds.

Union Station is a hub for rail and bus services. Amtrak, Metrolink, Metro light rail and subway, and Metro buses are the major providers of services that operate within Union Station's facilities. There are also private businesses providing food services and general merchandising within Union Station facilities. Union Station's activities associated with the rental of spaces and parking are reported in the Enterprise fund of LACMTA.

Metro *ExpressLanes* began as a one-year pilot program funded through a federal grant from U.S. Department of Transportation (USDOT). The ExpressLanes convert existing carpool High-Occupancy Vehicle (HOV) to High-Occupancy Toll (HOT) lanes. Metro ExpressLanes consists of 11 miles on the I-110 Harbor Transit-way between Adams Boulevard and Harbor Gateway Transit Center that opened in November 2012 and 14 miles on the I-10 El Monte Bus-way between Alameda Street and I-605 that opened in February 2013. All vehicles using the ExpressLanes are required to have a transponder to access the lanes. Tolls are collected electronically. The activities of Metro ExpressLanes are reported in the Enterprise fund of LACMTA. In April 2014, LAMCTA's Board of Directors authorized the conversion of Metro ExpressLanes to a permanent program.

LACMTA reports all operations-related transactions, including capital and related debt, in the Enterprise fund.

Governmental funds are used to account for LACMTA's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. LACMTA uses the following governmental fund types:

The General fund is used to account for those financial resources that are not required to be accounted for in another fund. The General fund is one of LACMTA's major governmental funds.

Special Revenue funds are used to account for proceeds of specific revenue sources including sales taxes that are legally restricted to expenditures for specified purposes. The following are LACMTA's other major governmental funds:

> ***Proposition A*** - This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 1982. Revenues collected are to be allocated: 1) 25% to local jurisdictions for local transit; 2) 35% to be used for construction and operation of rail rapid transit systems; and 3) 40% is allocated to county-wide operators at the discretion of LACMTA.
>
> ***Proposition C*** - The "Los Angeles County Anti-Gridlock Transit Improvement Fund" is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 1) 5% to improve and expand rail and bus security; 2) 10% for Commuter Rail and construction of transit centers, park-and-ride lots and freeway bus stops; 3) 20% to local jurisdictions for public transit and related services; 4) 25% for essential county-wide transit-related improvements to freeways and state highways; and 5) 40% to improve and expand rail and bus transit county-wide.
>
> ***Measure R*** - The "Traffic Relief and Rail Expansion Ordinance" is used to account for the proceeds of the voter-approved half-cent sales tax that became effective on July 1, 2009 and continuing to June 30, 2039. Revenues collected are allocated to: 1) 2% for Metro rail capital improvements; 2) 3% for Metrolink capital improvements; 3) 5% for rail operations for new transit projects; 4) 15% for local return; 5) 20% for bus operations allocated using LACMTA's formula allocation procedure (based on vehicle service miles and fare revenue); 6) 20% for highway capital projects; and 7) 35% for specific transit capital projects.
>
> ***Measure M*** - The "Los Angeles County Traffic Improvement Plan" is used to account for the proceeds of the voter-approved half-cent sales tax that became effective July 1, 2017. Measure M is an ordinance authorizing an additional 1/2 of 1% sales tax approved by the voters of Los Angeles County on November 8, 2016 and which continued the existing Measure R half-cent sales tax rate when Measure R expires on

July 1, 2039. Revenues will be allocated as follows: 1) 16% for local returns; 2) 35% for Metro rail capital - new rail; 3) 1% for Metrolink capital improvements; 4) 17% for highway construction; 5) 25% for rail and bus operations; 6) 2% for state of good repair; 7) 2% for ADA paratransit; and 8) 2% for active transportation program.

Transportation Development Act (TDA) - This fund is used to account for revenues received from the State as part of the Transportation Development Act and are paid out to various transit operators, including LACMTA, for operating and capital uses.

State Transit Assistance (STA) - This fund is used to account for revenue received from the State Transit Assistance Program under the Transportation Development Act formulas that determine the allocation of the proceeds among eligible recipients. Under the provisions of the "Gas Tax Swap" enacted in 2010, the STA program is funded by an excise tax on diesel fuel and based on actual consumption of diesel fuel rather than an annual budget appropriation.

LACMTA also has the following nonmajor Special Revenue funds:

Service Authority for Freeway Emergencies (SAFE) - This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by a $1 per car registration fee in Los Angeles County to improve freeway emergency response programs including call box operations.

Other Special Revenue Funds - This fund is used to account for specific revenue sources related to funds not classified as major Special Revenue funds.

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Fiduciary funds include the following pension and other employee benefit trust funds:

Employees' Retirement Trust funds account for the assets of the five defined-benefit pension plans that LACMTA administers and are accounted for in essentially the same manner as the proprietary funds.

Other Postemployment Benefits (OPEB) Trust funds account for the resources held in trust by LACMTA for the other postemployment benefits of members and beneficiaries not offered as an integral part of a pension plan.

D. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position</u>

Cash and Investments

LACMTA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools and* GASB Statement No. 72, *Fair Value Measurement and Application*. Investments are stated at fair value based on the fair value hierarchy. The net appreciation (decline) in fair value of investments is shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances for all governmental fund types, and in the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary fund.

Cash and Cash Equivalents

LACMTA considers all highly liquid investments with maturities of 90 days or less from the acquisition date to be cash and cash equivalents because they are readily convertible to known amounts of cash and are so near their maturity that they present an insignificant risk of change in value. State statutes and LACMTA's policy allows LACMTA to invest in U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment pool.

As required by California State statutes, LACMTA is required to deposit surplus STA and TDA cash with the County Treasurer. LACMTA is an involuntary participant in the County Treasurer's external investment pool. Deposits in the cash management pool of the County Treasurer are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal.

Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are restricted as these assets are either advances used for specific purpose with the balance being refunded upon project completion or funds restricted for debt service.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Position because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

Non-current Restricted Cash, Cash Equivalents, and Investments

In accordance with GASB 62, certain restricted cash, cash equivalents, and investments are non-current as these funds are restricted as to withdrawal or use for other than current operations, for disbursement in the acquisition or construction of non-current assets, or for the liquidation of long-term debt.

Receivables

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experiences. Most of the receivables from Federal agencies are amounts funding projects for major bus and rail, planning, capital acquisition, construction and operating assistance. State receivables involve funding for construction of various highways in partnership with the California Department of Transportation. Local receivables arise from certain local cities and municipalities who partner with LACMTA for certain projects that affect their local corridors.

Internal Balances

All outstanding balances between funds at the end of the fiscal year are referred to as “due to/from other funds” on the fund financial statements. Generally, the effect of the interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items

Inventories, consisting primarily of bus and rail vehicle parts, are valued at weighted average cost. Inventory items of governmental funds are recorded as expenditures when consumed. Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

Capital Assets

Capital assets are reported in the applicable business-type or governmental activities in the government-wide financial statements. Capital assets are defined by LACMTA as assets with an initial individual cost of more than $5,000 (amount not in thousands). Such assets are recorded at historical cost if purchased or constructed. If donated, capital assets are recorded at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life is expensed.

Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful life of the assets as follows:

Asset Type	Useful Life in Years
Buildings and improvements	30
Rail cars	25
Buses	7 - 14
Equipment and other furnishings	5 - 10
Other vehicles	5

Proprietary fund capital assets acquired with federal, state, and local capital grants are included in the Statement of Net Position. Depreciation on these capital assets is included in the accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position.

Compensated Absences

It is LACMTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave in the governmental fund. All vacation and sick leave pay is accrued when earned in the Government-wide and Proprietary fund financial statements. Accumulation and payment of vacation and sick leave is based on the collective bargaining agreements with the various unions.

Employees' Retirement Plans

LACMTA provides pension benefits that cover substantially all full-time employees through five self-administered single-employer defined benefit pension plans, and an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). Four of the self-administered single-employer defined benefit pension plans are restricted to specific union members, while the fifth provides benefits to Non-Contract employees and Teamsters.

For financial reporting purposes, the CalPERS administered Miscellaneous Plan and the five LACMTA self-administered Retirement Plans' net pension liability is measured by the pension plans' total pension liability at the close of the last fiscal year and rolled forward from information based on the actuarial valuation reports dated no more than twenty-four months prior to the current fiscal year end.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the Plan(s) and additions to/deductions from the fiduciary net position have been determined on the same basis they are reported to the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Additional detailed information on LACMTA's Employees' Retirement Plans can be found on pages 95-108.

Other Postemployment Benefits Plan

On February 22, 2007, the MTA Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust ("Plan"). The Plan is a single-employer, defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA to Non-contract employees and employees represented by AFSCME and the Teamsters, and the contractual obligations to the respective Union Health & Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. Generally, eligibility for coverage is based on employee's service and age.

For financial reporting purposes, the net OPEB liability is measured by the OPEB Trust's total OPEB liability at the close of the last fiscal year and rolled forward from information based on actuarial reports dated no more than twenty-four months prior to the current fiscal year end. LACMTA's funding policy is to contribute the direct "pay-as-you-go" cost as determined by required premium/claim payments and union healthcare trust contractual contributions, plus $5,000. Assets are held in trust separately from the LACMTA and may be used only for the payment of benefits to the members.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the fiduciary net position have been determined on the same basis they are reported to the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term Obligations

In the government-wide and Proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of related original issue premiums and discounts. Bond issue costs are reported as current period costs and accounting gains and losses resulting from refunding of debts are reported as deferred outflows of resources or deferred inflows of resources in conformity with GASB 65. In the governmental fund financial statements, bond issuance costs and refunding gains/losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources Related to Pensions

Most changes in net pension liability are required to be included in pension expense in the period of the change such as service cost, interest on the total pension liability, and changes in benefit terms. The following changes in net pension liability are not included in pension expense as of the beginning of the measurement period and are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions:

1. Changes in total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors.
2. The effects of changes in assumptions about future economic or demographic factors or of other inputs.
3. Differences between projected and actual investment earnings on pension plan investments.

The amounts in items 1 and 2 are recognized as pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period. Item 3 is recognized as pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report LACMTA's contributions to CalPERS and the LACMTA self-administered Employees Retirement Plans subsequent to the measurement date of the net pension liability. They will be recognized as a reduction of the net pension liability in the next fiscal year.

Deferred Outflows/Inflows of Resources Related to OPEB

Deferred outflows and deferred inflows of resources represent the unamortized portion of (1) the difference between expected and actual experience, (2) the changes in assumptions, and (3) the difference between expected and actual earnings on OPEB Plan investments.

OPEB expense is recognized for the service costs, interest costs, administrative expenses, and expected investment return actuarially determined as of the measurement date. Employer contributions to the OPEB Plan subsequent to the measurement date but before the end of the current fiscal year are recorded as deferred outflows of resources in the current fiscal year.

The difference between expected and actual experience and the changes in assumptions are amortized over the average future working life expectancy. The difference between expected and actual earnings on OPEB Plan investments is recognized as OPEB expense using a systematic and rational method over a closed five-year period.

Deferred Outflows of Resources Related to Asset Retirement Obligations (ARO)

Deferred outflows of resources related to Asset Retirement obligation represents the present value of expected future outlays associated with the retirement of a tangible capital asset when a legal obligation is incurred and is reasonably estimable initially required by GASB Statement No. 83. This present value of future obligation will be evaluated annually to determine whether the effects of one or more factors are expected to significantly change the estimate of the asset retirement outlays.

Deferred Outflows/Inflows of Resources on Debt Refunding

LACMTA issues sales tax revenue refunding bonds by refinancing previously issued sales tax revenue bonds and/or commercial paper notes, generally to achieve debt service costs savings, to restructure the repayment of a debt, to change the type of instruments being used, or to retire an indenture in order to remove undesirable covenants when more favorable interest rates or financing terms become available. In refunding debt resulting in the legal defeasance of the old debt, the difference in the carrying value of the refunded debt and its reacquisition price is reported as deferred outflows or deferred inflows of resources in the Statement of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

Deferred Revenues

National Council on Governmental Accounting (NCGA) Statement 1 provides that revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. GASB 65 provides that when an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflow of resources should be reported until it becomes available. LACMTA considers receivables that are not collected within 90 days from the close of the fiscal year as revenues that are not available in the current year, and therefore, not susceptible to accrual. These represent governmental revenues for grants receivable from federal, state, and local sources that are reported as deferred revenues in the governmental fund financial statements in the current year and recognized as revenue in subsequent periods as they become available.

Unearned Revenues

In the Government-wide and Proprietary fund financial statements, unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned revenues arise when resources are received by LACMTA before it has a legal claim to them, such as grant monies received prior to the incurrence of the qualifying expenditures, the presale of passes and tokens, and others. When revenue recognition criteria are met, or when LACMTA has a legal claim to the resources, unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

Other Revenues

Other revenues in the governmental funds include proceeds from the sale of Low Carbon Fuel Standard (LCFS) credits, sale of surplus land, CNG tax credits, and other miscellaneous revenues.

Fund Balances

LACMTA reports its fund balances in various categories based on the nature of the limitations requiring the use of resources for specific purpose. LACMTA classifies its governmental fund balances into:

> ***Nonspendable fund balances*** include amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. Prepayments and inventories in the governmental funds are included in the nonspendable fund balances.
>
> ***Restricted fund balances*** include amounts that can be spent only for specific purposes stipulated by enabling legislation, by the grants, by the creditors, or by the regulations of other governments. Propositions A, C, Measure M and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from PTMISEA, TDA, STA, SAFE, and other grants are restricted by the grantors providing the funds.
>
> ***Committed fund balances*** are amounts that can be used only for specific purposes imposed by a formal action of the LACMTA's Board of Directors, the primary government's highest decision-making authority. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specific use of the funds.
>
> ***Assigned fund balances*** are amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the LACMTA's board policy, contracts that are $1,000 or less can be approved and assigned by the Chief Executive Officer or his designee.
>
> ***Unassigned fund balances*** are the residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

The Board establishes, modifies, or rescinds fund balance commitments by passage of resolution. LACMTA adopted the GASB 54 criteria and determined that a resolution is binding, and that action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year. In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and then unassigned.

E. <u>Effects of New Pronouncements</u>

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (a) pension (and other employee benefit) trust funds, (b) investment trust funds, (c) private-purpose trust funds, and (d) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. The requirements of this statement are effective for reporting period beginning after December 15, 2019. LACMTA implemented the new reporting requirements for the Fiscal Year ended June 30, 2021. There was no impact on the changes in Fund Balance or Net Position as a result of the adoption of this statement.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflows of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. LACMTA plans to implement the new reporting requirements for the Fiscal Year ending June 30, 2022.

In August 2018, GASB issue Statement No. 90, *Majority Equity Interest - An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. LACMTA implemented the new reporting requirements for the Fiscal Year ended June 30, 2021. There was no impact on the changes in Fund Balance or Net Position as a result of the adoption of this statement.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements-often characterized as leases-that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. LACMTA plans to implement the new reporting requirements for the Fiscal Year ending June 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following (not an exhaustive list):

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

LACMTA plans to implement the new reporting requirements for GASB Statement No. 87 for the Fiscal Year ending June 30, 2022. The adoption of GASB Statement No. 73 did not have impacts on LACMTA's financial statements. The measurement of liabilities and assets related to Asset Retirement Obligations (AROs) are disclosed in Note L.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The paragraphs effective in Fiscal Year 2021 had no impact on the changes in Fund Balance or Net Position. LACMTA plans to implement the remaining paragraphs for Fiscal Year 2022. LACMTA will continue to monitor the London Interbank Offered Rates (LIBOR) and its use as a global index and will transition to a replacement index as necessary.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availality Payment Arragements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

PPPs
This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP. A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

APAs

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. If applicable, LACMTA plans to implement the new reporting requirement beginning Fiscal Year 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. LACMTA plans to implement the new reporting requirement in Fiscal Year 2023.

In May 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or any other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement are (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The adoption of these paragraphs did not have an impact on LACMTA's financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this statement is to establish the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. LACMTA implemented the new requirements for the Fiscal Year ended June 30, 2021.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The budget cycle begins in August when the capital call process is initiated. This involves identifying capital needs for the coming fiscal year's budget and reviewing and prioritizing the requests. The capital budget process is usually concluded by the end of November or early December. In December, the CEO establishes- or updates core missions and objectives for the coming fiscal year budget. Between January and February, LACMTA submits budgeted planning parameters to the Board outlining basic assumptions to be used in preparing the coming year's annual budget. In February or March of each year, all LACMTA departments submit requests for appropriations to management so that an operational and capital projects budget can be prepared. The Office of Management and Budget (OMB) works with the requesting departments to finalize the annual budget request and begins the process of "selling" the proposed budget drafts to Board staff from mid-March through early April. In late April, OMB prepares the Proposed Budget book and posts the final version to the metro.net website at least two weeks prior to the public hearing in May. The proposed budgets are submitted to the Board in mid-May for review and adoption. Prior to adoption, the Board conducts public hearings in May for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which is planned to occur in late May, but no later than June 30.

Enabling legislation and adopted policies and procedures provide that LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles (GAAP) for all governmental and proprietary funds. The Board also approves the Life of Project budget whenever new capital projects are approved. All non-capital appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, cost center, expense type, and project. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level.

Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

B. Encumbrances

Encumbrance accounting is employed in the General and Special Revenue governmental funds. Under this method, purchase orders, contracts, Memoranda of Understanding (MOU), and other commitments outstanding at year-end are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent years' appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of June 30, 2021, the following are LACMTA's cash and investments:

	Amount
Cash deposits	$ 53,304
State/county investment pool	458,498
Debt securities:	
Medium term notes	321,598
Mortgage backed securities	22,033
Commercial paper	220,423
Asset backed securities	49,558
Fixed income:	
Money market, mutual or pooled funds	1,076,929
U.S. Agencies securities	461,838
U.S. Treasury obligations	768,414
Total cash and investments	$ 3,432,595

	Business-type Activities	Governmental Activities	Total
Reported in the Statement of Net Position and Balance Sheet:			
Cash and cash equivalents - unrestricted, current	$ 214,528	$ 1,265,831	$ 1,480,359
Cash and cash equivalents - restricted, current	282,110	—	282,110
Investments - unrestricted, current	421,845	649,759	1,071,604
Investment - restricted, current	13,188	—	13,188
Cash and cash equivalents - restricted, noncurrent	437,962	—	437,962
Investments - restricted, noncurrent	147,372	—	147,372
Total cash and investments	$ 1,517,005	$ 1,915,590	$ 3,432,595

As of June 30, 2021, the following are LACMTA's investments set forth by level, within the fair value hierarchy:

	Level 1	Level 2	Total
Debt securities:			
Medium term notes	$ —	$ 321,598	$ 321,598
Mortgage backed securities	—	22,033	22,033
Commercial paper	—	220,423	220,423
Asset backed securities	—	49,558	49,558
Fixed income:			
Money market, mutual or pooled funds	25,654	1,051,275	1,076,929
U.S. Agencies securities	—	461,838	461,838
U.S. Treasury obligations	768,414	—	768,414
Total	$ 794,068	$ 2,126,725	$ 2,920,793

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard is applicable primarily to investments made by state and local governments that defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value, and requires specific information about fair value to be disclosed in the financial statements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Typically, the fair value reflects management's estimates of assumptions that market participants would use in pricing the asset or liability.

U.S. Treasury obligations and some money market, mutual or pooled funds are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, money market, mutual or pooled funds, and U.S. Agencies securities are classified as Level 2 and are valued using inputs that are observable but not active using the market approach. These inputs include matrix pricing models and comparisons to prices of similar assets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level (in terms of reliability) of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investment Policy

LACMTA internally pools cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the internally pooled cash deposits and investments account is presented as cash and investments on the Statement of Net Position and Balance Sheet. Negative equity balances have been reclassified and are reflected as interfund receivables/payables. Interest income earned and expenses incurred as a result of investing are allocated to the various funds based on their average daily balances. For purposes of the Statement of Net Position, Balance Sheet, and Statement of Cash Flows, all highly liquid investments, including restricted assets with maturity date of 90 days or less from acquisition date, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at their fair values. Net changes in the fair values of investments are shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position in the Enterprise fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances in the Governmental fund.

LACMTA's most recent investment policy, adopted by the Board on February 25, 2021, requires LACMTA's investment program to meet three criteria in the order of their importance: **Safety** - preservation of capital, diversification, and the protection of investment principal; **Liquidity** - investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements that might be reasonably anticipated. **Return on Investments** - LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes LACMTA's investment policy. LACMTA's investment policy is applicable to the cash deposits and investments. Bond proceeds and debt service investment accounts are governed by LACMTA's debt policy. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of LACMTA's bond trust agreements.

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer	Minimum Ratings
Bonds issued by LACMTA	5 years	100%	100%	None
U.S. Treasury obligations	5 years	100%	100%	None
U.S. Unsecured unsubordinated obligations	5 years	30%	10%	AA
Bonds, Notes or warrants of any local agency within the State of California	5 years	25%	25%	A1 short term or AA long term
U.S. Agency securities	5 years	50%	15%	None
Registered state warrants or treasury notes or bonds of other 49 states	5 years	25%	25%	A1 short term or AA long term
Bankers acceptance	180 days	40%	10%	A1 + /P1 short term
Commercial paper	270 days	25%	10%	A
Negotiable certificates of deposit	5 years	30%	10%	None
Placement Service Assisted Deposits	5 years	30%	10%	None
Repurchase agreements	90 days	20%	20%	None
Medium-term notes	5 years	30%	10%	A
Money market, mutual or pooled funds	Not applicable	20%	10%	A1+/P1 short term or AAA Long term
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	15%	AA
Mortgage-backed securities	5 years	15% combined with any asset-backed securities	15%	AA
Local Agency Investment Fund (LAIF)	Not applicable	Set by LAIF	Set by LAIF	Not applicable
Local Government Investment Pool (LGIP)	Not applicable	Set by LGIP	Set by LGIP	Not applicable

* *The percentage of portfolio authorization is based on fair value.*

LACMTA's investment policy prohibits investing in derivatives or reverse repurchase agreements. The management of LACMTA's cash and investments can be categorized as follows:

- Cash deposits
- Cash equivalents and investments-unrestricted
- Cash equivalents and investments-restricted

Cash Deposits

As of June 30, 2021, LACMTA's carrying amount of cash comprises $1,092 in cash on hand and $52,210 in checking accounts for a combined total of $53,302. LACMTA's total bank balance was $89,620 with the difference representing primarily outstanding checks/ACH and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to $250,000 (amount not in thousands) per financial institution and uninsured amounts are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $225,000. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for the LAIF.

The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled $233,498 as of June 30, 2021. The County Board of Supervisors provides regulatory oversight for LACIP.

The value of position in the pool for both the LAIF and the LACIP is the same as the LACMTA's value of the pool shares and is reported at amortized cost.

Cash equivalents and Investments

As of June 30, 2021, LACMTA had the following cash equivalents and investments:

Investment Type	Total	Weighted Average Duration (in years) per Investment Type	Concentration of Investments	Ratings
Asset-backed securities	$ 49,558	0.0201	1.70 %	AA+ to AAA
Commercial paper	220,423	0.0037	7.55 %	A-1 to A-1+
Medium term notes	321,598	0.2803	11.01 %	BBB+ to AAA
Mortgage backed securities	22,033	0.0206	0.75 %	AAA
Money market, mutual or pooled funds	1,076,929	—	36.87 %	Not Rated to AAA
U.S. Agency securities	461,838	0.3360	15.81 %	AA to AAA
U.S. Treasury obligations	768,414	0.2613	26.31 %	Not Rated to AAA
Total	$ 2,920,793		100.00 %	
Portfolio weighted average duration		0.9220		

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

Risk

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

Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. LACMTA maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

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. As disclosed above, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA did not have any holdings meeting or exceeding these threshold levels as of June 30, 2021.

As of June 30, 2021, with the exception of investments that are explicitly guaranteed by the U.S. government, LACMTA did not have any investments with more than 5% of the total investments under one issuer except for the following U.S. Agency securities and money market mutual funds:

		Total	Concentration of Credit Risk
First American	$	565,699	19.37 %
FNMA	$	159,932	5.48 %
Dreyfus	$	151,288	5.18 %

Custodial Credit Risk

LACMTA 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. The market value of pledged securities must be in accordance with the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110% of the deposit or by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. LACMTA may waive collateral requirements for deposits that are fully insured up to $250,000 (amount not in thousands) by the FDIC. All investment securities purchased were held and registered in LACMTA's name and maintained for the benefit of LACMTA in the trust department or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between LACMTA and the financial institution.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains a policy requiring that 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. This policy does not apply to investments proceeds related to bond financings. LACMTA measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

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, 2021, there was no exposure to foreign currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

B. Receivables

Receivables as of June 30, 2021, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts related to accounts receivable, are as follows:

Receivables	Business-type Activities	Governmental Activities	Total
Accounts	$ 16,670	$ 11,713	$ 28,383
Interest	1,308	3,856	5,164
Intergovernmental	164,199	50,437	214,636
Due from Region TAP	188	—	188
Sales Tax	—	911,001	911,001
Notes	12,362	6,000	18,362
Leases and other	25	—	25
Gross Receivables	194,752	983,007	1,177,759
Less: Allowances for doubtful accounts	(2,999)	—	(2,999)
Receivables, net	$ 191,753	$ 983,007	$ 1,174,760

Receivables as of June 30, 2021 for governmental activities by individual major funds and nonmajor funds are as follows:

	Receivables					
Fund Name	Accounts	Interest	Intergovernmental	Sales tax	Notes	Total
General Fund	$ 11,463	$ 38	$ 6,515	$ —	$ 6,000	$ 24,016
Prop A	—	315	—	193,684	—	193,999
Prop C	—	541	4,902	193,691	—	199,134
Measure R	—	1,182	26,900	193,490	—	221,572
Measure M	250	1,332	5,049	192,858	—	199,489
TDA	—	272	—	96,064	—	96,336
STA	—	95	—	41,214	—	41,309
Other Governmental	—	81	7,071	—	—	7,152
Total	$ 11,713	$ 3,856	$ 50,437	$ 911,001	$ 6,000	$ 983,007

C. Interfund Balances and Transfers

The following is a summary of due to/from other funds at June 30, 2021:

	Due from other funds						
Due to other funds	**Enterprise Fund**	**General Fund**	**Measure R**	**STA**	**TDA**	**Other Governmental**	**Total**
General Fund	$ 5,708	$ —	$ —	$ —	$ —	$ —	$ 5,708
Measure R	889	—	—	—	—	—	889
TDA	25,293	—	—	—	—	—	25,293
STA	86,337	—	—	—	—	—	86,337
Other Governmental	45,447	—	—	—	—	—	45,447
Enterprise Fund	(154,104)	68,810	24,894	38,932	3	21,465	—
Total	$ 9,570	$ 68,810	$ 24,894	$ 38,932	$ 3	$ 21,465	$ 163,674

Internal balances represent receivables from/payables owed to a particular fund by another fund for temporary loans, advances, goods delivered or services rendered. The loans will be repaid when sufficient cash is available. Any outstanding balances between the governmental funds and business-type activities were reported in the government-wide statement of net position.

