

**Board Report**

File #: 2024-0110, **File Type:** Informational Report

Agenda Number: 11.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 20, 2024**

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, 2023.

ISSUE

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and the following component audits for the fiscal year ended June 30, 2023 (FY23):

- 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, 2023, and 2022.
- 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.

BACKGROUND

State law requires Metro to publish a complete set of audited financial statements within six months of the close of each fiscal year. In compliance with those requirements, this report seeks to provide Metro's Annual Comprehensive Financial Report, completed in December 2023, to the Board.

In addition to regulatory requirements, professional auditing standards require that Crowe communicate certain matters to keep Metro adequately informed about matters related to the financial statement audit that are significant and relevant in overseeing the financial reporting process. The financial and compliance audits must be conducted in accordance with these auditing standards. The main goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error.

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 FY23. Receiving an unmodified opinion indicates that all financial statements for FY23 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified two uncorrected misstatements resulting in a total net position understatement of \$43M. One misstatement was related to the estimated value of Low Carbon Fuel Standard (LCFS) credits which will be recognized when the credits are sold. The other misstatement was due to the recording of Regional TAP (RTAP) cash and accounts payable. Management opted to continue recording the transactions in Enterprise Fund instead of Fiduciary Funds which does not result in any material difference. Additionally, the RTAP financial statements are audited annually by another independent Auditor, BCA Watson Rice, LLP who also issued a clean opinion for FY23. In addition, one exception was identified in the 90154 report related to \$74,552 in variances between operating expenses and audited financial data. The variances have been corrected with the National Transportation Database (NTD).

Due to the considerable size of the document, the Annual Comprehensive Financial Report is on file with the Board Clerk. The report is also accessible on Metro's website at https://libraryarchives.metro.net/DB_Attachments/FY23%20-%20LA%20Metro%20ACFR.pdf.

EQUITY PLATFORM

The basic financial statements and component financial statement audits in this report support the

completion of the Annual Comprehensive Financial Report, which provides Metro with opportunities to identify equity impacts. There are no equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Management Audit Services will continue reporting audit activities on the basic financial statements and component financial statements in the next fiscal year.

ATTACHMENTS

Attachment A - SAS 114 Letter Covering Required Communications

Attachment B - Single Audit Report

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

Attachment D - Transportation Development Act Operations Agency

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

Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements

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

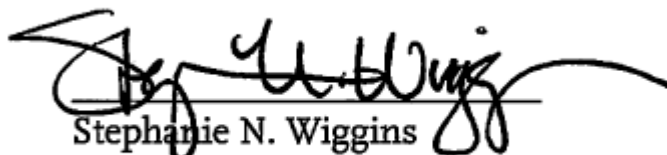
Attachment H - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance

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Stephanie N. Wiggins
Chief Executive Officer



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 engagement letter with the Los Angeles County Metropolitan Transportation Authority (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 LACMTA under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with LACMTA 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 LACMTA 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 Company's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications between LACMTA 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 LACMTA'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 |
|---|-----------------------|
| Significant Unusual Transactions. | No such matters noted |
| Significant Accounting Policies in Controversial or Emerging Areas. | No such matters noted |

| Accounting Standard | Impact of Adoption |
|--|---|
| <p>GASB Statement No. 91, “Conduit Debt Obligations”</p> <p>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.</p> | <p>Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.</p> |
| <p>GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”</p> <p>The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.</p> | <p>Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.</p> |

| Accounting Standard | Impact of Adoption |
|---|---|
| <p>GASB 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.</p> | <p>Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.</p> |

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

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

| Significant Accounting Estimate | Process Used by Management | Basis for Our Conclusions |
|---|---|---|
| <p>Fair Values of Investment Securities and Other Financial Instruments</p> | <p>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.</p> | <p>We tested the propriety of information underlying management’s estimates.</p> |
| <p>Loss Contingencies</p> | <p>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.</p> | <p>Based on information obtained from LACMTA’s legal counsel regarding this matter and discussions with management, we concur with management’s accrual and disclosure, or lack thereof, of loss contingencies.</p> |

| 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 LACMTA's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of LACMTA, considering the need to balance the cost of providing information with the likely benefit to users of LACMTA'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 LACMTA's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

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 \$4.0 million of 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 \$31.5 million, overstated revenue by approximately \$7.7 million, and understated net position by approximately \$43.2 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2022, which was reported as waived adjustment in the FY 2022 audit.