Transfers in and out by fund for the fiscal year ended June 30, 2021 were as follows:

	Transfers In					
Transfers Out	**Enterprise Fund**	**General Fund**	**Prop A**	**Prop C**	**Measure R**	**Total**
General Fund	$ 73,187	$ —	$ —	$ 2,893	$ 6,551	$ 82,631
Prop A	185,909	43,434	—	—	—	229,343
Prop C	256,039	20,526	635	—	—	277,200
Measure M	577,583	1,716	—	39,824	4,959	624,082
Measure R	548,576	24,850	—	—	—	573,426
STA	140,403	—	—	—	—	140,403
TDA	229,524	6,509	—	—	—	236,033
Other Governmental	84,627	—	—	—	—	84,627
Enterprise Fund	—	9,258	—	26,348	—	35,606
Grand Total	$ 2,095,848	$ 106,293	$ 635	$ 69,065	$ 11,510	$ 2,283,351

* *The amounts represent Enterprise Fund's bond proceeds and Metro ExpressLanes revenue reinvestment program funds used to finance major capital program/planning projects.*

The following transfers were made out of funds receiving revenues to the funds where they were spent:

The transfers from the General fund to the Enterprise fund were for capital expenditures for zero emission buses, Union Station renovation plan, and construction of Regional Connector project. Transfers to the Proposition C fund were funding for debt service payments, freeway service patrol operations, and planning activities on the Regional Bikeways program. The transfers to the Measure R fund were funding for the planning projects related to the Metro Eastside Extension Phase II, Green Line Extension, and Fund Transit-Oriented Development (TOD) grant program.

The Proposition A fund transfers to the Enterprise fund were mainly for debt service payments, bus and rail operations and maintenance costs, and capital expenditures related to facilities improvement, systems and equipment upgrade, and activities of the LRV project options. The transfers to the General fund mostly represented the 5% Prop A administration fees.

The transfers from the Proposition C fund to the Enterprise fund were mainly funding for bus and rail operations and maintenance costs, debt service payments, and capital expenditures mostly related to systems and equipment upgrade, facilities improvement, renovation costs to Microtransit operations and Bike Share Program; and construction activities on the BIF Crenshaw/LAX. The Proposition C fund transfers to the General fund included the 1.50% Proposition C administration fees and funding for planning activities related to rideshare services. The transfer to the Proposition A fund represents the fiscal year 2020 growth over inflation.

The transfers from the Measure M fund to the Enterprise fund were mainly to fund bus and rail operations and maintenance costs, capital expenditures for the acquisition of light rail vehicles, bus midlife program, systems and equipment upgrade, and the ongoing rail construction projects on the Westside Subway Extension Section 3, Gold Line Foothill Extension Phase 2, Airport Metro Connector, Crenshaw/ LAX corridor, and the Orange Line BRT improvement. Transfers to the General Fund were funding for planning activities related to Metro's Bike Share, First/Last Mile programs, and Vermont South Bay Extension. Funds transferred to the Prop C fund were payments for commuter rail subsidies and to Access Services for ADA compliance and fund transfers to the Measure R fund were funding for the planning activities related to the Sepulveda Pass Transit Corridor project and I-5 North Enhancements.

The transfers from the Measure R fund to the Enterprise fund were mainly funding for debt service payments, bus and rail operations and maintenance costs, and capital expenditures mostly related to the acquisition of buses, and construction activities on the Division 20 Portal Widening Turnback project and Westside Subway Extension Section 2. Fund transfers to the General fund were mostly for planning activities on the rail-to-rail projects, Zero Emission (Electric) Transit Bus program; and costs related to Public-Private Partnerships.

The transfers from the STA fund to the Enterprise fund were mostly funding for bus and rail operations, maintenance and planning and enhancement costs.

Most of the TDA fund transfers to the Enterprise fund were funding for bus and rail operations and maintenance costs, and capital expenditures mostly related to the acquisition of buses and light rail vehicles, replacement of non-revenue vehicles and rail equipment, bus midlife program, systems upgrade, and facilities improvement. The TDA fund transfers to the General fund represents administration fees for planning and administrative costs allocable to the General fund.

The transfers from the Other Governmental funds to the Enterprise fund were funding mainly for bus and rail operations and maintenance costs, and capital expenditures related to emergency security operations.

The transfers from the Enterprise fund to the General Fund were funding for subsidies under the Metro ExpressLanes Fund's Incremental Transit Service, Net Toll Revenue Reinvestment, and Congestion Pricing programs. Transfers to the Proposition C Fund included funding for the planning activities related to regional surface transportation improvement and local transit systems management programs.

D. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 1,604,911	$ 95,757	$ —	$ 1,700,668
Construction in progress	7,819,202	1,660,208	(309,071)	9,170,339
Total capital assets, not being depreciated	9,424,113	1,755,965	(309,071)	10,871,007
Capital assets, being depreciated:				
Buildings and improvements	11,209,692	246,256	—	11,455,948
Equipment	442,928	30,716	(5,983)	467,661
Vehicles	3,307,929	223,232	(354,774)	3,176,387
Total capital assets, being depreciated	14,960,549	500,204	(360,757)	15,099,996
Less accumulated depreciation for:				
Buildings and improvements	(5,769,662)	(370,979)	—	(6,140,641)
Equipment	(368,116)	(31,607)	5,898	(393,825)
Vehicles	(1,793,197)	(193,790)	353,109	(1,633,878)
Total accumulated depreciation	(7,930,975)	(596,376)	359,007	(8,168,344)
Total capital assets, being depreciated, net	7,029,574	(96,172)	(1,750)	6,931,652
Business-type activities capital assets	16,453,687	1,659,793	(310,821)	17,802,659
Governmental Activities				
Capital assets, not being depreciated:				
Land	749,417	—	—	749,417
Governmental Activities capital assets	749,417	—	—	749,417
Total capital assets	$ 17,203,104	$1,659,793	$ (310,821)	$ 18,552,076

Depreciation expense charged to functions and/or programs are as follows:

Business-type Activities	
Bus and rail operations	$ 590,216
Union Station operations	2,396
Toll operations	3,764
Total depreciation expense – Business-type activities	$ 596,376

E. Long-Term Liabilities

As discussed in more detail in Notes F, G, I, J, L, and M, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2021.

Business-type activities	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Long-term debt	$ 6,582,719	$ 2,423,751	$ (2,291,081)	$ 6,715,389	$ 264,844
Claims payable	401,466	87,293	(75,402)	413,357	75,402
Compensated absences payable	120,785	100,121	(93,657)	127,249	93,651
Net pension liability	524,844	307,678	(254,283)	578,239	—
Net OPEB liability	989,500	282,155	(56,354)	1,215,301	—
Asset retirement obligations	4,437	—	(822)	3,615	634
Total Business-type Activities	$ 8,623,751	$ 3,200,998	$ (2,771,599)	$ 9,053,150	$ 434,531

F. Claims Payable (Risk Management)

The primary emphasis of risk management activities at LACMTA is to prevent or reduce the risk of injury to persons and damage to or loss of property. Where losses cannot be prevented, LACMTA endeavors to self-insure or to assume such losses as it may deem advisable and economical, giving due consideration to the frequency and severity of probable losses. The consideration of the effect of potential self-insured or assumed losses is part of LACMTA's financial planning process.

Capital

For its construction projects, LACMTA requires contractors to maintain a contractor-controlled insurance program (CCIP) to minimize LACMTA's risk of exposure to construction related losses. These policies provide property, liability, and workers' compensation insurance and cover many of the risks arising from the work of contractors and subcontractors on LACMTA construction projects.

LACMTA purchased a construction project umbrella liability insurance program (super excess general liability policies) that provides additional coverage limits on LACMTA's five major capital projects currently underway. The program provides up to $550 million in additional coverage over the dedicated limits of insurance provided by each of the Design Build contractors. The Design Build contract values for these projects are approximately $12.4 billion.

Operations

The reserves for the public liability and property damage and workers' compensation claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average discount rate of 3.0%. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2021 will be sufficient to cover any costs arising from claims filed, or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third-party administrators.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to $17,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of $2,500,000 in excess of self-insurance retentions.

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately $13.5 billion on a probable maximum loss basis with policy limits of $425,000 for damages ($150,000 for flood damages). Earthquake coverage is not included in the current program structure. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses.

As of June 30, 2021, a designated investment has been set aside in the amount of $131,724 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2021, a designated investment has been set aside in the amount of $281,633 equal to the workers' compensation liabilities.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2021 and 2020:

	Property and Casualty		Workers' Compensation		Total	
	2021	2020	2021	2020	**2021**	2020
Unpaid claims and claim adjustment reserves - beginning of year	$ 122,605	$ 125,636	$ 278,862	$ 247,224	$401,466	$372,860
Provisions for insured events	30,407	37,875	55,591	68,036	85,998	105,911
Interest income	388	6,269	906	13,869	1,294	20,138
Total incurred claims and claims adjustment expense	153,400	169,780	335,359	329,129	488,758	498,909
Payment attributable to insured events	(21,676)	(47,176)	(53,726)	(50,267)	(75,402)	(97,443)
Total unpaid claims and claim adjustment reserves – end of year	$ 131,724	$ 122,604	$ 281,633	$ 278,862	$413,356	$401,466

As of June 30, 2021, $75,402 of the total claims liability is considered current. Claims payable is reported in the Statement of Net Position in the Proprietary fund.

G. Compensated Absences

LACMTA's and PTSC's contract employees represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD), the Amalgamated Transportation Union (ATU), the Transportation Communications Union (TCU), the American Federation of State, County and Municipal Employees (AFSCME) and the Brotherhood of Teamsters (Teamsters), accumulate vacation leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions.

Under the existing collective bargaining agreements, vacation periods are not cumulative. However, employees may carry forward vacation pay of up to 40 hours for TCU and ATU, while 40 hours may be carried forward to the next vacation period for SMART-TD if notice is given by April 1. Otherwise, unused vacation hours earned for the year are paid off on May 31. SMART-TD, TCU, and Teamsters employees may request payment of a limited amount of unused sick leave each year at a rate of 75% of face value. Unused sick leave for contract employees is payable at the rate of 100% of the face value upon retirement or death.

LACMTA, PTSC, and EXPO have a combined vacation and sick leave program for NC and AFSCME represented employees. Under this program, vacation and sick leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year.

Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remained on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100% at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75% conversion rate when an employee reaches the age of 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75%, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50% to 75% depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75%. Upon death, payment of frozen sick leave will be at 100% to the employee's beneficiary. If an employee covered by a collective bargaining agreement accepts a regular NC or AFSCME position, any sick hours that normally would be awarded on the next anniversary date of employment will be prorated and placed in a frozen sick leave account. The normal annual accrual rate is pursuant to the respective collective bargaining agreement. In addition, the amount of prior sick hours earned under a union plan shall be placed in the employee's frozen sick account.

The following is a summary of the compensated absences payable for the year ended June 30, 2021:

	Balance July 1, 2020	Earned	Used	Balance June 30, 2021	Due Within One Year
Union Employees:					
Vacation leave	$ 35,967	$ 37,291	$ (36,036)	$ 37,222	$ 36,037
Sick leave	39,951	20,654	(18,684)	41,921	18,677
TOWP	12,977	14,355	(13,855)	13,477	13,855
Sub-total	88,895	72,300	(68,575)	92,620	68,569
Non-Union Employees:					
Vacation leave	261	—	(150)	111	150
Sick leave	2,154	42	(28)	2,168	28
TOWP	29,475	27,779	(24,904)	32,350	24,904
Sub-total	31,890	27,821	(25,082)	34,629	25,082
Total	$ 120,785	$ 100,121	$ (93,657)	$ 127,249	$ 93,651

As of June 30, 2021, $93,651 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Proprietary fund.

H. Deferred Compensation Plans

457 Deferred Compensation Plan

LACMTA has a deferred compensation plan for all employees established in accordance with Internal Revenue Code (IRC) Section 457, which permits employees to defer a portion of their current salary to future years.

Under this plan, employees may contribute up to the lesser of $19,500 (not in thousands) or 100% of their earnings, in calendar year 2021. A special provision in the law allows an additional $6,500 (not in thousands) if an employee is 50 years old or older by December 31, 2021, and employees eligible for retirement within three years can avail of the “catch-up provision” totaling $39,000 (not in thousands).

The plan is managed by a third-party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to the employee until termination, retirement, age 59-1/2, death, or unforeseeable emergency. In the opinion of management, LACMTA has no liability for any losses under the plan, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the accompanying financial statements. LACMTA does not match employees’ contributions to the deferred compensation plan. As of June 30, 2021, the deferred compensation plans had assets stated at fair value of $529,972.

401(k) Savings Plan

LACMTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to the lesser of $19,500 (not in thousands) or 100% of their earnings in calendar year 2019. A special provision in the law allows an additional $6,500 (not in thousands) if an employee is 50 years old or older by December 31, 2021.

The 401(k) Savings Plan is managed by a third-party plan administrator, and the participants can direct the plan administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59-1/2, death, or unforeseen emergency. In the opinion of management, LACMTA has no liability for any losses under the plan, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the accompanying financial statements. LACMTA does not match employees' contributions to the 401(k) savings plan. As of June 30, 2021, the 401(k) savings plan had assets at fair value totaling $694,635.

Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $39,000 ($52,000 if age 50 or older), or $63,500 if an employee falls within the catch up provision. Employees who are enrolled in the 457 "three-year catch-up plan" and less than 50 years of age, may defer a total of $58,500. Employees may contribute $39,000 to the 457 Deferred Compensation Plan, plus $19,500 to 401(k).

I. Employees' Retirement Plans

LACMTA provides pension benefits through CalPERS and five self-administered defined-benefit pension plans that cover substantially all full-time employees.

California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan

Plan Description

Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, provides defined benefit pension plan through the Miscellaneous Plan (the Plan), an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of the multiple employers are pooled together for investment purposes, but separate accounts are maintained for each individual employer.

Benefits Provided

Most full-time employees of PTSC are covered under the Plan. There are two classes of plan members. Those hired before the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect on January 1, 2013 are known as Classic Members. Members hired after that date are known as PEPRA members. Classic Members are eligible for retirement at age 50, while PEPRA members must be 52 years of age. In both cases, at least 5 years of service credit is needed to retire. Benefits for the defined benefit plan are based on the member's year of service, age, final compensation, and benefit formula. The benefit factor is actuarially reduced or increased prior to or after age 60 for Classic Members and for PEPRA members prior to or after age 62. The Plan also provides optional benefits for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. CalPERS issues an annual audited stand-alone financial report and a copy can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

Employees Covered by Benefit Terms

The following employees were covered based on the CalPERS actuarial valuation report dated June 30, 2019:

Active employees	2,646
Inactive employees	596
Terminated employees	791
Retired employees and beneficiaries	1,176
Total	5,209

Contributions

All employer contribution rates are actuarially determined annually and become effective July 1 following the notice of a change in the rate in accordance with Section 20814(C) of the California Public Employees' Retirement Law (PERL). The employer and employee contributions are a percentage of the covered payroll, which is based on pensionable earnings. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the reporting fiscal year 2021, the contribution rate was 16.87% of covered payroll and contributions totaled $43,651. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 7.50% of covered-employee payroll which is 50% of the total normal cost of 14.82%. Employer and Classic Members mandatory contributions are paid by PTSC.

Net Pension Liability

The Plan's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled forward to determine the June 30, 2020 total pension liability.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table (1)	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increases	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) Mortality table used was developed based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of scale MP-2016 published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2019 valuation report were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality, and retirement rates.

Changes of Assumptions

There were no changes in assumption from the prior measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The long-term expected rate of return on the Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The table below shows the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

Asset Class	Current Target Allocation	Real Return Years 1 - 10 *(1)*	Real Return Years 11+ *(2)*
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	—	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	—	(0.92)%

(1) An expected inflation rate of 2.00% was used for this period
(2) An expected inflation rate of 2.92% was used for this period

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2019	$ 898,420	$ 723,122	$ 175,298
Changes for the year			
Service cost	38,962	—	38,962
Interest on the total pension liability	65,159	—	65,159
Difference between expected and actual experience	7,857	—	7,857
Contribution - employer	—	31,592	(31,592)
Contribution - employee	—	18,736	(18,736)
Net investment income	—	36,944	(36,944)
Benefit payments, including refunds of employee contributions	(28,885)	(28,885)	—
Administrative expense	—	(1,019)	1,019
Other miscellaneous income	—	—	—
Net changes during 2019-20	83,093	57,368	25,725
Balance at June 30, 2020	$ 981,513	$ 780,490	$ 201,023

No significant changes between the measurement date at June 30, 2020 and the reporting date at June 30, 2021 were known to management to have significant effect on the net pension liability.

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The table below shows the sensitivity of the Plan's net pension liability as of the measurement date, calculated using the discount rate of 7.15%, and the changes of 1 percentage-point lower (6.15%) and 1 percentage-point higher (8.15%):

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's net pension liability	$ 330,268	$ 201,023	$ 93,259

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued audited CalPERS financial report. A copy of the CalPERS Annual Comprehensive Financial Report can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

For the reporting fiscal year ended June 30, 2021, the plan recognized pension expense of $54,488. Pension expenses represent the changes in net pension liability recognized in the current reporting period adjusted for employee actual contributions, and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows and deferred inflows of resources as of the measurement date at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 4,629	$ (2,202)
Differences between expected and actual experiences	18,520	—
Net differences between projected and actual earnings on pension plan investments	6,975	—
Employer contributions for fiscal year 2021	43,651	—
Total	$ 73,775	$ (2,202)

Contributions made after the measurement date of the net pension liability but before June 30, 2021, totaling $43,651 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expenses in future periods as follows:

Fiscal Year Ended June 30	**Deferred Outflows (Inflows) of Resources**
2022	$ 7,747
2023	6,617
2024	8,003
2025	5,110
2026	445
Total	$ 27,922

Expected Average Remaining Service Lifetime (EARSL)

For the measurement period ending June 30, 2020, the EARSL for the plan is 5.3 years which was calculated by dividing the total service years of 25,519 (amount not in thousands) which represents the sum of remaining service lifetimes of the active employees, by 4,833 (amount not in thousands) which represents the total number of participants (active, inactive, and retired). The remaining service lifetimes is equal to zero for inactive employees and retirees. Also, total future service reflects the probability of decrements resulting from events other than receiving a cash refund.

LACMTA Administered Pension Plans

Plans Description

LACMTA established and administers five single-employer defined benefit plans, referring collectively as the "Plans", that provide pension, disability, and death benefits to full-time employees in a work classification covered under collective bargaining agreements with the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD), the Transportation Communication Union (TCU), the Amalgamated Transit Union (ATU), the Non-Contract (NC), and the American Federation of State, County and Municipal Employees (AFSCME). The assets of the five Plans are pooled together for investment purposes, but separate accounts are maintained for each retirement plan to pay for its benefit payments and other liabilities.

An annual audited stand-alone financial report for the Plans can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

Benefits Provided

LACMTA provides retirement, disability, and death benefits. SMART-TD employees with 10 years of service and age 55, or 23 years of service, or 5 years of service and age 65 are eligible to retire. TCU and ATU employees with 10 years of service and age 55 or 23 years of service are eligible to retire. NC and AFSCME employees with 5 years of service and age 50 or 30 years of service (Old Plan only) or age 50 and active on April 1, 1993 are eligible to retire.

Retirement benefits for SMART-TD, TCU, NC, and AFSCME employees are calculated as 1.67% of the employee's adjusted final compensation, which is computed as the average of highest 36 consecutive months of compensation less $133.33 (not in thousands). For the NC and AFSCME employees, New Plan participants are not eligible for the 30 and out benefit but receive an 8% higher benefits. For the ATU employees, the benefit increases beginning with 23 years of service and increases from there.

All SMART-TD, TCU, and ATU employees are eligible for disability benefits after 10 years of service and the retirement benefits are 2% of final compensation for each year of service. NC and AFSCME employees are eligible after 10 years of service and age 50 and the retirement benefits are the same as normal retirement benefits. Death benefits for SMART-TD, TCU, and ATU employees equal member contributions with 5.5% interest and if vested, spouse will receive instead benefits payable under 100% Joint and Survivor (J&S) option had the employee retired before his or her death. For NC and AFSCME employees, the death benefits equal member contributions with 5.5% interest plus an amount equal to the member's monthly compensation earn at the date of death multiplied by years of service not to exceed six years and if eligible with 10 years of service, the spouse will receive instead benefits payable under 100% J&S option had the employee retired before his or her death. If no surviving spouse, 50% of life annuity that member would have received if he/she had retired on the date of death goes to surviving children.

Employees Covered by Benefit Terms

The table below shows the number (not in thousands) of active employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2019 for SMART-TD, TCU, NC, and AFSCME, and January 1, 2020 for ATU:

	SMART-TD	TCU	ATU	NC	AFSCME	Total
Retirees and beneficiaries receiving benefits and terminated/transferred employees entitled to receive benefits	2,411	489	1,314	1,007	191	5,412
Active employees accruing benefits under CalPERS	n/a	n/a	n/a	177	34	211
Active employees:						
Vested	1,534	313	1,138	21	11	3,017
Non-vested	2,138	479	1,148	—	—	3,765
Total	**6,083**	**1,281**	**3,600**	**1,205**	**236**	**12,405**

Contributions

LACMTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed costs as they accrue. Actuarially computed costs are determined using the Projected Unit Credit Method except for the ATU Plan which uses the Entry Age Normal Method.

The employer and employee contributions are required by the plan agreements to be expressed as either a percentage of annual earnings applicable only to the ATU Plan, or as the dollar amount recommended by an actuary to finance the benefits as provided in the SMART-TD, TCU, NC, and AFSCME plans. This formula for making contributions to the Plans has been set by the respective Plans' collective bargaining agreements and can be changed in future collective bargaining negotiations between LACMTA and their respective Plans.

The required contributions of LACMTA and its employees for FY21 were actuarially determined by the funding valuation reports dated December 31, 2019 for the SMART-TD, TCU, AFSCME, and NC retirement plans, and January 1, 2020 for the ATU retirement plan. The actuarially required contribution rate of salary for ATU employees is 5.70%, TCU plan is 3.92%, and SMART-TD is 8.90%. LACMTA's required contributions for the ATU Plan were 16.70% of covered payroll. For SMART-TD, TCU, AFSCME, Non-Contract, and ATU the required contributions were determined to be $22,967, $8,584, $1,170, $2,772, and $31,225, respectively. LACMTA's actual contributions for all SMART-TD, TCU, AFSCME, NC, and ATU were $22,967, $8,584, $1,170, $2,772, and $33,319, respectively, are paid through the Internal Service Fund.

Net Pension Liability

Net pension liabilities for the SMART-TD, TCU, AFSCME and NC pension plans were measured as of June 30, 2020 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2019 based on the actuarial experience study for the period from January 1, 2014 to December 31, 2017.

The ATU pension plan net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 based on the results of an actuarial experience study for the period from January 1, 2014 to December 31, 2017.

All Plans projected total pension liabilities were rolled forward to the June 30, 2020 measurement date taking into consideration adjustments for benefit payments, expected growth in benefit obligations, changes in key assumptions, plan provisions, and any significant changes in plan demographics events.

Actuarial Assumptions

The table below summarizes the actuarial methods and assumptions applied to all periods included in the measurements as of June 30, 2020 as applicable to the plans:

	SMART-TD/TCU/AFSCME/NC	ATU
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Discount rate	7.00%	7.00%
Inflation	3.00%	2.50%
Salary growth rate	Varies by age	Negotiated CBA rate increases of July 1, 2020: 4.5%, July 1, 2021: 5.0% and Quarterly Wage Adjustments of 0.25% on September 1, December 1, March 1, and June 1 during the period of the current CBA. Thereafter, 2.25% - 12.00% based on age. An additional load of 2% is applied to the Actuarial Accrued Liability and Normal Cost for active and transfer participants to anticipate supplemental components of final average compensation upon retirement (1%) and increases in salary due to promotion (1%).
Long term expected return on assets	7.00% net of investment expense and gross of administrative expense	7.00% net of investment expense only
Mortality Rates	RP-2014 Blue Collar with generationally projected improvements using scale MP-2017	Healthy participants: RP-2014 Blue Collar mortality tables for healthy employees and annuitants, projected to 2022 using scale BB Disabled participants: RP-2014 Disabled Retiree Mortality Table.

Change of Assumptions

For the measurement date of June 30, 2020, there were no change in assumptions for SMART-TD, TCU, AFSCME and NC plans. For the ATU pension plan, the assumed employee contribution rate was increased from 4.0% to 6.5% of compensation to better reflect future expected employee contributions, and a load of 1.0% was added to the Total Pension Liability and Normal Cost of actives and transfer participants to reflect anticipated salary increases due to promotions. Additionally, the operating expense assumption was updated to include 2.5% annual increase for inflation.

Discount Rate

SMART-TD, ATU, TCU, AFSCME, and NC plans used the long-term actuarially determined discount rate of 7.00% to measure the total pension liabilities. The discount rate for all plans did not incorporate a municipal bond rate. The projection of cash flows to determine the discount rate assumed that the contributions from the employer and employee will be equal to the actuarially determined contribution rates or dollar amounts for the applicable fiscal years. In the event that the assumptions are not realized, then the contributions will be adjusted accordingly to match the change in liability.

The SMART-TD, TCU, AFSCME, and NC retirement plans long-term expected rate of return on pension plan investments was based on the actuary's proprietary January 1, 2018 capital market simulation model, where each return represents a 20-year geometric real return, (i.e. net of inflation).

The ATU plan long-term expected rate of return on pension plan investments was determined using a building-block method using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and reflect long-term expected real rates of return over a 30-year horizon.

Summarized below are the long-term real rates of return by asset class of the Plans:

	Long-term Expected Real Rate of Return		Target Asset Allocation
Asset Class	**TCU/AFSCME/ SMART-TD/NC**	**ATU**	**All Plans**
Domestic equities	5.00%	7.78%	39.00%
International equities	5.60%	10.35%	23.00%
Fixed income	0.90%	3.43%	29.00%
Real Estate	3.40%	6.90%	5.00%
Alternative investments	3.80%	5.30%	3.00%
Cash equivalents	0.30%	2.10%	1.00%

Changes in the Net Pension Liability

Presented below is the aggregate changes in the pension plans' net pension liabilities for measurement period of July 1, 2019 to June 30, 2020.

	SMART-TD	TCU	AFSCME	NC	ATU	Total
Total pension liability – beginning of year	$ 874,517	$ 196,345	$ 65,278	$ 147,216	$ 664,889	$ 1,948,245
Service cost	22,291	6,762	153	426	22,119	51,751
Interest	60,975	13,950	4,388	9,952	47,358	136,623
Difference between expected and actual experience	—	(3,450)	722	489	2,032	(207)
Changes in assumptions	(106)	—	—	—	4,770	4,664
Benefit payments paid from trust	(50,914)	(7,361)	(6,855)	(11,769)	(30,416)	(107,315)
Transfer (benefit payments originally paid by other plans)	(1,423)	(417)	1,264	646	(70)	—
Net change in total pension liability	30,823	9,484	(328)	(256)	45,793	85,516
Total pension liability – end of year	905,340	205,829	64,950	146,960	710,682	2,033,761
Fiduciary net position – beginning of year	693,357	154,791	56,873	126,325	567,353	1,598,699
Contributions - LACMTA	23,034	8,592	1,081	2,849	31,844	67,400
Contributions - Employees	19,746	3,440	—	—	12,124	35,310
Net investment income	27,614	6,848	2,038	4,818	22,778	64,096
Benefit payments	(50,914)	(7,361)	(6,855)	(11,769)	(30,416)	(107,315)
Administrative expenses	(499)	(270)	(225)	(266)	(385)	(1,645)
Transfers (benefit payments originally paid by other plans)	(1,423)	(417)	1,264	646	(70)	—
Net change in fiduciary net position	17,558	10,832	(2,697)	(3,722)	35,875	57,846
Fiduciary net position – end of year	710,915	165,623	54,176	122,603	603,228	1,656,545
Net pension liability – end of year	$ 194,425	$ 40,206	$ 10,774	$ 24,357	$ 107,454	$ 377,216

There are no significant changes in population covered or assumptions or methods that the management is aware of that would impact the results between the measurement date of the net pension liabilities and LACMTA reporting date for the year ended June 30, 2021. As for subsequent events, the Non-Contract and AFSCME plans were amended, effective January 1, 2021, to provide certain members an additional two years of service credit, provided they elect to retire on or after January 1, 2021 and before April 1, 2021. The additional two years of service may be applied to either their retirement benefits under the Non-Contract/ AFSCME plans or their benefits under the California Public Employees Retirement System (CalPERS), if applicable, but not both. The effect on the net pension liability of this incentive program has not been determined by LACMTA as of the reporting date for the year ended June 30, 2021.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the net pension liability of the Plans, calculated using the discount rate as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is a percentage-point lower or a percentage-point higher than the current rate:

Plans' Net Pension Liability		Discount Rate -1% 6.00%		Current Discount Rate 7.00%		Discount Rate +1% 8.00%
SMART-TD	$	285,592	$	194,425	$	117,815
TCU		60,235		40,206		23,429
AFSCME		15,567		10,774		6,631
NC		35,906		24,357		14,346
ATU		181,359		107,454		44,523

Pension Plans Fiduciary Net Position

Detailed information about the Plans' fiduciary net position is available in the separately issued audited financial reports. A copy of the financial reports can be obtained by submitting a written request to the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

For reporting fiscal year ended June 30, 2021, LACMTA recognized pension expense of $65,539, which represents the change in net pension liability during the measurement period, adjusted for employee contributions and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

Aggregate Pension Expenses by Plan		Amount
SMART-TD	$	23,002
TCU		8,549
AFSCME		2,073
Non-contract		3,404
ATU		28,511
Total	$	65,539

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SMART-TD		
Changes of assumptions	$ —	$ (1,657)
Differences between expected and actual experiences	2,981	(4,796)
Net differences between projected and actual earnings on investments	5,366	—
Employer contributions for fiscal year 2021	22,967	—
Total	$ 31,314	$ (6,453)
TCU		
Changes of assumptions	$ 807	$ —
Differences between expected and actual experiences	2,843	(3,668)
Net differences between projected and actual earnings on investments	851	—
Employer contributions for fiscal year 2021	8,584	—
Total	$ 13,085	$ (3,668)
AFSCME		
Changes of assumptions	$ —	$ —
Differences between expected and actual experiences	—	—
Net differences between projected and actual earnings on investments	456	—
Employer contributions for fiscal year 2021	1,170	—
Total	$ 1,626	$ —
NC		
Changes of assumptions	$ —	$ —
Differences between expected and actual experiences	—	—
Net differences between projected and actual earnings on investments	822	—
Employer contributions for fiscal year 2021	2,772	—
Total	$ 3,594	$ —
ATU		
Changes of assumptions	$ 10,771	$ —
Differences between expected and actual experiences	7,556	(400)
Net differences between projected and actual earnings on investments	5,401	—
Employer contributions for fiscal year 2021	33,319	—
Total	$ 57,047	$ (400)
TOTAL MTA		
Changes of assumptions	$ 11,578	$ (1,657)
Differences between expected and actual experiences	13,380	(8,864)
Net differences between projected and actual earnings on investments	12,896	—
Employer contributions for fiscal year 2021	68,812	—
Total	$ 106,666	$ (10,521)

Contributions made after the measurement date of the net pension liability but before the end of June 20, 2021 totaling $68,812 will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2022.

Deferred inflows of resources resulting from net differences between projected and actual earnings on investments are amortized over five years, all other deferred outflows or inflows of resources will be amortized over their remaining service lives.

The following amounts reported as deferred outflows of resources related to pension that will be recognized in future periods as pension expense:

	Deferred Outflows (Inflows)					
Fiscal Year Ended June 30	**SMART-TD**	**TCU**	**AFSCME**	**NC**	**ATU**	**Total**
2022	$ (4,931)	$ 21	$ (443)	$ (959)	$ 1,860	$ (4,452)
2023	(188)	665	141	251	5,637	6,506
2024	2,913	711	402	784	7,409	12,219
2025	4,100	258	356	746	6,465	11,925
2026	—	(607)	—	—	1,562	955
2027	—	(215)	—	—	395	180
Total	$ 1,894	$ 833	$ 456	$ 822	$ 23,328	$ 27,333

Payable/Receivable to the Pension Plan

At June 30, 2021, the pension plans reported a net receivable of $1,314 for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2021.

Aggregate Amounts

For FY2021, LACMTA recognized amounts related to pensions across all five LACMTA administered pension plans and the Miscellaneous plan administered by CalPERS as follows:

	Deferred Inflow of Resources	Deferred Outflow of Resources	Net Pension Liability	Pension Expenses
CalPERS	$ (2,202)	$ 73,775	$ 201,023	$ 54,488
LACMTA Plans	(10,521)	106,666	377,216	65,539
	$ (12,723)	$ 180,441	$ 578,239	$ 120,027

J. Other Postemployment Benefits (OPEB)

Plan Description

Plan Administration

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (Plan). The Plan is a single-employer defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA for Non-Contract employees and employees represented by AFSCME and the Teamsters and for the contractual obligations to the respective Union Health and Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. The benefits, coverage levels, employee contributions and employer contributions are either governed/amended by the policies established by the LACMTA's Board, collective bargaining agreements, or the Union Health and Welfare Trusts. Generally, eligibility for coverage is based on the employee's service and age.

As of January 1, 2019, plan membership consisted of the following (not in thousands):

Actives	10,321
Retirees Pre-65	1,356
Retirees Post-65	4,499
Total	16,176

Plan Accounting Practices

Basis of Accounting - The Plan's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

Contributions and Benefits - Plan member contributions are recognized in the period in which the contributions are due. LACMTA contributions are funded in accordance with the funding policy as described below. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments - Investments are reported at fair value based on the fair value hierarchy at fiscal year-end. Investment income is recognized on an accrual basis. Gains and losses on sales and exchange of securities are recognized on the trade date. Gains or losses on sales of securities are measured on the basis of average cost.

The statement of fiduciary net position and statement of changes in fiduciary net position of the OPEB Plan are presented in the Other Supplementary Information on pages 173-176. An annual unaudited stand-alone financial report is prepared for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952

Benefits Provided

LACMTA pays for a portion of eligible retirees' medical, dental, and vision plan premiums for groups covered under the LACMTA and Union plans. Employees who meet the eligibility requirements receive benefits for themselves and their dependents.

Funding Policy (Contributions)

Member Contribution

The contributions made by Non-Contract, AFSCME, and Teamsters retirees are established and approved by the Board. Generally, the contribution is calculated as a percent of the premium cost based on service of 25 years or more is required in order to qualify for the active employee contribution rate. For each year of service less than 25 years, the retiree pays an additional 4% of LACMTA's cost. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rates. ATU contributions are $80 per month for retirees less than 65 years of age and $60 per month for retirees more than 65 years of age. TCU contributions are $45 per month with additional contributions of $15 per month for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. SMART -TD contributions are $100 per month with no additional contribution for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. Contributions made by retirees represented by ATU, TCU, and SMART-TD are directly remitted to their respective union healthcare trusts. Dollar amounts are not in thousands.

LACMTA Contribution

LACMTA's funding policy is to contribute the direct "pay-as you go" costs as determined by premium/claim payments and union healthcare trust contractual contributions, plus $5,000 annually. LACMTA actual contributions for fiscal year 2021 totaling $22,790 are funded through the Internal Service Fund.

Changes in Net OPEB Liability and Related Ratios

The Plan's Net OPEB Liability was measured as of June 30, 2020. The total OPEB liability used in the calculation of the Net OPEB Liability was determined by the actuarial valuation as of January 1, 2019 applied to all periods included in the measurement, unless otherwise specified.

The actuarial valuation used in the January 1, 2019 valuation was rolled forward to the June 30, 2020 measurement date.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2020	$ 1,390,097	$ 400,597	$ 989,500
Changes for the year			
Service cost	67,628	—	67,628
Interest on the total OPEB liability	54,666	—	54,666
Changes of assumptions	159,713	—	159,713
Contribution - employer	—	40,309	(40,309)
Net investment income	—	16,045	(16,045)
Benefit payments, including refunds of employee contributions	(38,649)	(38,649)	—
Administrative expense	—	(148)	148
Net changes during 2020-21	243,358	17,557	225,801
Balance at June 30, 2021	$ 1,633,455	$ 418,154	$ 1,215,301

No significant changes between measurement date at June 30, 2020 and the reporting date at June 30, 2021 were known to management to have a significant effect on the net OPEB liability.

The discount rate was decreased from 3.80% in 2019 to 2.70% in 2020. Additionally, the December 2019 Secure Act repeal of excise tax for high-cost plans under the Affordable Care Act was reflected which removes the impact from liabilities calculated as of June 30, 2020.

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Discount rate	2.70%
Payroll increases	3.50%
Investment rate of return	7.00%
Inflation	2.50%
Mortality	Pub-2010 headcount-weighted tables for all income levels with fully generational projection from 2010 using improvement scale MP-2018
Healthcare cost trend rates	Medicare Pre 65: 6.93% in 2019 reducing to 4.50% ultimate in 2025
	Medical Post 65: 7.51% in 2019 reducing to 4.50% ultimate in 2025
	Dental and Vision: 4.50% per year
	Administrative: 3.00% per year

The January 1, 2019 valuation was based on the census data provided as of January 1, 2019 and only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in LACMTA's employee population are not considered.

The measurement period for fiscal year ended June 30, 2021 is July 1, 2019 through June 30, 2020. For purposes of calculating the net OPEB liability as of June 30, 2021, the beginning balance of the measurement period, a discount rate of 2.70% was used under the Entry Age Normal cost method.

To project the long-term expected rate of return on the Plan's investments, a building-block method was used to estimate ranges of expected future real rates of return (expected returns, net of the Plan investment expense and inflation) for each major asset class.

The long-term expected rate of return, the long-term market return expectations as well as the expected Plan fund cash flows were taken into account in projecting the long-term expected rate of return. These cash flows were developed assuming that both members and LACMTA will make the projected "pay-as you-go" contributions plus $5,000, on time and as scheduled, in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the long-term (30 plus years, amount stated not in thousands) net of administrative expenses. Expected nominal returns for the long-term were used to calculate the present value of benefits for the Plan.

The table below reflects long-term expected real rates of return by asset class. The projected rates of return were calculated using the capital market assumptions.

Asset Class	Strategic Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	39.00%	7.40%
International Equity	26.00%	7.30%
U.S. Fixed Income	26.00%	4.90%
REITS	3.50%	6.30%
Private Real Estate	3.50%	7.50%
Liquidity	2.00%	3.30%

The actual rate of return as of June 30, 2021 was 29.99%, net of investment expense. Prior year information can be found in the Required Supplementary Information on page 159.

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2020 was 2.70%. This rate is based on the single equivalent rate using 1) the expected investment return (i.e., 7.00%) for the period assets are projected to be sufficient to pay plan benefits and 2) the July 1, 2020 Bond Buyer General Obligation 20-Bond Municipal Bond Index (i.e., 2.21%) thereafter applied to projected benefit payments.

Investments

Investment policy

Pursuant to a resolution adopted by LACMTA's Board of Directors, the Chief Executive Officer appointed a three-person Investment Advisory Committee (the "Committee") as trustee of the Plan to oversee the policies and procedures related to the operation and administration of the Plan. The Committee has authority to implement the investment policy and guidelines related to the investment of the Plan's assets. The Committee is composed of the Chief Financial Officer as Chairman, the Treasurer, and the Chief Risk, Safety and Asset Management Officer.

It is the goal and objective of the Committee to achieve long-term growth by maximizing the long-term rate of return on investments and minimizing the risk of loss in fulfilling the Plan's current and long-term obligations. The Plan's assets are managed by investment managers who have to comply with policies and procedures set forth in the investment policy.

To achieve the Trust's investment objectives and to balance between risk and return, the Committee allocated assets into two broad classes called Investment Assets and Liquidity Assets. The Investment Assets will be invested based on the target range in order to achieve an average total annual rate of return that is equal to or greater than the Plan's assumed investment rate of return of 7.00%. The Liquidity Assets will be mainly cash and cash equivalents used to pay for benefits and expenses of the Plan.

The Committee has adopted the following asset allocation as of June 30, 2020:

	Asset Weightings	
Asset Classes	**Range**	**Target**
Domestic Equity	29% - 49%	39%
International Equity	16% - 36%	26%
Other Equity/Inflation Hedge	0% - 17%	7%
Fixed Income	16% - 36%	26%
Cash Equivalent	0% - 10%	2%

As of June 30, 2020, the OPEB Plan's cash and investments consisted of the following:

Common Stock:		
Domestic Securities	$	176
Fixed Income:		
U.S Agency Securities		30,166
U.S. Treasury Securities		10,292
Debt Securities:		
Domestic Corporate Bonds		47,267
Foreign Corporate Bonds		5,921
Pooled Funds:		
Money Market Funds		8,461
Mutual Funds		226,259
Non-Real Estate Funds		69,388
Real Estate Funds		16,160
Total cash and investments	$	414,090

Note: Money Market Funds are classified as cash and cash equivalents on the OPEB financial statements.

The Plan categorizes its fair value investments within the fair value hierarchy established by GASB 72, "*Fair Value Measurement and Application*", that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3) as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Typically, the fair value reflects management's estimates of assumptions that market participants would use in pricing the asset or liability.

Investments measured at Net Asset Value (NAV) as a practical expedient for fair value are not categorized within the fair value hierarchy.

U.S. Treasury obligations and domestic securities are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, mutual and money market funds, and U.S. Agencies securities are classified as Level 2 and are valued using

inputs that are observable but not active using the market approach. These inputs include matrix pricing models and comparisons to prices of similar assets.
The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level (in terms of reliability) of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

As of June 30, 2020, the following are OPEB Trust's investments set forth by level, within the fair value hierarchy:

	Level 1	Level 2	Total
Common Stock:			
Domestic Securities	$ 176	$ —	$ 176
Fixed Income:			
U.S. Agency Securities	—	30,166	30,166
U.S. Treasury Securities	10,292	—	10,292
Debt securities:			
Domestic Corporate Bonds	—	47,267	47,267
Foreign Corporate Bonds	—	5,921	5,921
Pooled Funds:			
Money Market Funds	—	8,461	8,461
Mutual Funds	—	226,259	226,259
Total	$ 10,468	$ 318,074	328,542
Investments measured at the net asset value:			
Pooled funds:			
Non-real estate funds			69,388
Real estate funds			16,160
Total investments measured at net asset value			85,548
Total investments			$ 414,090

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Funds:				
Non-real estate funds	$ 69,388	$ —	Monthly	5 - 45 days *(1)*
Real estate funds	16,160	—	Quarterly	90 days
Total	$ 85,548			

(1) 5 business days for WCM fund and 15 - 45 days for Mondrian fund.

The fair value of the pooled funds invested in real estate and non-real estate holdings via our limited partnerships (LPs) is based upon the OPEB Trust's proportionate interest in the LP's capital (i.e. NAV). The fair value of the real estate and non-real estate holdings owned by the LPs is based on the estimated fair value of the respective LP's consolidated financial statements.

Non-real estate funds - this type consists of 3 funds which invest in international securities. In regards to the WCM funds, the funds can be redeemed at any time based on the redemption clauses with a minimum distribution threshold set at $100 and a minimum account balance set at $1,000. In regards to the Mondrian fund, there are no redemption restriction in place, and the funds can be redeemed at any time based on the redemption clauses.

Real estate funds - this type consists of a single fund which invests in U.S. commercial and residential real estate. Currently, there are no redemption restrictions in place, and the funds can be redeemed at any time based upon the redemption clauses.

The following table shows the cash equivalents and investments held by the trustee for the benefit of OPEB Trust in accordance with the provisions of the trust agreement as of June 30, 2020:

Investment Type		Total	Weighted Average Duration (in years) per Investment Type	Concentration of Investments	Ratings
Domestic Corporate Bonds	$	47,267	0.7204	11.41 %	Not Rated to AAA
Domestic Securities		176	—	0.04 %	BBB+
Foreign Corporate Bonds		5,921	0.0777	1.43 %	BB to AAA
Money Market Funds		8,461	—	2.04 %	Not Rated
Mutual Funds		226,259	—	54.65 %	Not Rated
Non-Real Estate Funds		69,388	—	16.76 %	Not Rated
Real Estate Funds		16,160	—	3.90 %	Not Rated
U.S. Agency Securities		30,166	0.1188	7.28 %	Not Rated to AAA
U.S. Treasury Securities		10,292	0.2982	2.49 %	Not Rated to AAA
Total	$	414,090		100.00 %	
Portfolio weighted average duration			1.2151		

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

Risk

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

Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. OPEB Plan maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations and maintaining diversified investments using target asset allocation ranges encompassing a long-term perspective.

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. As disclosed above, OPEB Plan maintains investment policies that establish thresholds for holdings of individual securities. OPEB Plan did not have any holdings meeting or exceeding these threshold levels as of June 30, 2020.

As of June 30, 2020, with the exception of investments that are explicitly guaranteed by the U.S. government, OPEB did not have any investments with more than 5% of the total investments under one issuer except for the following limited partnership and money market/ mutual funds:

	Total	Concentration of Credit Risk
Vanguard	$ 215,260	51.98 %
WCM Focused International	38,830	9.38 %
Mondrian All Countries World	28,402	6.86 %

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a bank failure, the OPEB Trust's deposits in the possession of an outside party may not be returned. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2020, there are no deposits at any financial institutions other than the OPEB Trust's custodian.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the OPEB Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured or are not registered in the OPEB Trust's name and held by the counter party. As of June 30, 2020, investments are held by the OPEB Trust's custodian in OPEB Trust's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OPEB Trust adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The plan currently maintains the interest rate risk and consistent with its long-term investment horizon.

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, 2020, there was no exposure to foreign currency risk as all OPEB investments are denominated in U.S. dollar currency.

Rate of Return

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.70%) or 1-percentage-point higher (3.70%) than the current discount rate for the fiscal year ended June 30, 2021:

	Discount rate -1% (1.70%)	Current Discount Rate (2.70%)	Discount Rate +1% (3.70%)
Net OPEB Liability	$ 1,474,415	$ 1,215,301	$ 1,006,365

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the impact of healthcare cost trend sensitivity on the total OPEB liability if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the Trend Rate and net OPEB liability for the fiscal year ended June 30, 2021:

	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	$ 962,483	$ 1,215,301	$ 1,544,663

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For reporting fiscal year ended June 30, 2021, LACMTA recognized OPEB expense of $4,753 which represents the change in net OPEB liability during the measurement period, adjusted for employee contribution and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net OPEB liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	$ 137,864	$ (164,664)
Difference Between Expected and Actual Experiences	—	(233,755)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	7,742	—
Employer Contributions for Fiscal Year 2021	22,790	—
Total	$ 168,396	$ (398,419)

Contributions made after the measurement date of the net OPEB liability but before June 30, 2021 totaling $22,790, will be recognized as a reduction of the net OPEB liability in fiscal year ending June 30, 2022.

Deferred inflows of resources resulting from net differences between projected and actual earnings on investments are amortized over five years, all other deferred outflows or inflows of resources will be amortized over their estimated average remaining service life.

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense in future years as follows:

Fiscal Year Ended June 30	Deferred Outflows (Inflows) of Resources
2022	$ (89,602)
2023	(86,657)
2024	(60,182)
2025	(25,166)
2026	(19,828)
2027	28,622
Total	$ (252,813)

Payable/Receivable to the Pension Plan

At June 30, 2021, the OPEB plan reported a $1,314 payable to the LACMTA Employees' Retirement Plans for the Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2021.

Healthcare Reform

On December 20, 2019, the President signed into law the “Further Consolidated Appropriations Act, 2020” (the “Act). Among many other things, the Act repeals the Affordable Care Act’s 40% excise tax on high-cost health care (commonly referred to as the

"Cadillac Tax"). The impact of the said tax provision was removed from the plan's liabilities calculated as of June 30, 2020.

K. Pollution Remediation Obligation

LACMTA follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

LACMTA is responsible for the pollution remediation obligations for various facilities and capital projects. These facilities and projects include those with known soil and/or groundwater impacts or either current or anticipated future obligations involving contamination of soil or groundwater at locations not controlled by LACMTA.

LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories namely, external remediation costs, internal administration costs, and litigation and settlement costs, where each cost category has a different way to estimate the costs.

External remediation costs are estimated on a life cycle basis through retirement of the pollution remediation obligations or using a forecasted, year-by-year scope of the remaining project life cycles to the point of No Further Action (NFA), i.e. closure. The scoping period for newly identified sites and for the continuance of other identified obligation at other sites was assumed to start on July 1, 2020.

Internal administration costs estimate labor using the full time equivalent (FTE) basis. An FTE value of $200,000 (amount not in thousands) per annum is multiplied by the annual FTE count anticipated for each site and the projected duration period required to retire the pollution remediation obligations.

Litigation and settlement costs are based on LACMTA's proportionate share of cleanup and remediation costs at each cleanup site that received LACMTA's generated hazardous waste, based on volume, ongoing remediation costs, and prior years' expenses.

The remediation obligation estimates as of June 30, 2021 are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to status and regulations, and other factors that could result in revisions to these estimates.

Prospective recoveries from responsible parties may reduce LACMTA's obligation. Capital assets may be created when pollution outlays are made under specific circumstances. LACMTA is not expecting recovery from other responsible parties.

As of June 30, 2021, LACMTA has an estimated pollution remediation obligation of $12,489 related to soil and/or groundwater pollution cleanup activities. Currently, LACMTA does not have any liabilities for pollution remediation activities for possible liabilities which are not reasonably estimable.

L. Certain Asset Retirement Obligations

In FY19, LACMTA implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, which 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. Under GASB Statement No. 83, recognition of an ARO is to occur when the liability is incurred and reasonably estimable. LACMTA determined that it had incurred an ARO liability with respect to the removal of seventy-six (76) underground storage tanks (USTs). As of FY21, that number had been reduced to fifty-eight (58) as 2 USTs were removed from Metro Division 18. All of the remaining USTs are scheduled to be permanently removed from service by the end of the 2028 fiscal year. Both of the following obligating events apply to the 58 USTs:

a. External Obligating Event: The 58 USTs are subject to legal requirements associated with their removal as outlined in 40 CFR 280, Subpart G and 23 CCR 2672.
b. Internal Obligating Event: Although LACMTA's ARO for the 58 USTs is not contamination-related, the placement of these USTs into service represents an internal obligating event.

LACMTA's ARO relates to the removal of the USTs and associated appurtenances in accordance with applicable regulations. Activities associated with the ARO include the following:

a. Acquisition of UST removal permits
b. Removal of existing flatwork and associated appurtenances (e.g., piping, electrical connections, sensors, vent lines, etc.)
c. Excavation of soil and backfill material to expose the USTs and related features
d. Removal of UST and piping contents
e. Decontamination, removal and disposal of the UST and piping
f. Disposal of the USTs, associated appurtenances and debris
g. Collection and laboratory analysis of confirmation soil samples
h. Backfilling and resurfacing to match existing grade
i. UST removal reporting

The 58 USTs range in size from 500 to 30,000 gallons. They are located at 11 separate LACMTA facilities and were installed at various times between 1986 and 2014. Thus, LACMTA's UST population ranges in age from approximately 7-35 years. The generally accepted anticipated life expectancy of a UST is approximately 30 years. The estimated remaining service life of LACMTA's USTs is variable with 10 of 58 (17%) beyond their estimated useful life of 30 years, and 40 of 58 (69%) USTs having an estimated remaining useful life of 5 years or greater. However, LACMTA is planning to permanently remove all of the existing USTs from service by the end of fiscal year 2028.

Quantitative estimates of the retirement costs for LACMTA USTs were originally calculated for FY 2019. These estimated costs were presented in the GASB 83 Technical Memorandum dated August 7, 2019. Estimated retirement costs were provided by LACMTA's Environmental Compliance and Sustainability staff and are based on actual direct costs incurred by LACMTA for USTs that were removed in recent years. These costs include direct costs associated with planning, permitting, physical removal, decontamination, and disposal of USTs and related infrastructure, as well as backfilling and site restoration necessary to restore the site for its continued use. In the time since the initial estimate of retirement costs was prepared, LACMTA has removed fifteen (15) USTs from service, the costs of which has been recorded as current period expenses. These assets are considered retired for the purpose of this update and are excluded from future liability projections.

An external environmental consultant reviewed the estimated costs and determined that the values provided by LACMTA represent most likely estimates of current costs if the removal activities were performed in FY 2019. The FY 2021 value of all future outlays associated with the remaining LACMTA USTs is $ 3,451,000. Based on LACMTA's USTs removal schedule and FY 2021 estimate of costs, the estimated retirement costs by year through FY 2028 including the amount for inflation adjustment, is provided below:

a. FY 2022 – $ 634
b. FY 2023 – $ 539
c. FY 2024 – $ 654
d. FY 2025 – $ 486
e. FY 2026 – $ 504
f. FY 2027 – $ 370
g. FY 2028 – $ 264
h. Adjustment for inflation - $164

UST costs and related depreciation are reported under buildings and improvement and the associated ARO will be budgeted similar to a capital expenditure, hence, the estimated liabilities have been budgeted through fiscal year 2028.

M. Long-term Debt

LACMTA's long-term debt activities for the year ended June 30, 2021 are summarized as follows:

Type of Issue	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Direct borrowings and direct placements					
TIFIA loans-Measure R junior subordinate bonds	$ 1,149,634	$ —	$(1,149,634)	$ —	$ —
TIFIA notes payable	608,186	—	(608,186)	—	—
Revolving lines of credit	128,023	83,000	(211,023)	—	—
Total direct borrowings and direct placements	1,885,843	83,000	(1,968,843)	—	—
Other debt					
Commercial paper notes	102,500	156,023	(52,500)	206,023	—
Sales tax revenue and refunding bonds	3,853,345	1,678,000	(239,710)	5,291,635	238,300
General revenue bonds	79,615	—	(9,595)	70,020	8,650
Unamortized bond premium (1)	475,234	547,061	(68,540)	953,755	—
Unamortized bond discount (1)	(74)	—	9	(65)	—
Total other debt	4,510,620	2,381,084	(370,336)	6,521,368	246,950
Lease/lease to service obligations	186,256	9,667 (2)	(1,902)	194,021	17,894
Total long-term debt	$ 6,582,719	$ 2,473,751	$(2,341,081)	$ 6,715,389	$ 264,844

(1) Unamortized bond premium/discount are associated with the issuance of sales tax revenue and refunding bonds and general revenue refunding bonds.