2. 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. The stored value estimated to be used by other operators results in an increase in cash in the amount of \$8.8M. The amount payable to operators results in an increase to accounts payable in the amount of \$1.7 million. Additionally, the activity for the year related to other operators results in an increase in deductions and additions in the amount of \$13.5 million and \$14.1 million, respectively.

OTHER COMMUNICATIONS

| Communication Item | Results |
|--|---|
| <p>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:</p> <ul style="list-style-type: none"> • 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. <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p> | <p>We understand that management has not prepared other information to accompany the audited financial statements.</p> |
| <p>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.</p> | <p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p> |
| <p>Disagreements with Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA’s financial statements or the auditor’s report.</p> | <p>During our audit, there were no such disagreements with management.</p> |
| <p>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.</p> | <p>During the audit, there were no such issues for which we consulted outside the engagement team.</p> |
| <p>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.</p> | <p>There are no such circumstances that affect the form and content of the auditor’s report.</p> |
| <p>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.</p> | <p>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.</p> |
| <p>Representations the Auditor Is Requesting from Management We are to provide you with a copy of management’s requested written representations to us.</p> | <p>We direct your attention to a copy of the letter of management’s representation to us provided separately.</p> |

| Communication Item | Results |
|--|--|
| <p>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.</p> | <p>There were no such significant issues discussed, or subject to correspondence, with management.</p> |
| <p>Significant Related Party Findings or Issues We are to communicate to you significant findings or issues arising during the audit in connection with LACMTA's related parties.</p> | <p>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.</p> |
| <p>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.</p> | <p>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.</p> |

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 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

Los Angeles, California
 December 22, 2023

**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2023

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2023

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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, 2023, 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 22, 2023. 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*.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on 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*.

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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Los Angeles, California
December 22, 2023

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

Opinion on Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2023. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to LACMTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

(Continued)

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, 2023, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2023, 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
December 22, 2023

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Fiscal year ended June 30, 2023