(2) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to the principal amount.

Direct Borrowings/Direct Placements

Revolving Lines of Credit

As of June 30, 2021, LACMTA had no outstanding obligation on its Prop C and Measure R Revolving Credit facilities. Activities during fiscal year 2021 are summarized below:

Series	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Authorized Amount	Unused Capacity	
Proposition C revolving credit	$ 22,000	$ 83,000	$ (105,000)	$ —	$ 150,000	$ 105,000	*(1)*
Measure R revolving credit, Series A	15,213	—	(15,213)	—	—	—	*(2)*
Measure R revolving credit, Series B	50,000	—	(50,000)	—	—	—	*(2)*
Measure R Series C, Bond purchase agreement	40,810	—	(40,810)	—	—	—	*(2)*
Total	$ 128,023	$ 83,000	$ (211,023)	$ —	$ 150,000	$ 105,000	

(1) $45,000 used by Alameda Corridor East Construction Authority (ACE), as a conduit loan of LACMTA. On September 1, 2021, ACE made a $15,000 partial payment on the loan.

(2) Measure R credit facilities with State Street bank and Bank of the West expired on November 20, 2020. The related short-term obligations were refinanced by the issuance of Measure R Commercial Paper Notes in October 2020. Please refer to page 137 for more details.

Proposition C

The Second Amended and Restated Revolving Credit Agreement, dated April 1, 2019, entered into with Wells Fargo Bank, authorizes LACMTA to issue up to $150,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations that will expire on April 24, 2022. Pursuant to the terms of the Proposition C Revolving Credit Agreement, revolving obligations bear interest at variable rates. However, subject to the terms of the Proposition C Revolving Credit Agreement, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in equal installments over the amortization period following April 24, 2022.

Upon the occurrence of an Event of Default under the Revolving Credit Agreement, the Lender may take one or more of the following actions: (i) by written notice to the Authority, declare the outstanding amount of the Obligation under the Revolving Credit Agreement to be immediately due and payable; (ii) direct the Trustee and the Authority, as applicable, to cause a mandatory redemption of the Notes or take such other remedial action as is provided for in the Proposition C Trust Agreement; (iii) by written notice to the Authority, reduce the Available Commitment to zero and thereafter the Lender will have no further obligation to make Advances and/or may terminate the Commitment; (iv) take whatever action as may appear necessary or desirable to collect the amounts due and payable under the Related Documents or enforce performance or observance of any obligation, agreement or covenant under the Related Documents; (v) cure any Default, Event of Default or event of nonperformance under the Revolving Credit Agreement or any Related Document; provided, however, that the Lender shall have no obligation to effect such cure; and (vi) exercise any and all remedies as it may have under the Related Documents.

Provided, however, that the Lender shall not declare the outstanding amount of the Obligation under the Revolving Credit Agreement to be immediately due and payable or cause a mandatory redemption of Notes until seven days after the occurrence of certain Events of Default under the Agreement. Notwithstanding the foregoing, if any other holder or credit enhancer of Debt or any counterparty under any Swap Contract related thereto causes any such Debt or other obligations of the Authority to become immediately due and payable, the Lender may immediately avail itself of certain remedies set forth in the Revolving Credit Agreement and/or declare the unpaid principal amount of all outstanding notes, all interest accrued and unpaid thereon and all other amounts owing or payable under the Revolving Credit Agreement to be immediately due and payable.

In July 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to $45,000. In September 2013, LACMTA borrowed $20,000 from its taxable Proposition C revolving credit facility and another $25,000 from its tax-exempt Proposition C revolving credit facility in November 2013 on behalf of ACE. The term of the loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last $75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan. . In September 2021, the Alameda Corridor East Construction Authority (ACE) made a partial payment of $15,000 applied to the $20,000 tax-exempt Proposition C revolving credit with Wells Fargo. Please refer to Note S page 142.

Other Debt

Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

Sales tax revenue and refunding bonds outstanding as of June 30, 2021 are as follows:

Bond Series	Original Borrowing	Year Issued *	Final Maturity *	Interest Rates to Maturity	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Proposition A									
2012A	$ 68,205	2012	2021	2.00 to 5.00%	$ 42,360	$ —	$ (2,105)	$ 40,255	$ 40,255
2013A	262,195	2013	2021	5.00%	115,865	—	(75,165)	40,700	40,700
2014A	135,715	2014	2035	3.00 to 5.00%	111,340	—	(6,875)	104,465	4,950
2015A	26,480	2015	2035	3.00 to 5.00%	21,775	—	(1,360)	20,415	980
2016 A	185,605	2016	2031	2.00 to 5.00%	143,000	—	(11,425)	131,575	12,385
2017A	471,395	2017	2042	5.00%	471,395	—	—	471,395	—
2017B	85,455	2017	2023	5.00%	85,455	—	—	85,455	—
2018A	13,890	2018	2031	3.00 to 5.00%	13,225	—	(835)	12,390	875
2019A	57,745	2019	2026	5.00%	57,745	—	(8,005)	49,740	9,000
				Sub-total	1,062,160	—	(105,770)	956,390	109,145
Proposition C									
2009B	245,825	2009	2020	3.00 to 5.00%	35,485	—	(35,485)	—	—
2012A	14,635	2012	2028	3.00 to 3.12%	14,635	—	—	14,635	—
2012B	74,885	2012	2025	5.00%	74,885	—	(11,145)	63,740	11,630
2013A	138,960	2013	2023	2.00 to 5.00%	63,395	—	(14,760)	48,635	15,465
2013B	313,490	2013	2038	2.00 to 5.00%	271,220	—	(8,885)	262,335	9,330
2013C	63,785	2013	2026	4.00 to 5.00%	41,595	—	(5,125)	36,470	5,380
2014A	61,180	2014	2034	5.00%	61,180	—	—	61,180	—
2016A	86,570	2016	2030	2.00 to 5.00%	72,750	—	(5,140)	67,610	5,400
2017A	454,845	2017	2042	4.00 to 5.00%	435,310	—	(10,505)	424,805	11,030
2018A	54,965	2018	2022	4.00 to 5.00%	54,965	—	(315)	54,650	26,660
2019A	418,575	2019	2044	5.00%	418,575	—	—	418,575	—
2019B	126,425	2019	2036	5.00%	126,425	—	—	126,425	—
2019C	47,830	2019	2029	5.00%	47,830	—	(5,460)	42,370	5,745
2020A	28,265	2020	2023	5.00%	28,265	—	—	28,265	—
2021A	321,905	2021	2046	5.00%	—	321,905	—	321,905	—
				Sub-total	1,746,515	321,905	(96,820)	1,971,600	90,640
Measure R Senior bonds									
2010A	573,950	2010	2039	4.28 to 5.73%	573,950	—	(21,920)	552,030	22,530
2016A	522,120	2016	2039	3.00 to 5.00%	470,720	—	(15,200)	455,520	15,985
				Sub-total	1,044,670	—	(37,120)	1,007,550	38,515
Measure R Junior Subordinate bonds									
2020A	1,356,095	2020	2037	5.00%	—	1,356.095	—	1,356,095	—
				Sub-total	—	1,356,095	—	1,356,095	—
				Total	$ 3,853,345	$1,678,000	$ (239,710)	$ 5,291,635	$ 238,300

* *Years stated are calendar year*

LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes, net of administration costs and allocations to local governments.

LACMTA issues sales tax revenue refunding bonds generally to reduce debt service costs by refinancing previously issued sales tax revenue bonds and/or commercial paper notes when more favorable interest rates or financing terms are available. Refunding may also be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove undesirable covenants.

The principal amount is payable in annual installments on July 1 for Proposition A and Proposition C bonds, and on June 1 for Measure R bonds. Interest is payable semi-annually on January 1 and July 1 for Proposition A and Proposition C bonds, and on December 1 and June 1 for Measure R bonds.

In the event of a default on the Proposition A revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, a default that results in the acceleration of the principal and interest of such debt, the use of funds from the Reserve Fund to pay principal and/or interest on the Bonds without restoring that amount to the Reserve Fund, a failure to collect Proposition A Tax or to pay the pledged tax to the Trustee, or any other event of default provided in a Supplemental Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, after payment of reasonable fees and expenses of the Trustee and costs and expenses resulting in the collection of such monies, in the following order: (1) payment of all installments of interest then due on the Bonds, in the order of maturity, with applicable interest; (2) payment of unpaid principal of the Bonds, in the order of maturity, with applicable interest. Upon a default event, the Trustee shall upon the written request of holders of 25% of the principal amount of Bonds outstanding and subject to acceleration, declare same to be immediately due and payable.

In the event of a default on the Proposition C revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, or a court assumes control of the Authority or its Pledged Revenues, as described and defined in this Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, after payment of reasonable fees and expenses of the Trustee and costs and expenses resulting in the collection of such monies, in the following order: (1) payment of all installments of interest then due on Senior Bonds and Senior Parity Debt, in the order of maturity, with applicable interest; (2) payment of unpaid principal of Senior Bonds and Senior Parity Debt, in the order of maturity, with applicable interest.

In the event of a default on the Measure R revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, or a court assumes control of the Authority or its Pledged Revenues, as described and defined in this Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, in the following order: (1) payment of any expenses necessary to protect the interest of the Bond Holders in declaring the event of default and reasonable fees and expenses of the Trustee; (2) payment of the whole amount of Bond Obligation then due for Senior Bonds; (3) payment of available Pledged Revenues to pay Subordinate Obligations; (4) payment of available Pledged Revenues to pay fees and expenses related to Senior and Subordinate Obligations; (5) payment of available Pledged Revenues to pay Bond Obligation then due for Junior Subordinate Obligations; (7) payment of all other obligations then due and payable. In no event, except as otherwise referenced to the contrary in this Agreement, are the Bonds and Subordinate Obligations subject to acceleration if any event of default occurs.

General Revenue Bonds

General revenue bonds are issued to generate financing for the acquisition, construction and major rehabilitation of capital assets. The general revenue bonds were issued to fund the cost of the LACMTA's 27-story headquarters building, including parking and related improvements. Refunding bonds were subsequently issued to refinance the original debt to achieve debt service savings. Both bonds were issued at a fixed rate.

General revenue refunding bonds outstanding as of June 30, 2021 are as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
2010A Bonds	$ 79,620	2010	2021	3.00% - 5.00 %	$ 14,845	$ —	$ (9,595)	$ 5,250	$ 5,250
2015 Bonds	64,770	2015	2027	3.00% - 5.00 %	64,770	—	—	64,770	3,400
				Total	$ 79,615	$ —	$ (9,595)	$ 70,020	$ 8,650

In the event of a default on the general revenue and refunding bonds that occurs and continues, including the failure to pay the principal, redemption price, or interest of any bond, failure to perform any covenant or provision in this Agreement, voluntary bankruptcy of the Authority, a court-ordered bankruptcy of the Authority, or a court otherwise assumes control of the Authority or its Pledged Revenues, or any other event of default provided in a Supplemental Agreement as described and defined in this Agreement, the Trustee will apply all pledged revenues and other funds held except where otherwise provided in the Agreement, after payment of reasonable fees and expenses of the Trustee and costs and expenses resulting in the collection of such monies, in the following order: (1) payment of all installments of interest then due on the Bonds, in the order of maturity, with applicable interest; (2) payment of unpaid principal of the Bonds, in the order of maturity, with applicable interest. Upon a default event, the Trustee shall upon the written request of holders of 25% of the principal amount of Bonds outstanding and subject to acceleration, declare same to be immediately due and payable.

Commercial Paper Notes

As of June 30, 2021, outstanding balances of LACMTA's commercial paper notes and information on the amount of authorized and unused principal capacity are as follows:

Series	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Authorized Amount	Unused Principal Capacity	
Proposition A Commercial Paper, Barclays	$ 52,500	$ 50,000	$ (2,500)	$ 100,000	$ 200,000	$ 83,694	*(1)*
Proposition A Commercial Paper, Citibank	50,000	—	(50,000)	—	—	—	
Measure R Commercial Paper, Bank of America	—	50,000	—	50,000	97,989	$ 40,000	*(2)*
Measure R Commercial Paper, State Street	—	56,023	—	56,023	108,877	$ 43,977	*(3)*
Total	$ 102,500	$ 156,023	$ (52,500)	$ 206,023	$ 406,866	$ 167,671	

(1) Net of accrued interest of $16,306 computed at 12% for 270 days
(2) Net of accrued interest of $7,989 computed at 12% for 270 days
(3) Net of accrued interest of $8,877 computed at 12% for 270 days

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including construction of transit and rail capital projects and rail right-of-way acquisitions. LACMTA operates two commercial paper programs, Proposition A CPN and Measure R CPN, to maintain access to a low cost and flexible source of capital financing. LACMTA taxable and tax-exempt series CPN are issued with maturity dates ranging from one to 270 days at various interest rates.

As of June 30, 2021, the Proposition A CPN program is authorized to issue up to $350,000 with supporting letters of credit. The Proposition A CPN program is currently supported by a $200,000 existing letter of credit with Barclays bank, which will expire on April 22, 2022.

In October 2020, LACMTA's board authorized to issue from time to time, up to $190,000 in aggregate principal amount of commercial paper notes under the Measure R CPN program. The Measure R CPN program is supported by the letters of credit entered into with Bank of America and State Street bank for maximum principal amounts $100,000 and $90,000, respectively, which will expire on October 27, 2022.

Under the terms of the commercial paper programs, maturing principal amounts can be rolled over by issuing new notes. It is the intention of LACMTA to pay the accrued interest and reissue the principal amounts as they mature. Therefore, the outstanding amounts are classified as non-current liabilities. LACMTA periodically retires CPN by issuing long-term, fixed rate bonds.

LACMTA's commercial paper programs are supported by direct-pay irrevocable letters of credit issued by Barclays bank for Prop A CPN, and Bank of America and State Street for Measure R CPN. All banks are required to have a short-term credit rating of at least A-1/P-1. The letter of credit is drawn upon at each note maturity to pay the principal and interest due. Principal advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA.

Interest is paid on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of four years and three months. The term loan for Measure R CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable reimbursement agreements.

Upon the occurrence of an Event of Default under the letter of Credit supporting Proposition A Commercial Paper described in the Reimbursement Agreement, the Bank may take one or more of the following actions: (i) cause the Issuing and Paying Agent to make a final drawing on the Letter of Credit in an amount equal to the principal of the outstanding Notes plus interest to their maturity, after which the Letter of Credit shall terminate, (ii) cause the Issuing and Paying Agent to suspend issuance of additional Notes and upon the Bank honoring the drawing under the Letter of Credit to pay the last Note outstanding on its maturity date, the Letter of Credit shall terminate, (iii) on the maturity date of the last Note outstanding to mature, cause the Stated Amount of the Letter of Credit to be reduced to the principal amount of Notes then outstanding, (iv) cure any default, event of default or event of nonperformance under the Reimbursement Agreement or any of the other Related Documents or (v) exercise any other rights or remedies available under any Related Document, the Act or Ordinance No. 16 or any other agreement.

Upon the occurrence of certain Events of Default, the Bank may, by notice to the Authority and the Trustee, declare all outstanding Obligations of the Authority to be immediately due and payable (provided that the obligations of the Authority shall become automatically and immediately due and payable without such notice upon the occurrence of certain bankruptcy-related Events of Default unless such automatic acceleration is waived by the Bank in writing).

Upon the occurrence and during the continuance of an Event of Default relating to Letter of Credit supporting Measure R Commercial Paper described in the Reimbursement Agreement, the Bank may take one or more of the following actions: (i) cause the Issuing and Paying Agent to make a final drawing on the Letter of Credit in an amount equal to the principal of the outstanding Notes plus interest to their maturity, after which the Letter of Credit shall terminate, (ii) cause the Issuing and Paying Agent to suspend issuance of additional Notes and upon the Bank honoring the drawing under the Letter of Credit to pay the last Note outstanding on its maturity date, the Letter of Credit shall terminate, (iii) on the maturity date of the last Note outstanding to mature, cause the Stated Amount of the Letter of Credit to be reduced to the principal amount of Notes then outstanding, (iv) cure any default, event of default or event of nonperformance under the Reimbursement Agreement or any of the other Related Documents or (v) exercise any other rights or remedies available under any Related Document, the Act or Ordinance or any other agreement.

Unless the Authority shall enter into any Bank Agreement providing the remedy of acceleration of principal of or interest on any Senior Bonds, Parity Obligations, Subordinate Obligations or Parity or Senior Debt, the Bank shall have no right to accelerate any outstanding Reimbursement Obligations.

Annual Debt Service Requirement

LACMTA's annual debt service requirement for long-term debt, and lease/lease to service obligations as of June 30, 2021 are as follows:

Business-type Activities

Sales Tax Revenue and Refunding Bonds

	Proposition A			Proposition C		
Year Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2022	$ 109,145	$ 43,843	$ 152,988	$ 90,640	$ 90,378	$ 181,018
2023	86,410	38,954	125,364	95,160	91,009	186,169
2024	91,135	34,515	125,650	98,700	86,163	184,863
2025	50,150	30,983	81,133	78,985	81,752	160,737
2026	53,085	28,402	81,487	82,830	77,737	160,567
2027-2031	188,005	110,924	298,929	380,335	338,947	719,282
2032-2036	165,710	72,942	238,652	397,170	229,808	626,978
2037-2041	144,385	35,843	180,228	416,320	133,172	549,492
2042-2046	68,365	3,460	71,825	308,730	36,990	345,720
2047-2051	—	—	—	22,730	568	23,298
Total	$ 956,390	$ 399,866	$ 1,356,256	$ 1,971,600	$ 1,166,524	$ 3,138,124

	Measure R		
Year Ending June 30	Principal	Interest	Total
2022	$ 38,515	$ 119,815	$ 158,330
2023	68,475	117,995	186,470
2024	88,450	114,634	203,084
2025	108,475	110,229	218,704
2026	125515	104,773	230,288
2027-2031	761,220	417,840	1,179,060
2032-2036	866,910	204,329	1,071,239
2037-2041	306,085	27,383	333,468
Total	$ 2,363,645	$ 1,216,998	$ 3,580,643

General Revenue Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2022	$ 8,650	$ 3,188	$ 11,838
2023	9,080	2,766	11,846
2024	9,495	2,335	11,830
2025	9,945	1,864	11,809
2026	10,435	1,369	11,804
2027-2031	22,415	1,134	23,549
Total	$ 70,020	$ 12,656	$ 82,676

Lease/leaseback to service obligations

Year Ending June 30	Principal (1)	Interest	Total
2022	$ 17,894	$ 6,951	$ 24,845
2023	17,394	4,798	22,192
2024	(1,350)	3,695	2,345
2025	(361)	5,408	5,047
2026	(311)	5,744	5,433
2027-2031	121,995	13,156	135,151
2032-2036	26,137	—	26,137
2037-2041	12,623	—	12,623
Total	$ 194,021	$ 39,752	$ 233,773

(1) Principal amounts include interest accretion due and payable beginning July 1, 2021 through June 30, 2031.

Total Debt Service - Business-type Activities

Year Ending June 30	Total Annual Principal	Debt Service- Interest	Business-Type Activities Total
2022	$ 264,844	$ 264,175	$ 529,019
2023	276,519	255,522	532,041
2024	286,430	241,342	527,772
2025	247,194	230,236	477,430
2026	271,554	218,025	489,579
2027-2031	1,473,970	882,001	2,355,971
2032-2036	1,455,927	507,079	1,963,006
2037-2041	879,415	196,398	1,075,813
2042-2046	377,095	40,450	417,545
2047-2051	22,730	568	23,298
Total	**$ 5,555,678**	**$ 2,835,796**	**$ 8,391,474**

Pledged Revenues

LACMTA pledged its Proposition A, Proposition C and Measure R sales tax revenues, excluding sales tax allocated for administrative fees and local allocations, to repay sales tax revenue bonds, and sales tax revenue refunding bonds. These bonds were used to finance the acquisition of revenue vehicles, and construction and renovation of major capital facilities. Farebox revenues are pledged for the payment of the general revenue refunding bonds. LACMTA is subject to maximum annual debt service policy limits set forth in its Debt Policy adopted by LACMTA's Board.

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2021:

Source	Gross Receipts (1)	Allocation Rate	Local Allocations	Pledged Revenue	Total Debt Service (2)	Debt Service Coverage
Prop A	$ 911,302	25%	$ 227,826	$ 683,476	$ 157,662	4.3
Prop C	911,310	20%	182,262	729,048	180,517	4.0
Measure R	912,444	15%	136,867	775,577	158,108	4.9
General Revenue bonds	74,708	—	—	74,708	13,227	5.6

(1) Sales tax revenues are reported using the accrual basis of accounting, net of the State Board of Equalization administrative fees. Gross receipts on General Revenue bonds represent farebox revenues, advertising, revenues derived from LACMTA's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise fund.
(2) Total Debt Service represents actual principal and interest paid.

Significant Changes to Long-Term Bond and Short-term Borrowings

Bond Refunding and New Issue

In August 2020, LACMTA issued an aggregate principal amount of $1,356,095 of Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A (Green Bonds) with interest rate of 5%. The net proceeds, including funds released from accounts related to TIFIA funding agreements, and after payment of associated bond issuance costs and underwriter's discount, were used to repay $608,186 outstanding principal balance of the TIFIA note that partially financed the construction of the Crenshaw/LAX project, and repay an aggregate total of $1,149,634 outstanding principal balances of the TIFIA loans that partially financed the construction of the Regional Connector Transit Corridor project, and the Westside Purple Line Extension Sections 1 and 2 projects. The remaining funds were used to finance the on-going construction of the above-mentioned projects, in an amount equal to the aggregate undrawn amounts under the approved TIFIA Loan Agreements. Principal payments are due on June 1 of each year starting June 1, 2023 and interest payments are due semi-annually on December 1 and June 1 of each year commencing on December 1, 2020, with final maturity on June 1, 2037.

The net cash flow savings that resulted from the refunding are as follows:

Refunded Debt	Prior Net Cash Flow	Refunded Debt Service	Net Cash Flow Savings	Net Present Value of Net Cash Flow Savings
Measure R 2020-A refunding of Crenshaw TIFIA note	$ 739,696	$ 653,504	$ 86,192	$ 69,023
Measure R 2020-A refunding of Regional Connector TIFIA loan	177,626	153,511	24,115	23,428
Measure R 2020-A refunding of Westside Purple Line Ext. Section 1 TIFIA loan	1,050,533	917,283	133,250	121,435
Measure R 2020-A refunding of Westside Purple Line Ext. Section 2 TIFIA loan	371,677	331,941	39,736	36,342
Total	**$ 2,339,532**	**$ 2,056,239**	**$ 283,293**	**$ 250,228**

Also, in April 2021, LACMTA issued an aggregate principal amount of $321,905 of Proposition C Sales Tax Revenue Bonds, Series 2021-A with interest rate of 5%. The net proceeds, including bond premium of $104,151, and after payment of associated bond issuance costs and underwriter's discount, were used to finance existing Proposition C eligible capital projects, and repay an aggregate total of $105,000 outstanding principal balance of Proposition C Sales Tax Revenue Revolving Credit Obligations with Wells Fargo bank. Principal payments are due on July 1 of each year starting July 1, 2024 and interest payments are due semi-annually on January 1 and July 1 of each year commencing on January 1, 2022, with final maturity on July 1, 2046.

Commercial Paper Notes and Revolving Lines of Credit

In August 2020, LACMTA moved the $50,000 outstanding balance of Proposition A Commercial Paper Notes (CPN) under the letter of credit with Citibank which agreement expired in August 2020 to its existing credit facility with Barclays bank as follows:

Series	Par Amount	Tax Status	Type of CP Note	Dealer	Letter of Credit_Ban
Prop A Series A-	$ 16,667	Tax-Exempt	Fixed	Dain Rauscher Inc.	Barclays
Prop A Series A-	16,666	Tax-Exempt	Fixed	Goldman Sachs and	Barclays
Prop A Series A-	16,667	Tax-Exempt	Fixed	Barclays	Barclays
Total	$ 50,000				

In October 2020, LACMTA issued an aggregate principal amount of $106,023 of new Measure R Tax-Exempt Commercial Paper Notes to refinance the outstanding balances of the Measure R Revolving Line of Credit with Bank of the West and State Street Bank for a total amount of $65,213 and Bond Purchase Agreement with RBC Capital for $40,810.

The following are the details of the new Measure R CPN:

Series	Par Amount	Tax Status	Type of CP Note	Dealer	Letter of Credit_Bank
Measure R Series	$ 50,000	Tax-	Fixed	Goldman Sachs and	Bank of
Measure R Series	20,682	Tax-	Fixed	Goldman Sachs and	State Street
Measure R Series	35,341	Tax-	Fixed	JP Morgan Chase	State Street
Total	$ 106,023				

Furthermore, LACMTA made a drawdown of $83,000 from Proposition C Sales Tax Revenue revolving line of credit with Wells Fargo to finance existing Proposition C capital projects that required immediate cash flow in fiscal year 2021. This was repaid in fiscal year 2021 using part of the proceeds from the issuance of Proposition C Sales Tax Revenue Bonds, Series 2021-A in April 2021.

The Proposition A and Measure R commercial paper notes are included in the outstanding balances of commercial paper notes on page 125.

N. Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, LACMTA entered into a number of "Lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head-lease as lessor with an investor and simultaneously entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA realized $64,700 in net benefits after funding of the fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements provided LACMTA's right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from various finance obligations have been recorded as lease accounts in the Statement of Net Position of the Enterprise Fund. LACMTA entered into various lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust. As of June 30, 2021, these lease/leaseback agreements totaled $194,021. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as long-term debt in the business-type activities. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group Inc. (AIG) or its affiliates provided a fixed income investment product known as a "payment undertaking agreement" (PUA) that was used in eight of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (AGM, as successor to Financial Security Assurance Inc.) for several of the transactions. As a result of declines in AIG's and AGM's credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight transactions. The remaining two were unaffected.

LACMTA has terminated six of the eight affected leases and has entered into collateral posting agreements for one other lease. Issues remain with one of the affected leases and LACMTA continues to discuss potential solutions with the lessor. Failure to reach a solution with respect to the two remaining affected transactions could result in early termination of the transactions and could require LACMTA to pay up to $2,727 plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2021 are as follows:

Lease	Interest Rate	Balance July 1, 2020	Additions (1)	Reductions	Balance June 30, 2021	Due Within One Year (2)
Northwest Lease	6.79% - 7.64%	$ 115,183	$ 5,312	$ (1,861)	$ 118,634	$ 22,520
First Hawaiian Lease	6.61%	71,073	4,355	(41)	75,387	(4,626)
	Total	$ 186,256	$ 9,667	$ (1,902)	$ 194,021	$ 17,894

(1) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to the principal amount.
(2) Negative amounts due within one year represent interest accretion to the principal.

O. Leases

Operating Leases

LACMTA has entered into various lease agreements as "Lessor" of various parcels of land located within the vicinity of the Red Line stations, including LA Union Station, which was acquired by LACMTA in April 2011. The majority of these leases will expire between 50 and 99 years. These leases are considered operating leases for accounting purposes and reported as period costs in the statement of revenues of the proprietary and governmental funds.

The carrying value of the land held for lease as of June 30, 2021, is $94,983 and is included under the Land caption in the capital assets section of the notes to the financial statements found on page 92.

LACMTA is committed under various leases as the "Lessee" of building and office spaces. These leases are considered for accounting purposes to be operating leases and reported as business-type activities. Lease expenditures for the year ended June 30, 2021 totaled $10,994.

Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2022	$ 11,509
2023	11,806
2024	12,112
2025	12,428
2026	12,460
Total	$ 60,315

The following is a schedule by years of minimum future rentals to be received on noncancellable operating leases as of June 30, 2021:

Year Ending June 30	Amount
2022	$ 5,782
2023	6,238
2024	6,441
2025	6,617
2026	6,829
2027-2031	27,410
2032-2036	23,570
2037-2041	27,058
2042-2046	31,214
2047-2051	36,266
2052-2056	36,419
2057-2061	26,684
2062-2066	24,191
2067-2071	26,723
2072-2076	29,657
2077-2081	33,059
2082-2086	37,003
2087-2091	39,847
2092-2096	38,264
2097-2101	44,386
2102-2106	48,804
Total	$ 562,462

P. Capital and MOU Commitments

LACMTA uses encumbrances accounting for its governmental funds. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures of monies are encumbered to reserve applicable budget appropriations. Encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet.

Encumbrance balances for the governmental funds as of June 30, 2021 are as follows:

Fund	Total
General Fund	$ 69,751
Proposition A	32,193
Proposition C	315,386
Measure R	358,156
Measure M	46,116
TDA	147,930
STA	1,750
Total	$ 971,282

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2021 are as follows:

	Total Contract	Remaining
Rail projects	$ 9,837,760	$ 4,259,481
Bus rapid transit ways	10,397	4,367
Bus acquisition and others	948,221	203,004
Total	$ 10,796,378	$ 4,466,852

Q. Joint Powers

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the Counties of Los Angeles, San Bernardino, Orange, Riverside, and Ventura. SCRRA's purpose is to plan, design, construct, and administer the operation of regional passenger rail lines serving the participating counties. SCRRA named the regional commuter rail system "Metrolink."

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California. LACMTA provides funding for the majority of Metrolink's operating and capital costs. As of June 30, 2021, the total outstanding payables and commitments were $10,512 and $114,652, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2020 (most recent data available) is as follows:

Total Assets	$ 1,631,069
Deferred outflows of resources	12,885
Total assets and deferred outflows of resources	1,643,954
Total liabilities	223,211
Deferred inflows of resources	3,495
Total liabilities and deferred inflows of resources	226,706
Net Position	$ 1,417,248
Total Revenues	$ 445,330
Total Expenses	386,286
Increase in Net Position	$ 59,044

Additional detailed financial information is available from the Office of the Chief Financial Officer, SCRRA, 900 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017-4791, or by visiting Metrolink's website at www.metrolinktrains.com.

R. Litigation and Other Contingencies

Litigation

Although various claims have been asserted against LACMTA, it is the opinion of LACMTA that none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal and interest on any of its obligations.

Federal, State, and Other Governmental Funding

LACMTA receives significant funding from federal, state, and other governmental grant funds as reimbursement for costs incurred. Such grants are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

Excise Tax on Lease/Leaseback Transactions

Section 4965 of the Internal Revenue Code of 1986, as amended, imposes a federal excise tax (the Excise Tax) on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. Based on Section 4965 and the final Treasury Regulations thereunder, LACMTA believes that the Excise Tax will not have a material adverse effect on its financial condition or results of its operation.

S. Subsequent Events

In August 2021, LACMTA issued an aggregate principal amount of $514,500 of Measure R Senior Sales Tax Revenue Bonds, Series 2021-A with interest rate ranging from 4-5%. The bond proceeds, including bond premium of $136,622, and after payment of associated bond issuance costs and underwriter's discount, were used to finance existing Measure R eligible capital projects, and repay short-term borrowings from Measure R Subordinate Commercial Paper Notes under the letter of credit with Bank of America and State Street amounting to $106,023.

As disclosed in Note M, in September 2021, the Alameda Corridor East Construction Authority (ACE) made a partial payment of $15,000 applied to the $20,000 tax-exempt Proposition C revolving credit with Wells Fargo.

REQUIRED SUPPLEMENTARY INFORMATION

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net Pension Liability and Related Ratios
California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability							
Service cost	$ 21,905	$ 23,238	$ 24,955	$ 30,120	$ 31,824	$ 35,365	$ 38,962
Interest on total pension liability	37,546	41,535	45,436	49,725	54,095	59,618	65,159
Difference between expected and actual experiences	—	7,066	2,012	5,642	8,733	13,988	7,857
Changes of assumptions	—	(10,299)	—	41,661	(6,608)	—	—
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)	(17,554)	(19,962)	(23,450)	(25,408)	(28,885)
Net change in total pension liability	**46,052**	**45,811**	**54,849**	**107,186**	**64,594**	**83,563**	**83,093**
Total pension liability – beginning of year	496,365	542,417	588,228	643,077	750,263	814,857	898,420
Total pension liability – end of year	**542,417**	**588,228**	**643,077**	**750,263**	**814,857**	**898,420**	**981,513**
Plan Fiduciary Net Position							
Contributions - Employer	13,313	14,415	17,510	20,266	22,856	27,238	31,592
Contributions - Employee	10,565	11,367	12,822	13,770	15,831	17,241	18,736
Net investment income	72,179	11,202	2,850	59,678	51,169	44,135	36,944
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)	(17,554)	(19,962)	(23,450)	(25,408)	(28,885)
Administrative expense	—	(581)	(310)	(773)	(930)	(471)	(1,019)
Other miscellaneous income	—	—	—	—	(1,766)	1	—
Net change in fiduciary net position	**82,658**	**20,674**	**15,318**	**72,979**	**63,710**	**62,736**	**57,368**
Plan fiduciary net position – beginning of year	405,047	487,705	508,379	523,697	596,676	660,386	723,122
Plan fiduciary net position – end of year	487,705	508,379	523,697	596,676	660,386	723,122	780,490
Plan net pension liability – end of year	$ 54,712	$ 79,849	$119,380	$153,587	$154,471	$175,298	$201,023
Plan fiduciary net position as a percentage of the total pension liability	89.91 %	86.43 %	81.44 %	79.53 %	81.04 %	80.49 %	79.52 %
Covered payroll	$145,140	$159,124	$173,744	$192,457	$209,335	$235,717	$259,572
Plan net pension liability as a percentage of covered payroll	37.70 %	50.18 %	68.71 %	79.80 %	73.79 %	74.37 %	77.44 %

**The amounts presented for each reporting fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Notes to Schedule:

This plan is an agent multiple-employer defined benefit pension plan administered by CalPERS.

Benefit Changes

The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions

There were no changes in assumptions in measurement period ended June 30, 2019 and June 30, 2020. For the period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. For the period ended June 30, 2017, the discount rate was reduced from 7.65% to 7.15%. For the period ended June 30, 2016, there were no changes. For the period ended June 30, 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on 7.50% discount rate.

Los Angeles County Metropolitan Transportation Authority
Schedule of Contributions
California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 14,415	$ 17,510	$ 20,266	$ 22,856	$ 27,238	$ 31,592	$ 43,651
Contributions in relation to the actuarially determined contribution	(14,415)	(17,510)	(20,266)	(22,856)	(27,238)	(31,592)	(43,651)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$159,124	$173,744	$192,457	$209,335	$235,717	$259,572	$260,366
Contributions as a percentage of covered payroll	9.06 %	10.08 %	10.53 %	10.92 %	11.56 %	12.17 %	16.77 %

**Additional years will be presented as they become available.*

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for FY2019-2020 were derived from the June 30, 2019 actuarial valuation report:

This plan is an agent multiple-employer defined benefit pension plan administered by CalPERS.

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan
Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD)
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability – beginning of year	$ 660,053	$ 683,777	$ 748,848	$ 778,530	$ 814,317	$ 847,306	$ 874,517
Service cost	19,054	19,135	19,930	18,495	19,276	21,394	22,291
Interest	46,123	47,691	52,470	54,313	56,845	59,255	60,975
Difference between expected and actual experience	(317)	19,103	(3,662)	5,941	5,459	(8,278)	(106)
Changes of assumptions	—	23,116	—	—	(4,794)	—	—
Benefit payments paid from trust	(40,145)	(43,015)	(38,001)	(41,735)	(42,177)	(44,119)	(50,914)
Transfer of contributions between plans	(991)	(959)	(1,055)	(1,227)	(1,620)	(1,041)	(1,423)
Net change in total pension liability	23,724	65,071	29,682	35,787	32,989	27,211	30,823
Total pension liability – end of year	683,777	748,848	778,530	814,317	847,306	874,517	905,340
Fiduciary net position – beginning of year	462,402	541,017	539,161	538,204	602,034	652,747	693,357
Contributions - LACMTA	23,568	19,780	21,369	22,015	21,467	21,079	23,034
Contributions - Employees	15,920	16,528	18,490	18,148	18,715	19,550	19,746
Net investment income	80,714	6,446	(1,404)	67,046	54,762	45,674	27,614
Benefit payments	(40,145)	(43,014)	(38,001)	(41,735)	(42,177)	(44,119)	(50,914)
Administrative expenses	(451)	(637)	(356)	(417)	(434)	(533)	(499)
Transfer of contributions between plans	(991)	(959)	(1,055)	(1,227)	(1,620)	(1,041)	(1,423)
Net change in fiduciary net position	78,615	(1,856)	(957)	63,830	50,713	40,610	17,558
Fiduciary net position – end of year	541,017	539,161	538,204	602,034	652,747	693,357	710,915
Net pension liability – end of year	$ 142,760	$ 209,687	$ 240,326	$ 212,283	$ 194,559	$ 181,160	$ 194,425
Funded ratio	79.12 %	72.00 %	69.13 %	73.93 %	77.04 %	79.28 %	78.52 %
Covered payroll	$ 173,322	$ 187,395	$ 193,246	$ 192,346	$ 198,718	$ 208,173	$ 215,390
Net pension liability as a percentage of covered payroll	82.37 %	111.90 %	124.36 %	110.37 %	97.91 %	87.02 %	90.27 %

**The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Notes to Schedule:

In FY2016, for the SMART-TD plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect lump-sum was decreased from 35% to 30%, the age-based termination rates were increased, and the retirement rates were increased at service levels for 23 to 29 years. The mortality tables were also updated with all rates projected forward with the MP-2014 generational mortality improvement scale.

In FY2017 and FY2018, there were no changes in assumptions.

In FY2019, the percentage of participants assumed to elect lump-sum was decreased from 30% to 20%, the age-based withdrawal rates were increased, and the retirement rates were decreased at service levels for 10 to 21 years. Additionally, there were increases in the salary scale assumption at ages 30 and above but with decreases prior to age 30. Mortality was also updated to reflect the Society of Actuaries' MP-2017 generational mortality projection scale.

In FY2020 and FY2021, there were no changes in assumptions.

Los Angeles County Metropolitan Transportation Authority

Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan

Transportation Communication Union Plan (TCU)

Last Ten Fiscal Years*

(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability – beginning of year	$ 128,421	$ 136,120	$ 151,272	$ 159,084	$ 171,877	$ 184,309	$ 196,345
Service cost	3,342	3,622	4,317	4,502	4,876	6,459	6,762
Interest	9,020	9,615	10,672	11,215	12,112	13,124	13,950
Difference between expected and actual experience	1,246	1,559	(786)	3,944	2,503	(884)	(3,450)
Changes of assumptions	—	5,213	—	—	506	—	—
Benefit payments paid from trust	(5,787)	(4,716)	(6,268)	(6,689)	(6,979)	(6,162)	(7,361)
Transfer of contributions between plans	(122)	(141)	(123)	(179)	(586)	(501)	(417)
Net change in total pension liability	7,699	15,152	7,812	12,793	12,432	12,036	9,484
Total pension liability – end of year	136,120	151,272	159,084	171,877	184,309	196,345	205,829
Fiduciary net position – beginning of year	90,413	107,551	110,820	111,931	127,651	140,714	154,791
Contributions - LACMTA	5,466	4,741	5,615	5,955	6,218	7,753	**8,592**
Contributions - Employees	1,769	2,300	2,557	2,751	2,880	3,206	3,440
Net investment income	16,005	1,294	(347)	14,090	11,810	10,114	6,848
Benefit payments	(5,787)	(4,716)	(6,268)	(6,689)	(6,979)	(6,162)	(7,361)
Administrative expenses	(193)	(209)	(323)	(208)	(280)	(333)	(270)
Transfer of contributions between plans	(122)	(141)	(123)	(179)	(586)	(501)	(417)
Net change in fiduciary net position	17,138	3,269	1,111	15,720	13,063	14,077	10,832
Fiduciary net position – end of year	107,551	110,820	111,931	127,651	140,714	154,791	165,623
Net pension liability – end of year	$ 28,569	$ 40,452	$ 47,153	$ 44,226	$ 43,595	$ 41,554	$ 40,206
Funded ratio	79.01 %	73.26 %	70.36 %	74.27 %	76.35 %	78.84 %	80.47 %
Covered payroll	$ 28,978	$ 34,512	$ 37,014	$ 39,764	$ 42,497	$ 47,235	$ 49,491
Net pension liability as a percentage of covered payroll	98.59 %	117.21 %	127.39 %	111.22 %	102.58 %	87.97 %	81.24 %

**The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Notes to Schedule:

In FY2016, for the TCU plan, which is a single-employer defined benefit plan, retirement rates changed at services levels of less than 25 years. The mortality tables were also updated with all rates projected forward with the MP-2014 generational mortality improvement scale.

In FY2017 and FY2018, there were no changes in assumptions.

In FY2019, the percentage of participants assumed to elect lump-sum was decreased from 25% to 20% and the retirement rates were changed at service levels for 10 to 20 years as well as for 23 years. Likewise, there were increases in the salary scale assumption at all ages. Mortality was also updated to reflect the Society of Actuaries' MP-2017 generational mortality projection scale.

In FY2020 and FY2021, there were no changes in assumptions.

Los Angeles County Metropolitan Transportation Authority

Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan

American Federation of State, County and Municipal Employee Plan (AFSCME)

Last Ten Fiscal Years*

(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability – beginning of year	$ 64,607	$ 66,226	$ 70,656	$ 70,372	$ 70,178	$ 67,140	$ 65,278
Service cost	391	318	235	192	125	177	153
Interest	4,384	4,438	4,790	4,778	4,690	4,517	4,388
Difference between expected and actual experience	872	1,839	(999)	(460)	429	(879)	722
Changes of assumptions	—	3,358	—	—	(1,568)	—	—
Benefit payments paid from trust	(4,835)	(6,393)	(5,018)	(5,594)	(8,527)	(6,670)	(6,855)
Transfer of contributions between plans	807	870	708	890	1,813	993	1,264
Net change in total pension liability	1,619	4,430	(284)	(194)	(3,038)	(1,862)	(328)
Total pension liability – end of year	66,226	70,656	70,372	70,178	67,140	65,278	64,950
Fiduciary net position – beginning of year	54,938	61,926	58,392	55,149	58,520	58,136	56,873
Contributions - LACMTA	1,964	1,455	1,638	1,576	1,378	1,038	1,081
Net investment income	9,219	690	(251)	6,675	5,206	3,669	2,038
Benefit payments	(4,835)	(6,393)	(5,018)	(5,594)	(8,527)	(6,670)	(6,855)
Administrative expenses	(167)	(156)	(320)	(176)	(254)	(293)	(225)
Transfer of contributions between plans	807	870	708	890	1,813	993	1,264
Net change in fiduciary net position	6,988	(3,534)	(3,243)	3,371	(384)	(1,263)	(2,697)
Fiduciary net position – end of year	61,926	58,392	55,149	58,520	58,136	56,873	54,176
Net pension liability – end of year	$ 4,300	$ 12,264	$ 15,223	$ 11,658	$ 9,004	$ 8,405	$ 10,774
Funded ratio	93.51 %	82.64 %	78.37 %	83.39 %	86.59 %	87.12 %	83.41 %
Covered payroll	$ 3,822	$ 3,338	$ 2,936	$ 2,199	$ 1,547	$ 1,399	$ 1,149
Net pension liability as a percentage of covered payroll	112.51 %	367.41 %	518.49 %	530.15 %	582.03 %	600.79 %	937.68 %

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Notes to Schedule:

In FY2016, for the AFSCME plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect lump sums was decreased from 30% to 25% and the age-based withdrawal rate increased at age 45. The age-based retirement rates were now applied to all New Plan participants, regardless of whether they have more or less than 30 years of service. The service-based retirement rate increased at 30 years of service and in addition, these service-based rates were now only applied to the Old Plan participants. The mortality tables were also updated with all rates projected forward with the MP-2014 generational mortality improvement scale.

In FY2017 and FY2018, there were no changes in assumptions.

In FY2019, changes were made to the retirement rates for 30 to 34 years of service. No changes were made at service level of more than 35 years as well as to the age-based retirement rates. Additionally, there were increases in the salary scale assumption at all ages. Mortality was also updated to reflect the Society of Actuaries' MP-2017 generational mortality projection scale.

In FY2020 and FY2021, there were no changes in assumptions.

Los Angeles County Metropolitan Transportation Authority

Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan

Non-Contract (NC)

Last Ten Fiscal Years*

(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability – beginning of year	$ 147,574	$ 148,935	$ 156,795	$ 158,813	$ 159,490	$ 153,044	$ 147,216
Service cost	628	536	466	376	246	441	426
Interest	10,011	10,062	10,675	10,697	10,770	10,396	9,952
Difference between expected and actual experience	587	191	(68)	2,577	(883)	(6,554)	489
Changes of assumptions	—	8,044	—	—	(4,604)	—	—
Benefit payments paid from trust	(10,540)	(11,661)	(9,697)	(13,762)	(12,774)	(10,548)	(11,769)
Transfer of contributions between plans	675	688	642	789	799	437	646
Net change in total pension liability	1,361	7,860	2,018	677	(6,446)	(5,828)	(256)
Total pension liability – end of year	148,935	156,795	158,813	159,490	153,044	147,216	146,960
Fiduciary net position – beginning of year	113,454	127,728	122,215	116,864	122,180	125,066	126,325
Contributions - LACMTA	5,074	4,186	4,531	4,566	4,195	3,369	2,849
Net investment income	19,276	1,493	(505)	13,936	10,941	8,323	4,818
Benefit payments	(10,540)	(11,661)	(9,697)	(13,762)	(12,774)	(10,548)	(11,769)
Administrative expenses	(211)	(219)	(322)	(213)	(275)	(322)	(266)
Transfer of contributions between plans	675	688	642	789	799	437	646
Net change in fiduciary net position	14,274	(5,513)	(5,351)	5,316	2,886	1,259	(3,722)
Fiduciary net position – end of year	127,728	122,215	116,864	122,180	125,066	126,325	122,603
Net pension liability – end of year	$ 21,207	$ 34,580	$ 41,949	$ 37,310	$ 27,978	$ 20,891	$ 24,357
Funded ratio	85.76 %	77.95 %	73.59 %	76.61 %	81.72 %	85.81 %	83.43 %
Covered payroll	$ 3,953	$ 3,460	$ 3,522	$ 3,447	$ 3,172	$ 3,092	$ 2,846
Net pension liability as a percentage of covered payroll	536.48 %	999.42 %	1,191.06 %	1,082.39 %	882.03 %	675.65 %	855.83 %

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Notes to Schedule:

In FY2016, for the NC plan, which is a single-employer defined benefit plan, the percentage of participants assumed to elect lump sums was decreased from 30% to 25% and the age-based withdrawal rate increased at age 45. The age-based retirement rates were now applied to all New Plan participants, regardless of whether they have more or less than 30 years of service. The service-based retirement rate increased at 30 years of service and in addition, these service-based rates were now only applied to the Old Plan participants. The mortality tables were also updated with all rates projected forward with the MP-2014 generational mortality improvement scale.

In FY2017 and FY2018, there were no changes in assumptions.

In FY2019, changes were made to the retirement rates for 30 to 34 years of service. No changes were made at service level of more than 35 years as well as to the age-based retirement rates. Additionally, there were increases in the salary scale assumption at all ages. Mortality was also updated to reflect the Society of Actuaries' MP-2017 generational mortality projection scale.

In FY2020 and FY2021, there were no changes in assumptions.

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan
Amalgamated Transportation Union Plan (ATU)
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability – beginning of year	$ 417,566	$ 445,951	$ 505,143	$ 542,889	$ 582,087	$ 623,925	$ 664,889
Service cost	12,428	13,928	17,098	15,337	16,081	21,020	22,119
Interest	31,401	33,785	35,877	38,249	40,835	44,136	47,358
Changes to benefit terms	—	—	—	7,692	—	—	—
Difference between expected and actual experience	(1,823)	1,060	4,176	(1,418)	3,642	4,674	2,032
Changes of assumptions	8,999	29,243	—	2,976	10,906	—	4,770
Benefit payments paid from trust	(22,251)	(18,366)	(19,233)	(23,365)	(29,220)	(28,978)	(30,416)
Transfer of contributions between plans	(369)	(458)	(172)	(273)	(406)	112	(70)
Net change in total pension liability	28,385	59,192	37,746	39,198	41,838	40,964	45,793
Total pension liability – end of year	445,951	505,143	542,889	582,087	623,925	664,889	710,682
Fiduciary net position – beginning of year	318,802	379,275	394,655	406,188	468,536	518,577	567,353
Contributions - LACMTA	20,126	21,257	22,782	25,423	27,157	29,783	31,844
Contributions - Employees	7,648	8,607	9,272	9,696	10,159	11,365	12,124
Net investment income	55,695	4,736	(731)	51,241	42,711	36,991	22,778
Benefit payments	(22,251)	(18,366)	(19,233)	(23,365)	(29,220)	(28,978)	(30,416)
Administrative expenses	(376)	(396)	(385)	(374)	(360)	(497)	(385)
Transfer of contributions between plans	(369)	(458)	(172)	(273)	(406)	112	(70)
Net change in fiduciary net position	60,473	15,380	11,533	62,348	50,041	48,776	35,875
Fiduciary net position – end of year	379,275	394,655	406,188	468,536	518,577	567,353	603,228
Net pension liability – end of year	$ 66,676	$ 110,488	$ 136,701	$ 113,551	$ 105,348	$ 97,536	$ 107,454
Funded ratio	85.05 %	78.13 %	74.82 %	80.49 %	83.12 %	85.33 %	84.88 %
Covered payroll	$ 113,462	$ 118,355	$ 127,258	$ 142,665	$ 152,397	$ 167,130	$ 178,697
Net pension liability as a percentage of covered payroll	58.77 %	93.35 %	107.42 %	79.59 %	69.13 %	58.36 %	60.13 %

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Notes to Schedule:

In FY2016, for the ATU plan, which is a single-employer defined benefit plan, the amount reported as Assumption Changes reflects a change in the discount rate assumption from 7.50% to 7.00%. The discount rate assumption better reflects long-term return expectations for the Plan over a 30-year horizon. In addition, the salary assumption was updated to reflect the negotiated rate increases over the next 3 years (4.25%, 2015-2017).

In FY2017, there were no changes in actuarial assumptions.

In FY2018, the amount reported as Assumption Changes reflects a load of 1% applied to the Actuarial Accrued Liability and Normal Cost for active and transfer participants to anticipate supplemental components of final average compensation upon retirement. The amount reported as Changes to Benefit Terms reflects a negotiated benefit increase of a one-time 4% COLA for participants in payment status and a one-time 2% COLA for participants in DROP with an assumed payment effective date in September 2017.

In FY2019, the amount reported as Assumption Changes reflects changes in actuarial assumptions for salary, retirement, termination, lump sum elections, marriage assumption, and assumed operating expenses effective January 1, 2018.

In FY2020, the operating expense assumption was changed from $400,000 per year to $300,000 per year. The change only impacts the Actuarially Determined Contribution. It does not affect the Total Pension Liability calculation.

In FY2021, the assumed employee contribution rate was increased from 4.0% to 6.5% of compensation to better reflect future expected employee contributions, and a load of 1% was added to the Total Pension Liability and Normal Cost of actives and transfer participants to reflect anticipated salary increases due to promotions. The operating expense assumption was updated to include a 2.5% annual increase for inflation.

Los Angeles County Metropolitan Transportation Authority

Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plan

Total for the Four Union Groups and Non-Contract (NC)

Last Ten Fiscal Years*

(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability – beginning of year	$1,418,221	$1,481,009	$1,632,714	$1,709,688	$1,797,949	$1,875,724	$1,948,245
Service cost	35,843	37,539	42,046	38,902	40,604	49,491	51,751
Interest	100,939	105,591	114,484	119,252	125,252	131,428	136,623
Changes of benefit terms	—	—	—	7,692	—	—	—
Difference between expected and actual experiences	565	23,752	(1,339)	10,584	11,150	(11,921)	(207)
Changes of assumptions	8,999	68,974	—	2,976	446	—	4,664
Benefit payments paid from trust	(83,558)	(84,151)	(78,217)	(91,145)	(99,677)	(96,477)	(107,315)
Net change in total pension liability	62,788	151,705	76,974	88,261	77,775	72,521	85,516
Total pension liability – end of year	1,481,009	1,632,714	1,709,688	1,797,949	1,875,724	1,948,245	2,033,761
Fiduciary net position – beginning of year	1,040,009	1,217,498	1,225,243	1,228,336	1,378,921	1,495,240	1,598,699
Contributions - LACMTA	56,198	51,419	55,935	59,535	60,415	63,022	67,400
Contributions - Employees	25,337	27,435	30,319	30,595	31,754	34,121	35,310
Net investment income	180,910	14,659	(3,238)	152,988	125,430	104,771	64,096
Benefit payments	(83,558)	(84,151)	(78,217)	(91,145)	(99,677)	(96,477)	(107,315)
Administrative expenses	(1,398)	(1,617)	(1,706)	(1,388)	(1,603)	(1,978)	(1,645)
Net change in fiduciary net position	177,489	7,745	3,093	150,585	116,319	103,459	57,846
Fiduciary net position – end of year	1,217,498	1,225,243	1,228,336	1,378,921	1,495,240	1,598,699	1,656,545
Net pension liability – end of year	$ 263,511	$ 407,471	$ 481,352	$ 419,028	$ 380,484	$ 349,546	$ 377,216
Funded ratio	82.21 %	75.04 %	71.85 %	76.69 %	79.72 %	82.06 %	81.45 %
Covered payroll	$ 323,537	$ 347,060	$ 363,976	$ 380,421	$ 398,331	$ 427,029	$ 447,573
Net pension liability as a percentage of covered payroll	81.45 %	117.41 %	132.25 %	110.15 %	95.52 %	81.86 %	84.28 %

* *The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Each plan is a single-employer defined benefit plan.