| Federal grantor/ pass-through grantor/program or cluster title/project title | Assistance Listing Number | Direct Program and Pass-through Grant Identifying Number | Total Federal Award | Total Expenditures | Federal Share | Federal share passed through to subrecipient | State Share | Local Share |
|--|---------------------------|--|-------------------------|-------------------------|-------------------------|--|-------------------|-----------------------|
| U.S. Department of Transportation | | | | | | | | |
| Federal Highway Administration | | | | | | | | |
| Passed through State of California Department of Transportation: | | | | | | | | |
| Highway Planning and Construction Cluster | | | | | | | | |
| Highway Planning and Construction | | | | | | | | |
| Extension of Transit way on I-110 to Downtown LA | 20.205 | EA 07-278008 | \$ 6,272,632 | \$ 613,161 | 490,528 | - | - | 122,632 |
| Freight Advanced Traveler Information System (FRATIS) | 20.205 | ATCMTDL-6065(218) | 3,000,000 | 154,975 | 77,487 | - | - | 77,487 |
| I-605/SR-91 Interchange Improvements | 20.205 | 07-5186 | 26,000,000 | 2,966,950 | 684,298 | - | 1,454,731.85 | 827,919.93 |
| I-5 Chokepoint relief project | 20.205 | 07-5187 | 294,000,000 | 61,559,695 | 12,566,898 | - | 23,209,837 | 25,782,959 |
| Soundwall Package#10 | 20.205 | HIPL-6065(251) | 48,649,000 | 4,768,602 | 4,755,994 | - | - | 12,608 |
| Union Station Master Plan: Alameda Esplanade | 20.205 | 07-6065F15-F022 | 2,150,000 | 72,557 | - | 12,104 | - | 60,453 |
| Highway Planning and Construction Total | | | 380,071,632 | 70,135,939 | 18,575,207 | 12,104 | 24,664,569 | 26,884,059 |
| Infrastructure for Rebuilding America (INFRA) Cluster | | | | | | | | |
| The Nationally Significant Multimodal Freight & Highway Projects | | | | | | | | |
| SR-57/60 Confluence Choke Point | 20.934 | INFRAL-6065 (254) | 27,000,000 | 44,420 | 35,536 | - | - | 8,884 |
| Federal Highway Administration Total | | | 407,071,632 | 70,180,359 | 18,610,743 | 12,104 | 24,664,569 | 26,892,943 |
| Federal Transit Administration | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Federal Transit Cluster: | | | | | | | | |
| Federal Transit Capital Improvement Grants: | | | | | | | | |
| Regional Connector Transit Corridor | 20.500 | CA-2016-046 | 504,900,000 | 10,275,993 | 8,600,529 | - | - | 1,675,463 |
| Regional Connector Transit Corridor | 20.500 | CA-2022-138 | 59,228,415 | 59,228,415 | 59,228,415 | - | - | - |
| Westside Purple Line Ext. - Section 1 New Starts | 20.500 | CA-2016-017 | 771,983,701 | 203,829,076 | 176,680,343 | - | - | 27,148,733 |
| Westside Purple Line Ext Section 1 ARPA | 20.500 | CA-2022-105 | 66,428,844 | 66,428,844 | 66,428,844 | - | - | - |
| Westside Purple Line Ext Section 2 New Starts | 20.500 | CA-2016-047 | 771,983,701 | 109,527,008 | 122,693,940 | - | - | (13,166,932) |
| Westside Purple Line Ext Section 2 ARPA | 20.500 | CA-2022-149 | 58,417,784 | 58,417,784 | 58,417,784 | - | - | - |
| Westside Purple Line Ext Section 3 ARPA | 20.500 | CA-2022-081 | 93,437,754 | 93,437,754 | 93,437,754 | - | - | - |
| Westside Purple Line Extension 3 New Starts | 20.500 | CA-2019-170 | 571,983,701 | 69,611,236 | 108,098,073 | - | - | (38,486,837) |
| Federal Transit Capital Improvement Grants Total | | | 2,898,363,900 | 670,756,109 | 693,585,682 | - | - | (22,829,573) |
| Systemwide Light Rail Vehicles | 20.507 | CA-2016-026 | 149,430,000 | 26,205,781 | 4,128,762 | - | - | 22,077,019 |
| RAIL TO RAIL ATC (SEGMENT A-1) - ATP | 20.507 | CA-2022-206 | 8,326,000 | 2,422,586 | 1,938,069 | - | - | 484,517 |
| FY17/21 Section 5307 for Bus Preventive Maintenance | 20.507 | CA-2022-132 | 146,909,793 | 184,220,639 | 146,909,793 | - | - | 37,310,846 |
| 5337 & 5307/5340 LA Metro FY23 Rail Preventive Maintenance | 20.507 | CA-2022-155 | 8,864,770 | 11,080,963 | 8,864,770 | - | - | 2,216,193 |
| Westside Purple Line Ext Section 3 CMAQ & STBG | 20.507 | CA-2022-144 | 115,000,000 | 60,204,478 | 48,338,711 | - | - | 11,865,767 |
| Federal Transit - Formula Grants Total | | | 428,530,563 | 284,134,447 | 210,180,104 | - | - | 73,954,343 |
| State of Good Repair Grants Program | | | | | | | | |
| 5337 & 5307/5340 LA Metro FY23 Rail Preventive Maintenance | 20.525 | CA-2022-155 | 107,267,656 | 134,084,570 | 107,267,656 | - | - | 26,816,914 |
| 5337 LA Metro Rail Vehicle Midlife Overhauls | 20.525 | CA-2018-031 | 86,251,460 | 27,782,249 | 18,676,599 | - | - | 9,105,651 |
| State of Good Repair Grants Program Total | | | 193,519,116 | 161,866,819 | 125,944,255 | - | - | 35,922,565 |
| Bus and Bus Facilities Formula Program | | | | | | | | |
| Section 5339 Bus Overhauls | 20.526 | CA-2019-056 | 146,810,553 | 35,829,167 | 18,843,550 | - | - | 16,985,618 |
| Bus and Bus Facilities Formula Program Total | | | 146,810,553 | 35,829,167 | 18,843,550 | - | - | 16,985,618 |
| Research, Development, Demonstration and Deployment Program | | | | | | | | |
| FY20 Section 5312 AIM Travel Rewards Research Pilot | 20.530 | CA-2021-012 | 700,000 | 173,219 | 172,634 | - | - | 585 |
| Research, Development, Demonstration and Deployment Program Total | | | 700,000 | 173,219 | 172,634 | - | - | 585 |
| Federal Transit Cluster Total | | | \$ 3,667,924,132 | \$ 1,152,759,761 | \$ 1,048,726,224 | \$ - | \$ - | \$ 104,033,537 |