Schedule of Contributions to Employee Retirement Income Plans
Last Ten Fiscal Years*
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
SHEET METAL, AIR, RAIL,TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)							
Actuarially determined contribution	$ 19,780	$ 21,369	$ 22,011	$ 21,467	$ 21,080	$ 23,033	$ 22,967
Contributions in relation to the actually determined contribution	(19,780)	(21,369)	(22,011)	(21,467)	(21,080)	(23,033)	(22,967)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$187,395	$193,246	$192,346	$198,718	$208,173	$215,390	$220,965
Contributions as a percentage of covered payroll	10.56 %	11.06 %	11.44 %	10.80 %	10.13 %	10.69 %	10.39 %
TRANSPORTATION COMMUNICATION UNION PLAN (TCU)							
Actuarially determined contribution	$ 4,741	$ 5,615	$ 5,955	$ 6,218	$ 7,752	$ 8,592	$ 8,584
Contributions in relation to the actually determined contribution	(4,741)	(5,615)	(5,955)	(6,218)	(7,752)	(8,592)	(8,584)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 34,512	$ 37,014	$ 39,764	$ 42,497	$ 47,235	$ 49,491	$ 54,262
Contributions as a percentage of covered payroll	13.74 %	15.17 %	14.98 %	14.63 %	16.41 %	17.36 %	15.82 %
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)							
Actuarially determined contribution	$ 1,455	$ 1,638	$ 1,575	$ 1,378	$ 1,038	$ 1,082	$ 1,170
Contributions in relation to the actually determined contribution	(1,455)	(1,638)	(1,575)	(1,378)	(1,038)	(1,082)	(1,170)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 3,338	$ 2,936	$ 2,199	$ 1,547	$ 1,399	$ 1,149	$ 1,185
Contributions as a percentage of covered payroll	43.59 %	55.79 %	71.62 %	89.08 %	74.20 %	94.17 %	98.73 %
NON-CONTRACT (NC)							
Actuarially determined contribution	$ 4,186	$ 4,531	$ 4,565	$ 4,195	$ 3,369	$ 2,849	$ 2,772
Contributions in relation to the actually determined contribution	(4,186)	(4,531)	(4,565)	(4,195)	(3,369)	(2,849)	(2,772)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 3,460	$ 3,522	$ 3,447	$ 3,172	$ 3,092	$ 2,846	$ 2,875
Contributions as a percentage of covered payroll	120.98 %	128.65 %	132.43 %	132.25 %	108.96 %	100.11 %	96.42 %

Schedule of Contributions to Employee Retirement Income Plans (Continued)
Last Ten Fiscal Years*
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
AMALGAMATED TRANSPORTATION UNION PLAN (ATU)							
Actuarially determined contribution **	$ 21,257	$ 22,677	$ 25,066	$ 26,624	$ 29,381	$ 30,968	$ 31,225
Contributions in relation to the actually determined contribution	(21,257)	(22,782)	(25,422)	(27,157)	(29,783)	(31,844)	(33,319)
Contribution deficiency (excess)	$ —	$ (105)	$ (356)	$ (533)	$ (402)	$ (876)	$ (2,094)
Covered payroll	$118,355	$127,258	$142,665	$152,397	$167,130	$178,697	$186,974
Contributions as a percentage of covered payroll	17.96 %	17.82 %	17,57	17.47 %	17.58 %	17.33 %	17.82 %
TOTAL							
Actuarially determined contribution	$ 51,419	$ 55,829	$ 59,175	$ 59,882	$ 62,620	$ 66,524	$ 66,718
Contributions in relation to the actually determined contribution	(51,419)	(55,934)	(59,531)	(60,415)	(63,022)	(67,400)	(68,812)
Contribution deficiency (excess)	$ —	$ (105)	$ (356)	$ (533)	$ (402)	$ (876)	$ (2,094)
Covered payroll	$347,060	$363,976	$380,421	$398,331	$427,029	$447,573	$466,261
Contributions as a percentage of covered payroll	14.82 %	15.37 %	15.65 %	15.17 %	14.76 %	15.06 %	14.76 %

* *Additional years will be presented as they become available.*
** *Amounts of the actuarially determined contribution in prior years starting 2016, were adjusted to reflect the corrected amounts based on GASB 68 report. Unlike other plans, the ATU's ADC is based on percentage of payroll rather than a fixed dollar amount.*

Each plan is a single-employer defined benefit plan.

Los Angeles County Metropolitan Transportation Authority
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*
(Amounts expressed in thousands)

	2018	2019	2020	2021
Total OPEB Liability				
Service cost	$ 86,058	$ 69,912	$ 66,838	$ 67,628
Interest cost	55,924	61,050	66,422	54,666
Differences between expected and actual experience	(179,706)	—	(240,338)	—
Changes of assumptions	(191,475)	(72,824)	(73,145)	159,713
Benefit payments	(23,558)	(42,757)	(46,335)	(38,649)
Net change in total OPEB Liability	(252,757)	15,381	(226,558)	243,358
Total OPEB Liability - Beginning of year	1,854,031	1,601,274	1,616,655	1,390,097
Total OPEB Liability - Ending of year	1,601,274	1,616,655	1,390,097	1,633,455
Plan Fiduciary Net Position				
Contributions - Employer	31,933	49,806	51,166	40,309
Net investment income	35,666	29,016	21,263	16,045
Benefit payments	(23,558)	(42,757)	(46,335)	(38,649)
Administrative expense	(167)	(295)	(207)	(148)
Net change in Plan Fiduciary Net Position	43,874	35,770	25,887	17,557
Plan Fiduciary Net Position - Beginning of year	295,066	338,940	374,710	400,597
Plan Fiduciary Net Position - Ending of year	338,940	374,710	400,597	418,154
Net OPEB Liability - Ending of year	$1,262,334	$1,241,945	$ 989,500	$1,215,301
Net Position as a Percentage of OPEB Liability	21.17 %	23.18 %	28.82 %	25.60 %
Covered-employee payroll	$ 747,036	$ 743,277	$ 836,334	$ 891,915
Net OPEB Liability as a Percentage of Covered-employee payroll	168.98 %	167.09 %	118.31 %	136.26 %

** The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.*

Note to schedule:

There were no changes in benefit terms in fiscal year 2018 through 2021.

Fiscal year 2018 was the first year of implementation of GASB 75 for the Plan. Additional years will be presented as they become available.

Changes in assumptions

The discount rate was increased from 3.70% to 4.00% as of 07/01/2018.

The discount rate was decreased from 4.00% to 3.80% as of 07/01/2019. Mortality was also updated using improvements scale MP-2018; previously with scale MP-2016 improvements. In addition, healthcare cost trend rates were reduced for Medical Pre 65 and Medical Post 65.

The discount rate was decreased from 3.80% to 2.70% as of 07/01/2020. Additionally, the December 2019 Secure Act repeal of excise tax for high-cost plans under the Affordable Care Act was reflected which removes the impact from liabilities calculated as of June 30, 2020.

Los Angeles County Metropolitan Transportation Authority
Schedule of Investment Returns - Other Postemployment Benefits Plan
Last Ten Fiscal Years

	2017	2018	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	11.92%	8.47%	5.64%	4.00%	29.99%

Note to schedule:

Only five years are shown. Years presented are the reporting for the fiscal year ended. GASB 74 was implemented for the Plan in fiscal year 2017 and GASB 75 was implemented in fiscal year 2018. Additional years will be presented as they become available.

Los Angeles County Metropolitan Transportation Authority
Schedule of Contributions - Other Postemployment Benefits Plan
Last Ten Fiscal Years
(Amounts expressed in thousands)

	2017	2018	2019	2020	2021
Pay-as-you-go contribution (*)	$ 26,203	$ 25,671	$ 26,295	$ 25,743	$ 27,348
Contribution in relation to pay-as-you-go contribution	31,203	30,671	28,687	25,619	22,790
Contribution deficiency (excess)	$ (5,000)	$ (5,000)	$ (2,392)	$ 124	$ 4,558

(*) LACMTA's funding is not based on actuarially determined contributions nor is it statutorily established. Annual contributions are based on estimated pay-as-you-go costs plus $5 million as a liability reduction contribution if approving in the budgeting process. Pay-as-you-go costs are the premiums paid for retiree health benefits (NC and AFSCME) plus the contractual contributions to ATU, TCU, and SMART Health & Welfare Trusts per each union's Collective bargaining agreement.

Note to Schedule:

GASB 74 was implemented in fiscal year 2017. Additional years will be presented as they become available.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
REVENUES				
Intergovernmental	$ 29,114	$ 29,114	$ 36,679	$ 7,565
Investment income	1,610	1,610	825	(785)
Net decline in fair value of investments	—	—	(2,124)	(2,124)
Lease and rental	15,730	15,730	15,954	224
Licenses and fines	375	375	439	64
Other	26,007	26,007	18,114	(7,893)
TOTAL REVENUES	72,836	72,836	69,887	(2,949)
EXPENDITURES				
Current:				
Administration and other	171,911	163,838	114,233	49,605
Transportation subsidies	36,910	36,886	16,320	20,566
TOTAL EXPENDITURES	208,821	200,724	130,553	70,171
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(135,985)	(127,888)	(60,666)	67,222
OTHER FINANCING SOURCES (USES)				
Transfers in	93,242	93,242	106,293	13,051
Transfers out	(60,318)	(60,318)	(82,631)	(22,313)
TOTAL OTHER FINANCING SOURCES (USES)	32,924	32,924	23,662	(9,262)
NET CHANGE IN FUND BALANCES	(103,061)	(94,964)	(37,004)	57,960
Fund balances – beginning of year	203,721	203,721	203,721	—
FUND BALANCES – END OF YEAR	$ 100,660	$ 108,757	$ 166,717	$ 57,960

* *Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition A Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*				
	Original	Final	Actual Amounts	Variance with Final Budget	
REVENUES					
Sales tax	$ 778,100	$ 778,100	$ 911,302	$ 133,202	
Investment income	—	—	849	849	
Net appreciation in fair value of investments	—	—	951	951	
TOTAL REVENUES	778,100	778,100	913,102	135,002	
EXPENDITURES					
Current:					
Transportation subsidies	314,597	314,597	349,623	(35,026)	**
TOTAL EXPENDITURES	314,597	314,597	349,623	(35,026)	
EXCESS OF REVENUES OVER EXPENDITURES	463,503	463,503	563,479	99,976	
OTHER FINANCING SOURCES (USES)					
Transfers in	—	—	635	635	
Transfers out	(324,638)	(324,638)	(229,343)	95,295	
TOTAL OTHER FINANCING SOURCES (USES)	(324,638)	(324,638)	(228,708)	95,930	
NET CHANGE IN FUND BALANCES	138,865	138,865	334,771	195,906	
Fund balances – beginning of year	139,813	139,813	139,813	—	
FUND BALANCES – END OF YEAR	$ 278,678	$ 278,678	$ 474,584	$ 195,906	

* *Budget prepared in accordance with GAAP*
** *The actual transportation subsidy claims were more than budgeted amount due to higher allocation on Prop A Local return subsidies and Prop A 40 % Discretionary claims*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition C Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 778,100	$ 778,100	$ 911,310	$ 133,210
Intergovernmental	17,620	17,620	20,535	2,915
Investment income	—	—	1,965	1,965
Net decline in fair value of investments	—	—	(1,067)	(1,067)
TOTAL REVENUES	795,720	795,720	932,743	137,023
EXPENDITURES				
Current:				
Administration and other	65,020	66,933	38,583	28,350
Transportation subsidies	482,322	481,638	451,398	30,240
TOTAL EXPENDITURES	547,342	548,571	489,981	58,590
EXCESS OF REVENUES OVER EXPENDITURES	248,378	247,149	442,762	195,613
OTHER FINANCING SOURCES (USES)				
Transfers in	141,564	141,564	69,065	(72,499)
Transfers out	(409,261)	(409,261)	(277,200)	132,061
TOTAL OTHER FINANCING SOURCES (USES)	(267,697)	(267,697)	(208,135)	59,562
NET CHANGE IN FUND BALANCES	(19,319)	(20,548)	234,627	255,175
Fund balances – beginning of year	237,396	237,396	237,396	—
FUND BALANCES – END OF YEAR	$ 218,077	$ 216,848	$ 472,023	$ 255,175

**Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Measure R Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 778,101	$ 778,101	$ 912,444	$ 134,343
Intergovernmental	106,068	106,068	51,815	(54,253)
Investment income	—	—	2,838	2,838
Net decline in fair value of investments	—	—	(3,957)	(3,957)
TOTAL REVENUES	884,169	884,169	963,140	78,971
EXPENDITURES				
Current:				
Administration and other	198,967	247,902	113,425	134,477
Transportation subsidies	342,183	350,034	340,962	9,072
TOTAL EXPENDITURES	541,150	597,936	454,387	143,549
EXCESS OF REVENUES OVER EXPENDITURES	343,019	286,233	508,753	222,520
OTHER FINANCING SOURCES (USES)				
Transfers in	15,292	15,292	11,510	(3,782)
Transfers out	(508,202)	(508,202)	(573,426)	(65,224)
TOTAL OTHER FINANCING SOURCES (USES)	(492,910)	(492,910)	(561,916)	(69,006)
NET CHANGE IN FUND BALANCES	(149,891)	(206,677)	(53,163)	153,514
Fund balances – beginning of year	330,128	330,128	330,128	—
FUND BALANCES – END OF YEAR	$ 180,237	$ 123,451	$ 276,965	$ 153,514

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Measure M Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 778,101	$ 778,101	$ 911,235	$ 133,134
Intergovernmental	5,146	5,146	7,005	1,859
Investment income	—	—	6,004	6,004
Net decline in fair value of investments	—	—	(5,420)	(5,420)
TOTAL REVENUES	783,247	783,247	918,824	135,577
EXPENDITURES				
Current:				
Administration and other	42,543	48,788	31,881	16,907
Transportation subsidies	203,641	204,041	223,876	(19,835) **
TOTAL EXPENDITURES	246,184	252,829	255,757	(2,928)
EXCESS OF REVENUES OVER EXPENDITURES	537,063	530,418	663,067	132,649
OTHER FINANCING SOURCES (USES)				
Transfers in	866	866	—	(866)
Transfers out	(658,077)	(658,077)	(624,082)	33,995
Net transfers	(657,211)	(657,211)	(624,082)	33,129
Issuance of long-term liabilities	—	—	1,500	1,500
TOTAL OTHER FINANCING SOURCES (USES)	(657,211)	(657,211)	(622,582)	34,629
NET CHANGE IN FUND BALANCES	(120,148)	(126,793)	40,485	167,278
Fund balances – beginning of year	631,957	631,957	631,957	—
FUND BALANCES – END OF YEAR	$ 511,809	$ 505,164	$ 672,442	$ 167,278

* *Budget prepared in accordance with GAAP*
** *The actual transportation subsidy claims were more than budgeted amount due to higher Measure M Local return allocations for the current year.*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Transportation Development Act Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*				
	Original	Final	Actual Amounts	Variance with Final Budget	
REVENUES					
Sales taxes	$ 389,050	$ 389,050	$ 442,450	$ 53,400	
Investment income	—	—	854	854	
TOTAL REVENUES	389,050	389,050	443,304	54,254	
EXPENDITURES					
Current:					
Transportation subsidies	116,064	116,064	120,989	(4,925)	**
TOTAL EXPENDITURES	116,064	116,064	120,989	(4,925)	
EXCESS OF REVENUES OVER EXPENDITURES	272,986	272,986	322,315	49,329	
OTHER FINANCING SOURCES (USES)					
Transfers out	(224,032)	(224,032)	(236,033)	(12,001)	
TOTAL OTHER FINANCING SOURCES (USES)	(224,032)	(224,032)	(236,033)	(12,001)	
NET CHANGE IN FUND BALANCES	48,954	48,954	86,282	37,328	
Fund balances – beginning of year	149,135	149,135	149,135	—	
FUND BALANCES – END OF YEAR	$ 198,089	$ 198,089	$ 235,417	$ 37,328	

* *Budget prepared in accordance with GAAP*
** *The actual subsidies were more than the budgeted amount due to prior year reserves that were claimed in FY21 and higher subsidy claims for FY21 allocations.*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
State Transit Assistance Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 158,219	$ 158,219	$ 159,881	$ 1,662
Investment income	—	—	395	395
TOTAL REVENUES	158,219	158,219	160,276	2,057
EXPENDITURES				
Current:				
Transportation subsidies	28,074	28,074	24,983	3,091
TOTAL EXPENDITURES	28,074	28,074	24,983	3,091
EXCESS OF REVENUES OVER EXPENDITURES	130,145	130,145	135,293	5,148
OTHER FINANCING SOURCES (USES)				
Transfers out	(179,711)	(179,711)	(140,403)	39,308
TOTAL OTHER FINANCING SOURCES (USES)	(179,711)	(179,711)	(140,403)	39,308
NET CHANGE IN FUND BALANCES	(49,566)	(49,566)	(5,110)	44,456
Fund balances – beginning of year	28,711	28,711	28,711	—
FUND BALANCES – END OF YEAR	$ (20,855)	$ (20,855)	$ 23,601	$ 44,456

** Budget prepared in accordance with GAAP*

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OTHER SUPPLEMENTARY INFORMATION

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021
(Amounts expressed in thousands)

	Special Revenue Funds		
	Service Authority For Freeway Emergencies	Other	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 20,383	$ 66,797	$ 87,180
Investments	12,039	47,329	59,368
Receivables			
Interest	50	31	81
Intergovernmental	1,398	5,673	7,071
Due from other funds	—	21,465	21,465
TOTAL ASSETS	$ 33,870	$ 141,295	$ 175,165
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,105	$ 373	$ 1,478
Due to other funds	—	45,447	45,447
TOTAL LIABILITIES	1,105	45,820	46,925
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	—	6	6
TOTAL DEFERRED INFLOWS OF RESOURCES	—	6	6
FUND BALANCES			
Restricted	32,765	95,469	128,234
TOTAL FUND BALANCES	32,765	95,469	128,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 33,870	$ 141,295	$ 175,165

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Special Revenue Funds		
	Service Authority For Freeway Emergencies	Other	Total Nonmajor Governmental Funds
REVENUES			
Sales Taxes	$ —	$ —	$ —
Intergovernmental	—	39,123	39,123
Investment income	243	302	545
Net decline in fair value of investments	(295)	(104)	(399)
Licenses and fines	8,314	33,467	41,781
TOTAL REVENUES	8,262	72,788	81,050
EXPENDITURES			
Current:			
Administration and other	4,942	33	4,975
Transportation subsidies	—	2,162	2,162
TOTAL EXPENDITURES	4,942	2,195	7,137
EXCESS OF REVENUES OVER EXPENDITURES	3,320	70,593	73,913
OTHER FINANCING SOURCES (USES)			
Transfers out	—	(84,627)	(84,627)
TOTAL OTHER FINANCING USES	—	(84,627)	(84,627)
NET CHANGE IN FUND BALANCES	3,320	(14,034)	(10,714)
Fund balances – beginning of year	29,445	109,503	138,948
FUND BALANCES – END OF YEAR	$ 32,765	$ 95,469	$ 128,234

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual
Service Authority for Freeway Emergencies Fund
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Investment income	$ 25	$ 25	$ 243	$ 218
Net decline in fair value of investments	—	—	(295)	(295)
Licenses and fines	7,500	7,500	8,314	814
TOTAL REVENUES	7,525	7,525	8,262	737
EXPENDITURES				
Current:				
Administration and other	7,436	7,437	4,942	2,495
TOTAL EXPENDITURES	7,436	7,437	4,942	2,495
EXCESS OF REVENUES OVER EXPENDITURES	89	88	3,320	3,232
OTHER FINANCING SOURCES (USES)				
Transfers out	—	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—	—
NET CHANGE IN FUND BALANCES	89	88	3,320	3,232
Fund balances – beginning of year	29,445	29,445	29,445	—
FUND BALANCES – END OF YEAR	$ 29,534	$ 29,533	$ 32,765	$ 3,232

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales Tax	$ 25,375	$ 25,375	$ —	$ (25,375)
Intergovernmental	—	—	39,123	39,123
Investment income	—	—	302	302
Net decline in fair value of investments	—	—	(104)	(104)
License and fines	—	—	33,467	33,467
TOTAL REVENUES	25,375	25,375	72,788	47,413
EXPENDITURES				
Current:				
Administration and other	—	—	33	(33)
Transportation subsidies	5,486	5,486	2,162	3,324
TOTAL EXPENDITURES	5,486	5,486	2,195	3,291
EXCESS OF REVENUES OVER EXPENDITURES	19,889	19,889	70,593	44,122
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,834)	(24,834)	(84,627)	(59,793)
TOTAL OTHER FINANCING SOURCES (USES)	(24,834)	(24,834)	(84,627)	(59,793)
NET CHANGE IN FUND BALANCES	(4,945)	(4,945)	(14,034)	(15,671)
Fund balances – beginning of year	109,503	109,503	109,503	—
FUND BALANCES – END OF YEAR	$ 104,558	$ 104,558	$ 95,469	$ (15,671)

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Combining Schedule of Fiduciary Net Position
June 30, 2021
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund	Total
ASSETS			
Cash and cash equivalents	$ 186	$ 5,357	$ 5,543
Investments:			
Bonds	227,123	105,200	332,323
Domestic stocks	279,916	174	280,090
Non-domestic stocks	9,023	—	9,023
Pooled investments	1,572,048	432,936	2,004,984
Receivables			
Member contributions	1,873	374	2,247
Securities sold	1,319	—	1,319
OPEB Trust Fund	1,314	—	1,314
Interest and dividends	1,512	527	2,039
Prepaid items and other assets	58	—	58
Total assets	2,094,372	544,568	2,638,940
LIABILITIES			
Accounts payable and other liabilities	3,069	146	3,215
Payable to Employee Retirement Trust Funds	—	1,314	1,314
Securities purchased	4,606	—	4,606
Total liabilities	7,675	1,460	9,135
NET POSITION RESTRICTED FOR PENSIONS AND OPEB			
Held in trust for pension and OPEB benefits	$ 2,086,697	$ 543,108	$ 2,629,805

Note: Receivable/payable between the fiduciary trust funds were eliminated in the Statement of Net Position - Employee Retirement and OPEB Trust Funds on page 58.

Los Angeles County Metropolitan Transportation Authority
Combining Schedule Of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund	Total
ADDITIONS			
Contributions			
Employer	$ 68,811	$ 22,790	$ 91,601
Member	33,623	1,008	34,631
Total contributions	102,434	23,798	126,232
From investing activities			
Net appreciation in fair value of investments	428,627	118,809	547,436
Investment income	22,900	7,025	29,925
Investment expense	(6,453)	(463)	(6,916)
Other income	702	—	702
Total investing activities	445,776	125,371	571,147
Total additions	548,210	149,169	697,379
DEDUCTIONS			
Retiree benefits	115,868	24,006	139,874
Administrative expenses	2,190	209	2,399
Total deductions	118,058	24,215	142,273
Net increase	430,152	124,954	555,106
Net position - beginning of year	1,656,545	418,154	2,074,699
Net position - end of year	$ 2,086,697	$ 543,108	$ 2,629,805

Los Angeles County Metropolitan Transportation Authority
Combining Schedule of Fiduciary Net Position - Employee Retirement Trust Funds
Fiduciary Funds
June 30, 2021
(Amounts expressed in thousands)

	Sheet Metal, Air, Rail, Transportation, Transportation Division	Transportation Communication Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Amalgamated Transportation Union Plan	Total
ASSETS						
Cash and cash equivalents	$ 79	$ 19	$ 6	$ 13	$ 69	$ 186
Investments						
Bonds	96,961	23,603	6,760	15,414	84,385	227,123
Domestic stocks	119,499	29,089	8,332	18,996	104,000	279,916
Non-domestic stocks	3,852	938	268	613	3,352	9,023
Pooled investments	671,122	163,371	46,793	106,683	584,079	1,572,048
Receivables						
Member contributions	999	197	—	—	677	1,873
Contribution transfer from other plans	—	—	635	715		1,350
Securities sold	563	137	39	89	491	1,319
Interest and dividends	645	157	45	103	562	1,512
Receivable from OPEB Trust Fund	—	90	169	755	300	1,314
Prepaid items and other assets	25	6	2	4	21	58
Total assets	893,745	217,607	63,049	143,385	777,936	2,095,722
LIABILITIES						
Contribution transfers to other plans	843	343	—	—	164	1,350
Accounts payable and other liabilities	1,242	336	149	266	1,076	3,069
Securities purchased	1,966	479	137	313	1,711	4,606
Total liabilities	4,051	1,158	286	579	2,951	9,025
NET POSITION						
Restricted for pension benefits	$ 889,694	$ 216,449	$ 62,763	$ 142,806	$ 774,985	$ 2,086,697

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 58.

Los Angeles County Metropolitan Transportation Authority
Combining Schedule of Changes in Fiduciary Net Position - Employee Retirement Trust Funds
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020
(Amounts expressed in thousands)

	Sheet Metal, Air, Rail, Transportation, Transportation Division	Transportation Communication Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Amalgamated Transportation Union Plan	Total
ADDITIONS						
Contributions:						
Employer	$ 22,967	$ 8,583	$ 1,170	$ 2,772	$ 33,319	$ 68,811
Member	17,447	3,640	—	—	12,536	33,623
Transfers between plans	(843)	(343)	635	715	(164)	—
Total contributions	39,571	11,880	1,805	3,487	45,691	102,434
From investing activities:						
Net appreciation in fair value of investments	183,631	43,570	13,609	30,759	157,058	428,627
Investment income	9,806	2,332	724	1,638	8,400	22,900
Investment expense	(2,758)	(662)	(200)	(452)	(2,381)	(6,453)
Other income	495	28	9	49	121	702
Total investing activities	191,174	45,268	14,142	31,994	163,198	445,776
Total additions	230,745	57,148	15,947	35,481	208,889	548,210
DEDUCTIONS						
Retiree benefits	51,329	5,947	7,032	14,916	36,644	115,868
Administrative expenses	637	375	328	362	488	2,190
Total deductions	51,966	6,322	7,360	15,278	37,132	118,058
Change in net position	178,779	50,826	8,587	20,203	171,757	430,152
Net Position – beginning of year	710,915	165,623	54,176	122,603	603,228	1,656,545
Net Position – end of year	$ 889,694	$ 216,449	$ 62,763	$ 142,806	$ 774,985	$ 2,086,697

STATISTICAL SECTION

STATISTICAL SECTION

This section of LACMTA's annual comprehensive financial report presents trend information about LACMTA's financial results, major revenue sources, outstanding debt obligations, demographic statistics, and operating activities to help the reader understand LACMTA's overall financial condition.

Los Angeles County Metropolitan Transportation Authority *Table 1*
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net investment in capital assets	$ 772,794	$ 772,794	$ 772,794	$ 769,942	$ 769,834	$ 768,977	$ 749,457	$ 749,417	$ 749,417	$ 749,417
Restricted for										
Proposition A ordinance projects	161,158	191,111	342,565	311,284	86,647	134,674	127,125	138,291	139,813	474,584
Proposition C ordinance projects	134,652	40,057	39,419	278,776	266,232	214,721	178,945	279,909	237,396	472,023
Measure R ordinance projects	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565	335,378	330,128	276,965
Measure M ordinance projects	—	—	—	—	—	—	429,568	678,681	631,957	672,442
PTMISEA projects	32,182	158,943	108,904	82,385	13,907	11	—	—	—	—
TDA and STA projects	324,010	337,582	203,463	107,393	165,757	159,013	302,434	298,063	177,846	259,018
Other nonmajor governmental projects	74,742	79,759	82,725	68,121	111,773	93,951	146,676	173,495	138,948	128,234
Unrestricted	486,403	514,563	640,325	656,388	237,268	472,265	356,105	303,142	239,282	180,170
Total governmental activities net position	2,901,298	3,284,088	2,855,149	2,529,805	2,020,633	2,206,257	2,704,875	2,956,376	2,644,787	3,212,853
Business-type activities:										
Net investment in capital assets	4,561,995	4,908,034	5,587,514	7,313,244	7,762,367	7,797,783	8,328,321	8,899,216	9,917,311	11,392,995
Restricted for debt service	431,009	469,027	504,782	418,006	420,543	459,949	536,936	523,844	566,387	365,657
Unrestricted	(30,488)	(318,227)	(702,106)	(1,019,466)	(943,051)	(1,031,275)	(1,807,024)	(1,779,642)	(1,777,125)	(1,749,198)
Total business-type activities net position	4,962,516	5,058,834	5,390,190	6,711,784	7,239,859	7,226,457	7,058,233	7,643,418	8,706,573	10,009,454
Primary government:										
Net investment in capital assets	5,334,789	5,680,828	6,360,308	8,083,186	8,532,201	8,566,760	9,077,778	9,648,633	10,666,728	12,142,412
Restricted for debt service	431,009	469,027	504,782	418,006	420,543	459,949	536,936	523,844	566,387	365,657
Restricted for other purpose										
Proposition A ordinance projects	161,158	191,111	342,565	311,284	86,647	134,674	127,125	138,291	139,813	474,584
Proposition C ordinance projects	134,652	40,057	39,419	278,776	266,232	214,721	178,945	279,909	237,396	472,023
Measure R ordinance projects	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565	335,378	330,128	276,965
Measure M ordinance projects	—	—	—	—	—	—	429,568	678,681	631,957	672,442
PTMISEA projects	32,182	158,943	108,904	82,385	13,907	11	—	—	—	—
TDA and STA projects	324,010	337,582	203,463	107,393	165,757	159,013	302,434	298,063	177,846	259,018
Other nonmajor governmental projects	74,742	79,759	82,725	68,121	111,773	93,951	146,676	173,495	138,948	128,234
Unrestricted	455,915	196,336	(61,781)	(363,078)	(705,783)	(559,010)	(1,450,919)	(1,476,500)	(1,537,843)	(1,569,028)
Total primary government net position	$ 7,863,814	$ 8,342,922	$ 8,245,339	$ 9,241,589	$ 9,260.492	$ 9,432,714	$ 9,763,108	$ 10,599,794	$ 11,351,360	$ 13,222,307

Source: Annual Comprehensive Financial Report

Los Angeles County Metropolitan Transportation Authority *Table 2*

Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Expenses	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Transit operators programs	$ 220,782	$ 239,718	$ 346,326	$ 304,916	$ 357,346	$ 351,667	$ 345,473	$ 379,911	$ 404,115	$ 378,088
Local cities programs	442,409	431,470	541,736	549,302	548,101	543,972	749,990	711,855	686,270	754,786
Congestion relief operations	—	—	44,792	43,724	42,279	50,034	41,407	42,475	44,122	34,753
Highway projects	234,690	312,807	521,755	196,158	594,069	181,211	220,443	301,038	291,654	239,881
Regional multimodal capital programs	96,174	146,528	29,080	42,844	52,363	114,253	104,298	100,676	102,784	90,072
Paratransit programs	10,227	13,097	92,745	83,602	105,042	103,560	114,027	108,560	139,642	87,392
Other transportation subsidies	63,875	130,964	62,861	72,088	64,237	93,316	118,119	127,427	141,024	92,350
Debt service interest	1,161	1,114	1,064	1,011	954	686	—	—	—	—
General government	167,134	218,637	81,380	96,909	109,029	134,569	142,462	161,022	174,909	156,088
Total government activities	1,236,452	1,494,335	1,721,739	1,390,554	1,873,420	1,573,268	1,836,219	1,932,964	1,984,520	1,833,410
Business-type activities:										
Transit operations	1,835,735	1,916,041	1,940,775	1,935,989	2,085,787	2,311,422	2,363,719	2,607,757	2,570,831	2,480,546
Union Station operations*	4,167	6,586	7,498	9,729	9,172	9,664	8,400	13,933	14,865	13,352
Toll operations**	—	10,102	12,803	20,757	24,815	27,073	31,905	43,134	57,259	26,765
Total business-type activities expenses	1,839,902	1,932,729	1,961,076	1,966,475	2,119,774	2,348,159	2,404,024	2,664,824	2,642,955	2,520,663
Total expenses	3,076,354	3,427,064	3,682,815	3,357,029	3,993,194	3,921,427	4,240,243	4,597,788	4,627,475	4,354,073
Program Revenues										
Governmental activities:										
Charges for services	15,740	23,770	5,899	23,704	9,009	19,427	18,269	18,014	17,006	19,760
Operating grants & contributions	401,651	502,374	410,545	345,206	44,805	130,836	83,838	138,544	95,545	132,597
Total governmental activities program revenues	417,391	526,144	416,444	368,910	53,814	150,263	102,107	156,558	112,551	152,357
Business-type activities:										
Charges for services	375,917	382,003	400,832	439,028	443,856	423,143	404,415	368,954	274,041	80,343
Operating grants & contributions	289,517	272,951	241,808	263,838	200,193	252,344	327,664	328,867	571,212	862,493
Capital grants & contributions	207,509	135,653	298,199	486,793	457,106	340,376	664,403	426,935	733,203	787,620
Total business-type activities program revenues	872,943	790,607	940,839	1,189,659	1,101,155	1,015,863	1,396,482	1,124,756	1,578,456	1,730,456
Total primary government program revenues	1,290,334	1,316,751	1,357,283	1,558,569	1,154,969	1,166,126	1,498,589	1,281,314	1,691,007	1,882,813
Net (expense)/revenue										
Governmental activities	(819,061)	(968,191)	(1,305,295)	(1,021,644)	(1,819,606)	(1,423,005)	(1,734,112)	(1,776,406)	(1,871,969)	(1,681,053)
Business-type activities	(966,959)	(1,142,122)	(1,020,237)	(769,293)	(1,018,619)	(1,332,296)	(1,007,542)	(1,540,068)	(1,064,499)	(790,207)
Total net expense	$ (1,786,020)	$ (2,110,313)	$ (2,325,532)	$ (1,790,937)	$ (2,838,225)	$ (2,755,301)	$ (2,741,654)	$ (3,316,474)	$ (2,936,468)	$ (2,471,260)

* *LACMTA purchased Union Station in April 2011.*
** *Metro ExpressLanes started operations in November 2012.*

Los Angeles County Metropolitan Transportation Authority *Table 2*
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes In Net Position										
Governmental activities:										
Sales tax	$ 2,386,439	$ 2,519,720	$ 2,778,676	$ 2,717,320	$ 2,753,686	$ 2,834,411	$ 3,931,132	$ 3,992,725	$ 3,897,520	$ 4,248,622
Investment income*	17,829	4,822	14,719	11,498	24,638	10,580	15,642	53,999	54,723	2,259
Miscellaneous **	32,205	42,203	22,244	30,781	59,786	60,664	53,853	70,114	80,623	58,480
Transfers	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)	(2,088,931)	(2,472,486)	(2,060,242)
Total governmental activities	1,336,722	1,350,981	876,356	696,300	1,310,434	1,608,629	2,232,730	2,027,907	1,560,380	2,249,119
Business-type activities:										
Investment income*	15,480	17,977	13,261	17,295	8,919	12,032	14,442	21,016	10,113	21,902
Miscellaneous **	6,653	4,699	11,707	10,293	10,099	9,836	13,024	15,306	12,945	10,944
Transfers	1,099,751	1,215,764	1,939,283	2,063,299	1,527,676	1,297,026	1,767,897	2,088,931	2,472,486	2,060,242
Total business-type activities	1,121,884	1,238,440	1,964,251	2,090,887	1,546,694	1,318,894	1,795,363	2,125,253	2,495,544	2,093,088
Total primary government	2,458,606	2,589,421	2,840,607	2,787,187	2,857,128	2,927,523	4,028,093	4,153,160	4,055,924	4,342,207
Change in Net Position										
Governmental activities	517,661	382,790	(428,939)	(325,344)	(509,172)	185,624	498,618	251,501	(311,589)	568,066
Business-type activities	154,925	96,318	944,014	1,321,594	528,075	(13,402)	787,821	585,185	1,431,045	1,302,881
Total primary government	$ 672,586	$ 479,108	$ 515,075	$ 996,250	$ 18,903	$ 172,222	$ 1,286,439	$ 836,686	$ 1,119,456	$ 1,870,947

Source: Annual Comprehensive Financial Report

* *Includes net appreciation (decline) in fair value of investments*
** *Includes gain (loss) on sale of capital assets*

Los Angeles County Metropolitan Transportation Authority *Table 3*
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	$ —	$ —	$ —	$ —	$ —	$ —	$ 21	$ 21	$ 21	$ 19
Restricted *	9,023	6,588	4,045	15,753	35,704	49,417	25,750	25,689	22,496	27,970
Committed *	3,492	8,877	8,779	10,994	13,862	11,891	14,250	36,217	27,476	22,329
Assigned *	6,818	11,403	10,624	16,162	23,653	22,180	35,168	10,943	10,473	21,939
Unassigned *	456,263	448,155	489,143	512,492	450,594	366,051	279,381	200,787	143,255	94,460
Total General Fund	475,596	475,023	512,591	555,401	523,813	449,539	354,570	273,657	203,721	166,717
All other governmental funds - special revenue funds										
Nonspendable	—	—	—	—	—	—	—	—	11	—
Restricted: *										
Proposition A Fund	161,158	191,111	342,565	311,284	86,647	134,674	127,125	138,291	139,813	474,584
Proposition C Fund	134,652	40,057	39,419	278,776	266,232	214,721	178,945	279,909	237,385	472,023
Measure R Fund	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565	335,378	330,128	276,965
Measure M Fund	—	—	—	—	—	—	429,568	678,681	631,957	672,442
PTMISEA Fund	32,182	158,943	108,904	82,385	13,907	11	—	—	—	—
TDA	297,064	324,387	199,743	98,839	165,757	149,408	197,005	218,192	149,135	235,417
STA	26,946	13,195	3,720	8,554	—	9,605	105,429	79,871	28,711	23,601
Nonmajor Governmental Funds	74,742	79,759	82,725	68,121	111,773	93,951	146,676	173,495	138,948	128,234
Unrestricted:										
STA	—	—	—	—	(13,094)	—	—	—	—	—
Total all other governmental funds	1,642,101	1,996,731	1,442,030	1,103,475	1,000,437	965,015	1,599,313	1,903,817	1,656,088	2,283,266
Total governmental funds	$2,117,697	$2,471,754	$1,954,621	$1,658,876	$1,524,250	$1,414,554	$1,953,883	$2,177,474	$1,859,809	$2,449,983

Source: Annual Comprehensive Financial Report

* Reclassification of fund balances with the implementation of GASB Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*

Los Angeles County Metropolitan Transportation Authority *Table 4*
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Sales tax	$2,386,439	$2,519,720	$2,778,676	$2,717,320	$2,753,686	$2,834,411	$3,931,132	$ 3,992,725	$ 3,897,520	$ 4,248,622
Intergovernmental	413,262	484,194	315,337	374,350	120,428	155,452	105,727	116,974	92,294	155,157
Investment income (1)	16,812	5,025	15,533	11,498	24,638	10,580	15,642	53,999	54,723	
Lease and rental	15,740	15,509	14,162	23,641	9,065	19,427	18,139	14,649	14,988	15,954
Licenses and fines	8,065	8,115	8,366	8,354	8,606	8,842	10,333	40,029	41,038	42,220
Other	13,095	32,658	12,756	24,129	51,180	49,515	62,458	27,122	38,778	18,114
Total revenues	2,853,413	3,065,221	3,144,830	3,159,292	2,967,603	3,078,227	4,143,431	4,245,498	4,139,341	4,480,067
Expenditures										
Current										
Administration and other	356,480	431,967	405,554	263,376	344,422	616,580	315,941	371,567	405,285	303,097
Transportation subsidies	878,796	1,061,239	1,314,929	1,126,168	1,227,936	1,256,002	1,520,276	1,561,397	1,579,235	1,530,313
Principal, interest and fiscal charges	2,196	2,194	2,197	2,194	2,195	18,315	—	—	—	—
Total expenditures	1,237,472	1,495,400	1,722,680	1,391,738	1,574,553	1,890,897	1,836,217	1,932,964	1,984,520	1,833,410
Excess of revenues over expenditures	1,615,941	1,569,821	1,422,150	1,767,554	1,393,050	1,187,330	2,307,214	2,312,534	2,154,821	2,646,657
Other financing sources (uses)										
Transfers out, net of transfers in	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)	(2,088,931)	(2,472,486)	(2,058,742)
Total other financing sources (uses)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527.676)	(1,297,026)	(1,767.897)	(2,088.931)	(2,472.486)	(2,058.742)
Net change in fund balances	$ 516,190	$ 354,057	$ (517,133)	$ (295,745)	$ (134.626)	$ (109,696)	$ 539,317	$ 223,603	$ (317,665)	$ 587,915
Debt service expenditures expressed as a percentage of non-capital expenditures	0.18%	0.15%	0.13%	0.16%	0.14%	0.98%	0.00%	0.00%	0.00%	0.00%

Source: Annual Comprehensive Financial Report

(1) Includes net appreciation (decline) in fair value of investments

Los Angeles County Metropolitan Transportation Authority *Table 5*
Governmental Activities
Sales Tax Revenues by Source
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Proposition A	Proposition C	Measure R (2)	Measure M (1)	Transportation Development Act	Other	Total
2012	648,692	648,776	645,026	—	326,883	117,062	2,386,439
2013	687,172	687,332	684,862	—	343,806	116,548	2,519,720
2014	778,504 (3)	778,600 (3)	714,218 (3)	—	390,232	117,122	2,778,676
2015	745,655	745,632	745,919	—	373,991	106,123	2,717,320
2016	763,636	763,643	764,968	—	382,753	78,686	2,753,686
2017	789,342	789,269	787,891	—	393,882	74,027	2,834,411
2018	836,529	836,545	836,721	826,969	411,672	182,696	3,931,132
2019	846,548	846,546	846,793	836,173	420,793	195,872	3,992,725
2020	824,569	824,567	823,382	820,724	405,988	198,290	3,897,520
2021	911,302	911,310	912,444	911,235	442,450	159,881	4,248,622

Source: Annual Comprehensive Financial Report

(1) Measure M is a voter-approved half-cent sales tax that took effect on July 1, 2017 for the "Los Angeles Improvement Traffic Plan."
(2) Measure R is a voter-approved half-cent sales tax that took effect on July 1, 2009 for Los Angeles County to finance new transportation projects and programs.
(3) The substantial increase was due to one-time accrual of sales tax revenues.

Los Angeles County Metropolitan Transportation Authority *Table 6*
Business-type Activities – Transit Operations
Program Revenues by Source
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies		Auxiliary Transportation/ Route Subsidies	Lease and Rental*	Toll Revenues**	Total
2012	$ 344,014	$ 287,977	$ 522,998		$ 27,815	$ 4,088	$ —	$ 1,186,892
2013	340,010	272,199	625,955		24,543	4,459	12,991	1,280,157
2014	339,599	239,888	596,736	***	20,639	5,929	34,665	1,237,456
2015	351,648	253,422	665,998	***	21,606	7,691	58,083	1,358,448
2016	340,274	199,956	901,770	***	22,647	8,134	72,801	1,545,582
2017	319,345	249,188	988,046	***	23,940	8,588	71,270	1,660,377
2018	300,042	308,469	1,767,897	***	42,694	9,792	69,887	2,498,781
2019	265,289	319,304	2,088,931	***	25,896	13,546	64,223	2,777,189
2020	184,592	267,673	2,472,486	***	21,164	12,901	55,384	3,014,200
2021	20,449	855,612	2,060,242	***	7,676	13,404	38,814	2,996,197

Source: Annual Comprehensive Financial Report

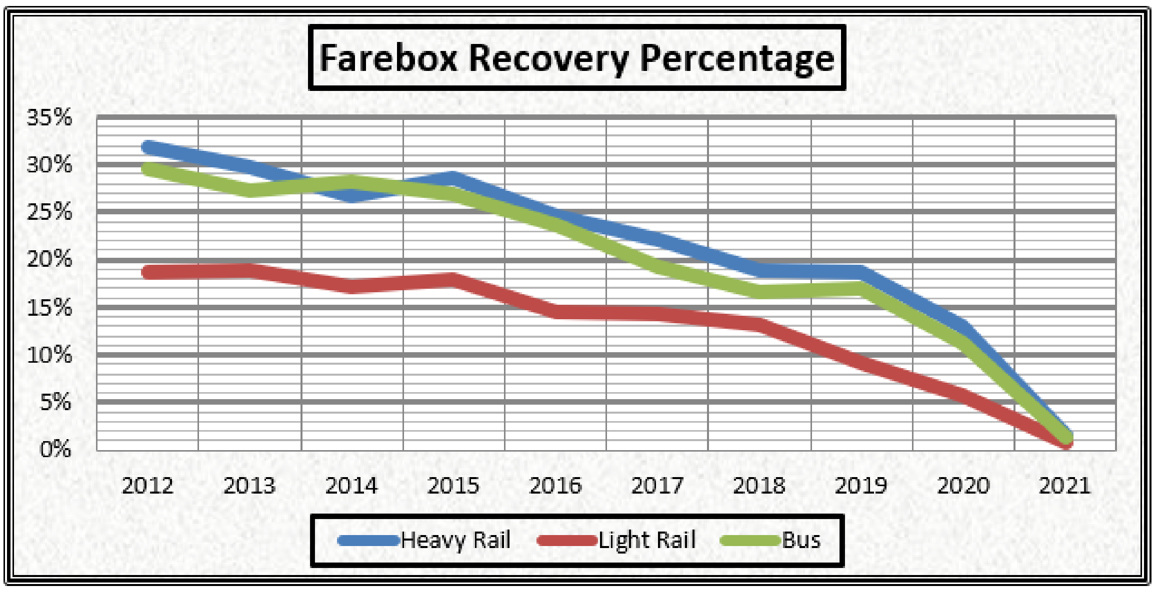
* *LACMTA purchased Union Station property in April 2011.*
** *Metro ExpressLanes commenced revenue operations in November 2012 for I-110 and February 2013 for I-10*
*** Net of transfers out

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Farebox Recovery Percentage by Mode

Table 7

Last Ten Fiscal Years

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
2012	32%	19%	29%	28%
2013	30%	19%	27%	26%
2014	27%	17%	28%	26%
2015	29%	18%	27%	25%
2016	25%	15%	24%	22%
2017	22%	14%	19%	18%
2018	19%	13%	17%	16%
2019	19%	9%	17%	15%
2020	13%	6%	11%	10%
2021	2%	1%	1%	1%



Source: National Transit Database Report.

Los Angeles County Metropolitan Transportation Authority

Table 8

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

(Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Principal	$215,522	$180,432	$316,781	$510,144	$182,066	$215,949	$390,200	$260,420	$300,075	$255,923
Interest	157,942	134,724	136,318	73,027	140,575	134,289	178,055	198,952	229,681	250,394
Total debt service expenditures	373,464	315,156	453,099	583,171	322,641	350,238	568,255	459,372	529,756	506,317
Total general expenditures	$3,292,896	$3,608,561	$4,000,992	$3,860,834	$3,917,887	$4,137,376	$4,739,916	$4,861,889	$4,953,838	$4,726,384
Percentage of debt service to general expenditures (%)	11.34 %	8.73 %	11.32 %	15.10 %	8.24 %	8.47 %	11.99 %	9.45 %	10.69 %	10.71 %

Source: Annual Comprehensive Financial Report

Los Angeles County Metropolitan Transportation Authority
Historical Debt Service Coverage Ratios – Proposition A, Proposition C, and Measure R
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 9

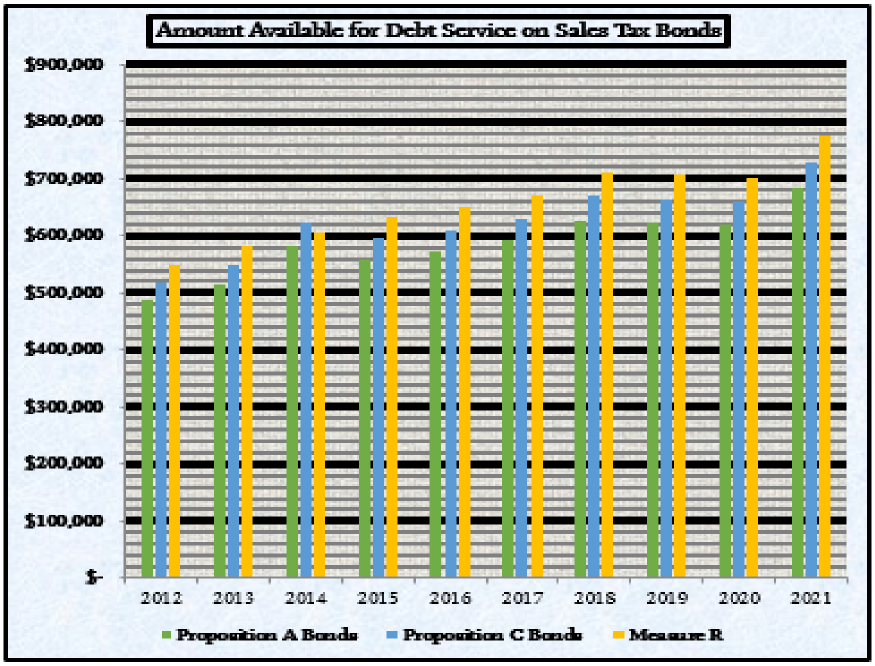
Source	Fiscal Year	Net Sales Tax Revenue	Less Local Return (1)	Amount Available for Debt Service On Sales Tax Bonds	Aggregate Debt Service Requirement	Debt Service Coverage Ratio
Proposition A	2012	$ 648,692	$ 162,173	$ 486,519	$ 160,071	3.04
	2013	687,172	171,793	515,379	151,261	3.41
	2014	778,504	194,626	583,878	154,697	3.77
	2015	745,655	186,414	559,241	140,849	3.97
	2016	763,636	190,909	572,727	125,253	4.57
	2017	789,342	197,336	592,006	151,473	3.91
	2018	836,529	209,132	627,397	134,837	4.65
	2019	831,113	207,778	623,335	189,821	3.28
	2020	824,569	206,142	618,427	135,291	4.57
	2021	911,302	227,826	683,476	157,662	4.30
Proposition C	2012	648,776	129,755	519,021	110,907	4.68
	2013	687,332	137,466	549,866	116,127	4.74
	2014	778,600	155,720	622,880	121,326	5.13
	2015	745,632	149,126	596,506	135,092	4.42
	2016	763,643	152,729	610,914	132,161	4.62
	2017	789,269	157,854	631,415	125,320	5.04
	2018	836,545	167,309	669,236	158,380	4.23
	2019	846,546	169,309	677,237	169,860	3.99
	2020	824,567	164,913	659,654	176,614	3.74
	2021	911,310	182,262	729,048	180,517	4.00
Measure R (2)	2012	645,026	96,754	548,272	53,659	10.22
	2013	684,862	102,729	582,133	53,649	10.85
	2014	714,218	107,133	607,085	53,658	11.31
	2015	745,919	111,888	634,031	53,658	11.82
	2016	764,968	114,745	650,223	53,605	12.13
	2017	787,891	118,184	669,707	76,438	8.76
	2018	836,721	125,508	711,213	92,759	7.67
	2019	846,793	127,019	719,774	93,525	7.70
	2020	823,382	123,507	699,875	210,617	3.32
	2021	912,444	136,867	775,577	158,108 (2)	4.80

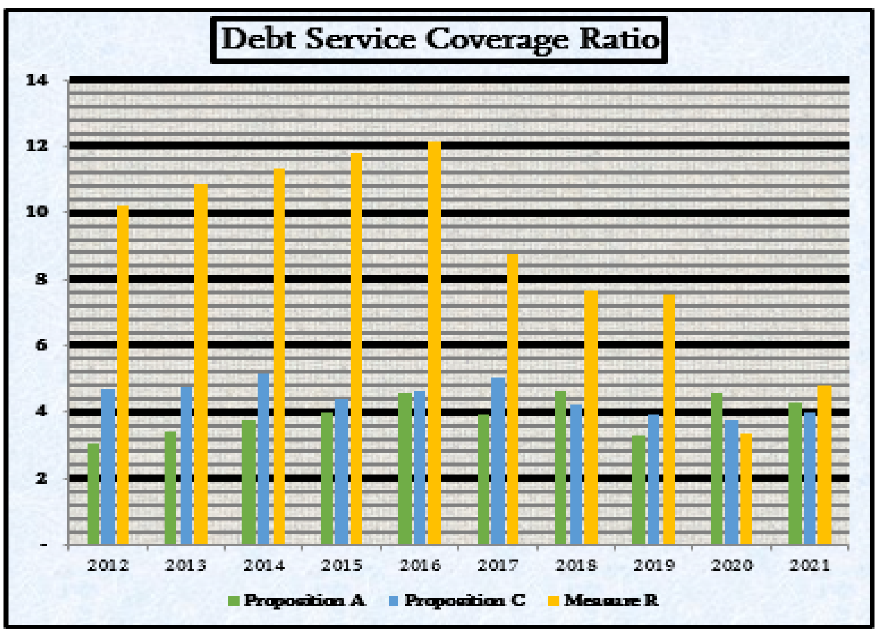
Source: Annual Comprehensive Financial Report

(1) % Local return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%

(2) The significant increase was mainly due to the full refunding of all TIFIA loans by the issuance of MR 2020-A bonds on 08/20/2020.

Los Angeles County Metropolitan Transportation Authority
Graphical Presentation of Table 9
Proposition A, Proposition C, and Measure R Debt Service Coverage Ratios





Los Angeles County Metropolitan Transportation Authority *Table 10*

Ratio of Outstanding Debt by Type

(Excluding Claims and Compensated Absences)

Last Ten Fiscal Years

(Amounts expressed in millions except per capita amount)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Redevelopment & Housing bonds	$ 22	$ 21	$ 20	$ 19	$ 18	$ —	$ —	$ —	$ —	$ —
Total Governmental activities	22	21	20	19	18	—	—	—	—	—
Business-type activities										
Sales tax revenue and refunding bonds	3,361	3,107	3,237	3,037	2,810	3,717	4,497	4,938	5,003	5,292
Lease/leaseback obligation	785	815	718	468	425	228	238	176	186	194
General revenue bonds	161	155	149	142	113	106	98	89	80	70
Unamortized bond premium/discount	93	232	250	233	271	393	469	519	475	954
Commercial paper and revolving lines of credit	34	148	139	84	385	194	178	211	231	206
Capitalized lease	0.8	—	—	—	—	—	—	—	—	—
Capital grant receipts revenue bonds	—	—	5	4	2	1	—	—	—	—
Notes obligation - TIFIA (CPC)	—	—	—	37	488	567	581	595	608	—
Total Business-type activities *	4,435	4,457	4,498	4,005	4,494	5,206	6,061	6,528	6,583	6,716
Total Primary government	$ 4,457	$ 4,478	$ 4,518	$ 4,024	$ 4,512	$ 5,206	$ 6,061	$ 6,528	$ 6,583	$ 6,716
Percentage of Personal Income**	0.91 %	0.91 %	0.86 %	0.72 %	0.78 %	0.86%	0.97%	1.00%	n/a	n/a
Per Capita**	$448.07	$445.31	$446.27	$396.26	$441.01	$ 506.22	$ 595.15	$ 641.76	$655.42	n/a

Source: Annual Comprehensive Financial Report

* *FY 2012-2019 amounts were restated to include the unamortized balance of bond premium and bond discount at year end*

** *See the Schedule of Demographic and Economic Statistics for population and personal income data, Table 11. The change in % from FY2012-2019 is due to the restated amount of Total Business-type activities*

n/a *Data are not available.*

Los Angeles County Metropolitan Transportation Authority
Demographic and Economic Statistics
Last Ten Calendar Years
(Amounts and population expressed in thousands)

Table 11

Fiscal Year	Population County of Los Angeles (1)	Population State of California (1)	Taxable Sales County of Los Angeles (2)	Personal Income County of Los Angeles (3)		Per Capita Personal Income County of Los Angeles (3)	Unemployment Rate County of Los Angeles (4)
2012	9,947	38,038	$ 135,295,582	$ 492,050,220	*	49	10.9 %
2013	10,056	38,367	140,079,708	491,204,293	*	49	9.8 %
2014	10,124	38,725	147,446,927	524,811,553	*	52	8.2 %
2015	10,155	38,907	151,033,781	560,530,772	*	55	6.6 %
2016	10,231	39,501	154,208,333	581,458,264	*	57	5.2 %
2017	10,284	39,810	159,259,356	602,431,122	*	59	4.7 %
2018	10,184	39,695	166,023,795	627,608,360	*	62	4.6 %
2019	10,172	39,782	172,313,602	653,482,910	*	64	4.4 %
2020	10,044	39,466	157,757,984	n/a		n/a	12.8%
2021	n/a	n/a	n/a	n/a		n/a	n/a

Source:

(1) California Department of Finance (based on May 7, 2021 release, California Department of Finance , Demographic Research Unit - Report E-4

(2) State Board of Equalization

(3) U.S. Department of Commerce, Bureau of Economic Analysis

Personal Income includes net earnings by place of residence; dividends, interest and rent; and personal current transfer receipts received by the residence of Los Angeles

Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2011-2016 reflect county population estimates available as of March 2017

Note - All dollar estimates are not adjusted for inflation

** Last updated: November 17, 2020 - new statistics for 2019; revised statistics for 2012-2019*

(4) California Employment Development Labor Market Information Division, not seasonally adjusted

n/a - Data are not available

Los Angeles County Metropolitan Transportation Authority
Ten Largest Employers in Los Angeles County
Years
thousands)

Table 12

Major Employers	2014*			2016*			2017*			2018*			2019*			2020**		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
County of Los Angeles	96,500	1	2.10%	107,500	1	2.25%	108,500	1	2.27%	107,400	1	2.24%	95,210	1	1.99%	113,207	1	2.36%
Los Angeles Unified School District	59,600	2	1.30%	90,800	2	1.90%	90,800	2	1.90%	104,300	2	2.18%	75,670	2	1.58%	77,928	2	1.63%
City of Los Angeles (including DWP) (1)	46,900	3	1.02%	49,500	3	1.04%	61,900	3	1.29%	61,900	3	1.29%	72,600	3	1.52%	43,572	4	0.91%
University of California, Los Angeles	44,000	4	0.96%	46,200	4	0.97%	63,500	4	1.33%	65,600	4	1.37%	51,010	4	1.07%	50,957	3	1.06%
Federal Government (Non-Defense Dept.) (1)	43,400	5	0.94%	45,000	5	0.94%	43,900	5	0.92%	43,600	5	0.91%	47,430	5	0.99%	50,000	5	1.04%
Kaiser Permanente	36,000	6	0.78%	36,900	6	0.77%	36,400	6	0.76%	37,400	6	0.78%	41,340	6	0.86%	41,349	6	0.86%
State of California (non-education)	29,200	7	0.64%	29,900	7	0.63%	30,000	7	0.63%	29,800	7	0.62%	27,990	7	0.58%	30,370	7	0.63%
University of Southern California	—	—	—	18,900	8	0.40%	20,100	8	0.42%	21,000	8	0.44%	22,160	8	0.46%	22,164	8	0.46%
Northrop Grumman Corp	17,000	8	0.37%	16,600	9	0.35%	16,600	9	0.35%	16,600	9	0.35%	18,000	10	0.38%	18,000	10	0.38%
Target Corp	15,000	9	0.33%	15,000	10	0.31%	15,000	10	0.31%	15,000	10	0.31%	20,000	9	0.42%	20,000	9	0.42%
Providence Health & Services	15,000	10	0.33%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total ten largest employers	402,600		8.77%	456,300		9.56%	486,700		10.16%	502,600		10.49%	471,410		9.85%	467,547		9.75%
All other employers	4,190,400		91.23%	4,322,500		90.44%	4,395,400		89.84%	4,393,900		89.51%	4,422,890		90.15%	3,824,153		90.25%
Total Employment in LA County **	4,593,000		100.00%	4,778,800		100.00%	4,882,100		100.00%	4,896,500		100%	4,894,300		100%	4,291,700		100%

Source:
(1) Includes U.S. Postal Service
* *Los Angeles Almanac Research*
** *Los Angeles Business Journal, 2020 Special Report: The Largest Employers in LA County*
*** *California Employment Development Department, Labor Market Information Division*

Note: Information for 2012, 2013, 2015, and 2021 were not available

Los Angeles County Metropolitan Transportation Authority
Los Angeles County Taxable Transactions by Type of Business
Last Ten Calendar Years
(Amounts expressed in millions)

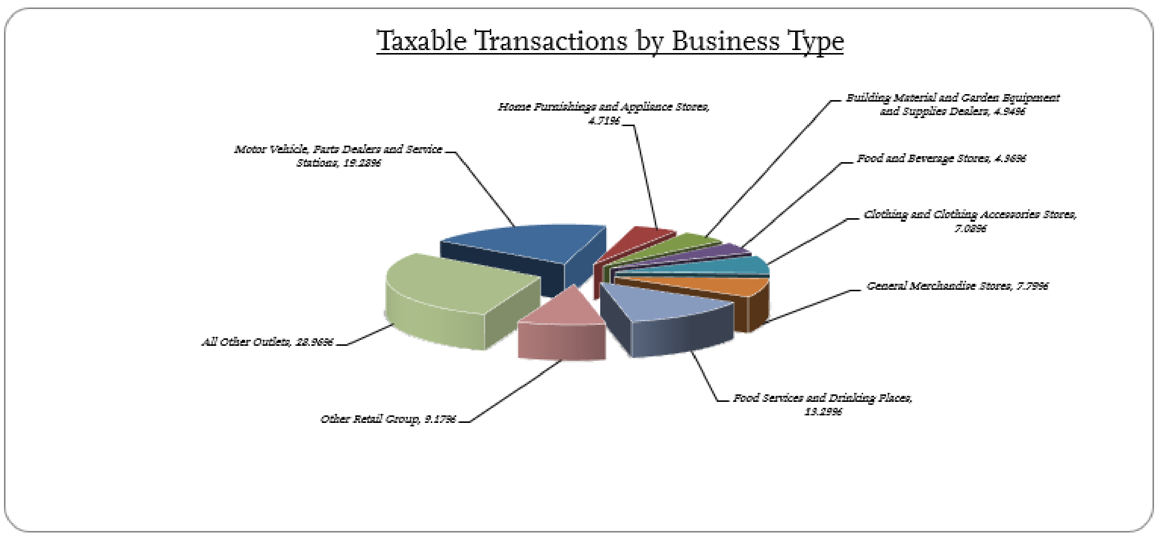
Table 13

Type of Business	2012	2013	2014	2015	2016	2017	2018	2019	2020
Motor vehicle, parts dealers and service stations	$ 28,517	$ 29,361	$ 29,830	$ 29,526	$28,640	$29,526	* $31,489	* $31,446	* $26,666
Home furnishings and appliance stores	6,013	6,145	6,775	7,833	7,842	7,609	* 7,537	* $7,309	* $6,608
Building material and garden equipment, and supplies dealers	6,511	6,558	6,971	7,403	7,688	8,034	* 8,446	* $8,698	* $9,557
Food and beverage stores	5,825	6,052	6,280	6,689	6,696	6,922	* 7,107	* $7,255	* $7,650
Clothing and clothing accessories stores	9,167	9,927	10,561	10,974	11,414	11,554	* 12,258	* $12,537	* $9,499
General merchandise stores	11,158	11,464	11,557	10,913	10,905	11,250	* 12,584	* $12,911	* $12,264
Food services and drinking places	16,512	17,482	18,964	20,606	22,002	23,199	* 24,016	* $25,098	* $17,006
Other retail group	11,616	12,653	13,250	14,202	14,808	15,187	* 15,707	* $17,190	* 24165
All other outlets	39,977	40,439	43,257	42,886	44,211	45,979	* 46,879	* $49,869	* $44,322
Total	$ 135,296	$ 140,081	$ 147,445	$ 151,032	$ 154,206	$ 159,260	$ 166,023	$ 172,313	$ 157,737

Source: California State Board of Equalization, Table 3 Taxable Sales in California Counties by Type of Business

Note: Information for 2021 were not available

* *Updated.*



Los Angeles County Metropolitan Transportation Authority *Table 14*

Business-type Activities – Transit Operations

Operating Indicators by Mode

Last Ten Fiscal Years

(Amounts expressed in thousands for Passenger fares and Operating expenses)

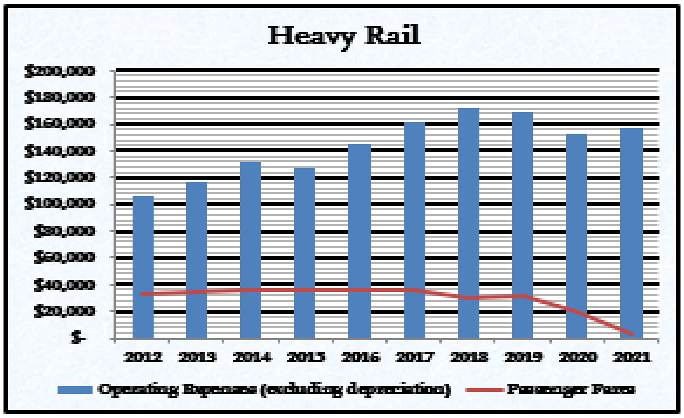
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
PASSENGER FARES:											
Heavy Rail	$ 33,665	$ 34,753	$ 35,300	$ 36,338	$ 35,789	$ 35,622	$ 32,305	$ 31,426	$ 19,761	$ 2,563	
Light Rail	37,778	44,565	44,412	47,902	47,807	52,570	49,116	42,986	24,655	3,054	
Bus*	272,571	260,692	277,162	267,408	256,678	231,153	218,621	190,877	140,176	14,832	**
OPERATING EXPENSES (excluding depreciation):											
Heavy Rail	$ 105,620	$ 117,006	$ 132,142	$ 127,153	$ 145,450	$ 161,559	$ 171,688	$ 168,453	$ 152,328	$ 156,720	
Light Rail	201,416	234,856	257,979	265,702	328,351	366,355	375,017	446,369	425,382	393,871	
Bus*	924,512	956,306	980,176	994,171	1,087,236	1,199,762	1,216,614	1,288,261	1,242,038	1,125,139	
PASSENGER MILES TRAVELLED:											
Heavy Rail	231,684	237,760	254,440	236,023	224,277	228,179	210,105	207,665	162,928	99,058	
Light Rail	366,233	408,032	412,776	386,901	427,260	495,532	495,012	462,756	318,738	151,162	
Bus*	1,519,263	1,496,480	1,494,524	1,444,741	1,337,680	1,196,313	1,158,789	1,149,053	916,793	449,228	
VEHICLE/PASSENGER CAR REVENUE MILES:											
Heavy Rail	6,156	6,865	7,067	6,977	6,884	7,010	6,976	6,874	6,801	6,256	
Light Rail	11,153	13,239	13,863	13,702	13,746	16,699	17,999	17,757	15,537	12,421	
Bus*	76,390	75,465	75,664	75,207	76,159	74,129	73,176	73,046	66,697	57,334	
VEHICLE/PASSENGER CAR REVENUE HOURS:											
Heavy Rail	269	302	320	319	316	321	318	314	311	288	
Light Rail	519	654	685	680	663	789	866	867	756	593	
Bus*	6,804	6,810	6,946	6,972	7,067	6,935	6,904	6,342	6,352	5,383	
BUSES/RAIL CARS:											
Heavy Rail	104	104	104	104	104	104	104	104	102	102	
Light Rail	169	171	171	171	196	246	300	298	302	292	
Bus*	2,429	2,453	2,420	2,457	2,438	2,439	2,402	2,420	2,548	2,339	
PASSENGER STATIONS:											
Heavy Rail	16	16	16	16	16	16	16	16	16	16	
Light Rail	66	66	66	66	79	79	79	79	79	79	
Bus*	37	49	49	49	56	58	58	61	61	46	

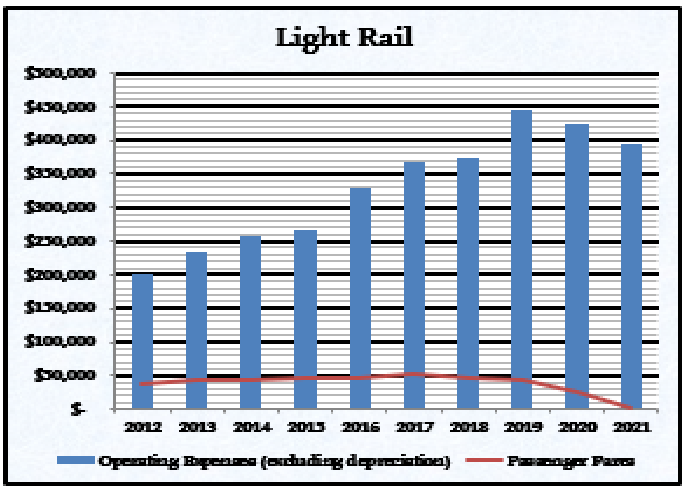
Source: National Transit Database Report

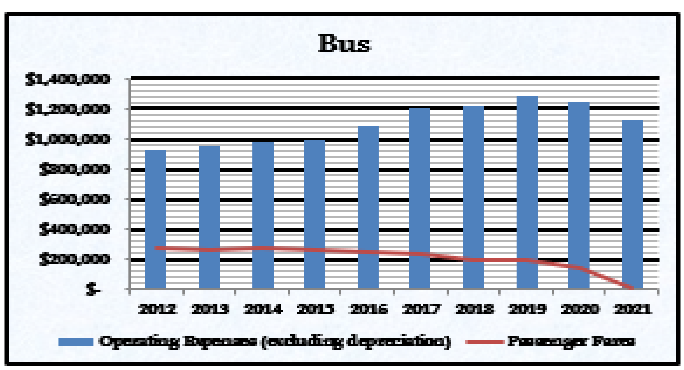
** Includes Purchase Transportation and Orange Line*

*** Decrease due to COVID19 pandemic. Effective March 23, 2020, riders were not expected to use the fare box or TAP validator, so fare was not collected. In addition, office workers in the city were also working from home and commuted less with public transportation due to fear of the virus.*

Los Angeles County Metropolitan Transportation Authority
Graphical Presentation of Table 14
Passenger Fares and Operating Expenses by Mode
(Amounts expressed in thousands)





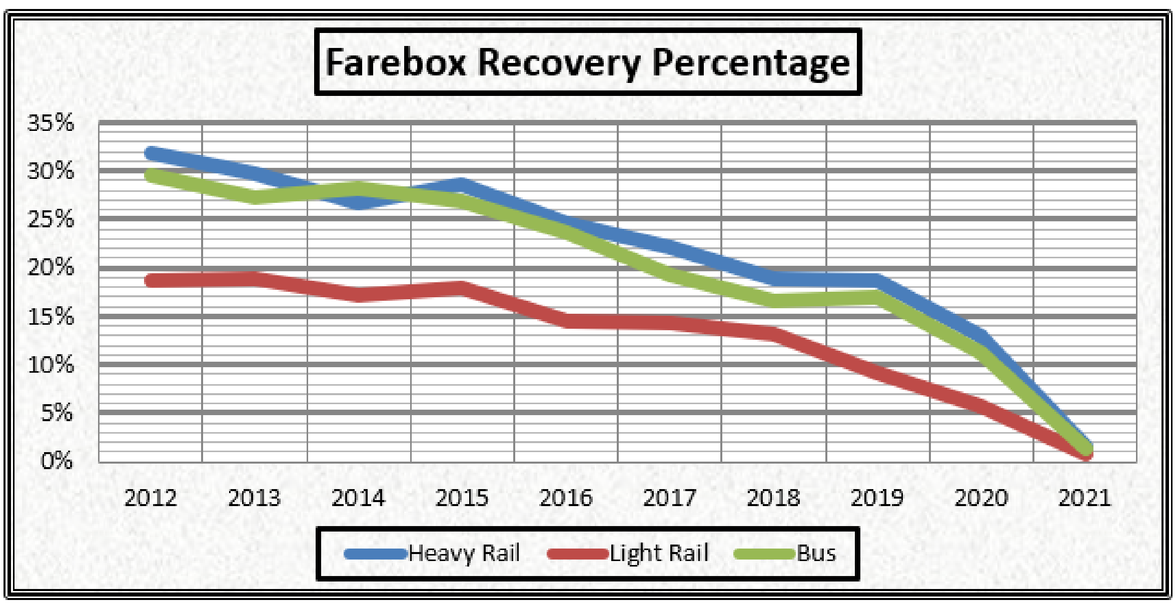


Los Angeles County Metropolitan Transportation Authority *Table 15*
Business-type Activities – Transit Operations
Passenger Boardings by Mode
Last Ten Fiscal Years
(Boardings expressed in thousands)

Fiscal Year		Heavy Rail	Light Rail	Bus *	Total
2012		47,736	53,781	360,003	461,520
2013		49,516	63,652	359,504	472,672
2014		50,365	63,705	345,055	459,125
2015		47,721	62,775	342,980	453,476
2016		46,003	62,085	320,870	428,958
2017		45,632	67,764	289,999	403,395
2018		43,752	66,387	280,794	390,933
2019		43,074	59,655	273,507	376,237
2020		33,668	42,098	227,576	303,342
2021	**	18,889	22,871	152,652	194,411

Source: National Transit Database Report

* *Includes Purchased Transportation and Orange Line*
** *Decrease due to COVID19 pandemic. Effective March 23, 2020, riders were not expected to use the fare box or TAP validator, so fare was not collected. In addition, office workers in the city were also working from home and commuted less with public transportation due to fear of the virus.*



Los Angeles County Metropolitan Transportation Authority *Table 16*
Business-type Activities – Transit Operations
Operating Expenses by Function (Bus and Rail)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Depreciation	Total
2012	$ 680,907	$ 276,187	$ 109,919	$ 178,797	$ 436,820	$ 1,682,630
2013	678,111	276,009	111,725	258,347	465,787	1,789,979
2014	671,358	283,275	116,877	281,226	438,235	1,790,971
2015	732,694	291,972	114,359	265,746	490,590	1,895,361
2016	823,416	320,398	99,128	331,476	482,908	2,057,326
2017	888,989	339,290	119,431	395,589	577,633	2,320,932
2018	913,002	370,176	121,833	372,297	599,439	2,376,747
2019	994,477 *(1)*	381,115 *(1)*	155,238 *(1)*	387,809 *(1)*	555,633	2,474,268
2020	919,063	369,904	152,354	402,335	608,860	2,452,516
2021	837,626	331,148	137,587	379,617	596,771	2,282,749

(1) Updated

Source: National Transit Database Report

See accompanying independent auditor's report.

Los Angeles County Metropolitan Transportation Authority
Full-Time Equivalent Employees by Function (not in thousands)
Last Ten Fiscal Years

Table 17

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Metro Operations	7,344	7,477	7,571	7,585	7,859	7,807	7,891	8,061	8,003	8,005
Countywide Planning & Development	103	98	101	156	161	163	162	166	164	164
Construction Project Management	171	157	180	193	205	254	293	307	319	319
Communications	196	199	194	271	278	285	314	328	344	344
Support Services	722	757	765	612	690	697	699	721	735	736
Chief Executive Office	209	285	314	428	482	532	571	594	614	610
Board of Directors	38	38	37	36	39	38	38	40	40	41
Total	8,783	9,011	9,162	9,281	9,714	9,776	9,968	10,217	10,219	10,219

Source: Adopted Budget

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Revenues and Operating Assistance
Comparison to Transit Industry Trend
Percent to Total
Last Ten Fiscal Years

Table 18

Fiscal Year	Operations: Passenger Fares	Operations: Other	Operations: Subtotal	Operating Assistance: Federal	Operating Assistance: State	Operating Assistance: Local	Operating Assistance: Subtotal	Total
Transportation Industry (1)								
2012	32 %	5 %	37 %	9 %	26 %	28 %	63 %	100 %
2013	32 %	4 %	36 %	9 %	26 %	29 %	64 %	100 %
2014	32 %	4 %	36 %	9 %	25 %	30 %	64 %	100 %
2015	33 %	5 %	37 %	8 %	23 %	31 %	63 %	100 %
2016	31 %	5 %	36 %	8 %	24 %	31 %	64 %	100 %
2017	31 %	5 %	36 %	9 %	23 %	32 %	64 %	100 %
2018	31 %	5 %	36 %	9 %	23 %	33 %	64 %	100 %
2019	30 %	4 %	34 %	8 %	23 %	35 %	66 %	100 %
2020	*	*	*	*	*	*	*	*
2021	*	*	*	*	*	*	*	*
LACMTA (2)								
2012	25 %	2 %	27 %	20 %	10 %	43 %	73 %	100 %
2013	24 %	3 %	27 %	18 %	7 %	48 %	73 %	100 %
2014	23 %	4 %	27 %	16 %	7 %	50 %	73 %	100 %
2015	23 %	6 %	29 %	16 %	6 %	49 %	71 %	100 %
2016	21 %	7 %	28 %	12 %	6 %	54 %	72 %	100 %
2017	18 %	6 %	24 %	13 %	3 %	60 %	76 %	100 %
2018	16 %	2 %	18 %	16 %	11 %	55 %	82 %	100 %
2019	15 %	3 %	18 %	17 %	23 %	42 %	82 %	100 %
2020	10 %	2 %	12 %	13 %	30 %	45 %	88 %	100 %
2021	2 %	1 %	3 %	31 %	11 %	55 %	97 %	100 %

** Data not available*

Source:
1) APTA 2021 Public Transportation Fact Book
2) National Transit Database Report

Los Angeles County Metropolitan Transportation Authority

Table 19

Business-type Activities – Transit Operations
Operating Expenses by Function
Comparison to Transit Industry Trend
Percent to Total
Last Ten Fiscal Years

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total**
Transportation Industry (1)						
2012	45 %	17 %	9 %	15 %	14 %	100 %
2013	44 %	16 %	10 %	16 %	14 %	100 %
2014	44 %	16 %	10 %	16 %	14 %	100 %
2015	43 %	16 %	11 %	16 %	14 %	100 %
2016	42 %	16 %	11 %	17 %	14 %	100 %
2017	42 %	16 %	12 %	16 %	14 %	100 %
2018	42 %	16 %	11 %	17 %	14 %	100 %
2019	42 %	16 %	11 %	16 %	15 %	100 %
2020	*	*	*	*	*	*
2021	*	*	*	*	*	*
LACMTA (2)						
2012	52 %	22 %	9 %	13 %	4 %	100 %
2013	49 %	20 %	8 %	19 %	4 %	100 %
2014	49 %	21 %	9 %	18 %	3 %	100 %
2015	50 %	20 %	8 %	18 %	4 %	100 %
2016	50 %	20 %	6 %	20 %	4 %	100 %
2017	50 %	19 %	7 %	21 %	3 %	100 %
2018	49 %	21 %	6 %	20 %	4 %	100 %
2019	50 %	20 %	8 %	19 %	3 %	100 %
2020	48 %	19 %	8 %	21 %	4 %	100 %
2021	48 %	19 %	8 %	21 %	4 %	100 %

* *Data not available*
** *Excludes depreciation*

Source:
1) *APTA 2021 Public Transportation Fact Book*
2) *National Transit Database Report*

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Los Angeles County Metropolitan Transportation Authority

FY2021 Annual Financial and Compliance Audits

March 16, 2022

Agenda

	Audit Deliverables
	Audit Results
	Required Communications
	Questions?

Audit Deliverables

Financial Audits

- Audit of the LACMTA Annual Comprehensive Financial Report (ACFR)
- Audit of the Service Authority for Freeway Emergencies (SAFE)
- Audit of the LACMTA State Transit Assistance fund (STA)

Compliance and Other Audits

- LACMTA Single Audit
- Transportation Development Act Compliance
  - California Code of Regulations Section 6667
  - California Code of Regulations Section 6640-6662
  - Low Carbon Transit Operations Program (LCTOP)
- National Transit Database Report on Federal Funding Allocation Statistics Form (NTD FFA-10)

Audit Results

Opinions on Financial Statements	• Unmodified
Opinion on Uniform Guidance Compliance for Major Programs	• Unmodified
Internal Control or Compliance Findings	• Significant Deficiency – Accounting for Acquisition Expenditure Accruals • Significant Deficiency – Accounting for Unavailable Revenue
New Accounting Pronouncements	• GASB 84 – Fiduciary Activities
Corrected Misstatements	• Two posted adjustments – total net position increased by $51M
Uncorrected Misstatements	• Four passed adjustments – total net position understated by $23M

Required Communications

- Management’s Responsibility – Preparation of the financial statements
- Auditor’s Responsibility – Provide an opinion on the financial statements
- We remain independent of Metro

- No instances of noncompliance or other matters required to be reported
- No significant unusual transactions
- No significant accounting policies in controversial or emerging areas
- No significant difficulties encountered
- No disagreements with management
- Not aware of management consulting with other accountants
- No other findings or issues

Questions?

Crowe

Thank You