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Fiscal year ended June 30, 2023

| Federal grantor/ pass-through grantor/program or cluster title/project title | Assistance Listing Number | Direct Program and Pass-through Grant Identifying Number | Total Federal Award | Total Expenditures | Federal Share | Federal share passed through to subrecipient | State Share | Local Share |
|---|---------------------------|--|-------------------------|-------------------------|----------------------|--|----------------------|-----------------------|
| 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 | \$ 76,228 | - | 49,707 | - | 26,521 |
| L.A. County Section 5310 All Subrecipients - FY19 | 20.513 | CA-2020-167 | 9,787,049 | 1,171,893 | - | 970,244 | - | 201,649 |
| LA County Section 5310 All Subrecipients FY17 | 20.513 | CA-2018-065 | 9,207,811 | 591,922 | 108,782 | 308,645 | - | 174,495 |
| Program Administration FFY19 | 20.513 | CA-2021-226 | 1,115,715 | 351,876 | - | 351,876 | - | - |
| 5310 Enhanced Mobility of Senior and Individuals with Disability | 20.513 | CA-2022-142 | 1,254,836 | 911,271 | 911,271 | - | - | - |
| 5310 Enhanced Mobility of Senior and Individuals with Disability | 20.513 | CA-2022-141 | 1,254,817 | 134,750 | 134,750 | - | - | - |
| Enhanced Mobility of Seniors and Individual with Disabilities Total | | | 28,712,679 | 3,237,939 | 1,154,803 | 1,680,472 | - | 402,665 |
| Job Access and Reverse Commute Program | | | | | | | | |
| L A County Job Access and Reverse Commute (JARC) Program Administration. FY0 | 20.516 | CA-37-X071 | 5,032,849 | 287,754 | 287,754 | - | - | - |
| Job Access and Reverse Commute Program. Project - LA County Job Access and Pro | 20.516 | CA-37-X100 | 10,343,881 | (2,535,585) | (1,169,597) | (157,113) | - | (1,208,875) |
| Job Access and Reverse Commute - Capital/Operating Assist. | 20.516 | CA-37-X123 | 13,878,024 | 469,369 | - | 375,495 | - | 93,874 |
| Job Access and Reverse Commute Program Total | | | 29,254,754 | (1,778,462) | (881,843) | 218,382 | - | (1,115,002) |
| New Freedom Program: | | | | | | | | |
| New Freedom - Capital & Operating Assistance | 20.521 | CA-57-X100 | 7,354,678 | 3,039,249 | - | 1,519,625 | - | 1,519,625 |
| New Freedom - Capital & Operating Assistance | 20.521 | CA-57-X084 | 8,702,026 | 114,712 | - | 107,623 | - | 7,089 |
| New Freedom Program Total | | | 16,056,704 | 3,153,961 | - | 1,627,247 | - | 1,526,714 |
| Transit Services Programs Cluster Total | | | 74,024,137 | 4,613,438 | 272,960 | 3,526,101 | - | 814,377 |
| Research and Development Cluster | | | | | | | | |
| Public Transportation Research, Technical Assistance, and Training | | | | | | | | |
| FY16 Demonstration of Collision Avoidance and Mitigation Technologies on Los A | 20.514 | CA-2017-055 | 1,450,000 | 170,803 | 123,832 | - | - | 46,971 |
| Public Transportation Research, Technical Assistance, and Training Total | | | 1,450,000 | 170,803 | 123,832 | - | - | 46,971 |
| Federal Transit Administration Total | | | 4,123,469,901 | 1,227,679,942 | 1,067,698,223 | 3,538,206 | 24,664,569 | 131,778,944 |
| Office of the Secretary | | | | | | | | |
| National Infrastructure Investments | | | | | | | | |
| TIGER VII Rail to Rail Active Transportation Corridor Connector | 20.933 | CA-2017-103 | 15,000,000 | 43,844,256 | 7,796,394 | - | - | 36,047,861 |
| ROSECRANS/MARQUARDT GRADE SEPARATION PROJECT | 20.933 | FRA FR-TII-0051-19-01-00 | 15,000,000 | 15,000,000 | 15,000,000 | - | - | - |
| National Infrastructure Investments Total | | | 30,000,000 | 58,844,256 | 22,796,394 | - | - | 36,047,861 |
| U.S. Department of Transportation Total | | | 4,180,469,901 | 1,286,568,617 | 1,090,530,153 | 3,538,206 | 24,664,569 | 167,835,689 |
| U.S. Department of Homeland Security: | | | | | | | | |
| Transportation Security Administration | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Rail and Transit Security Grant Program | | | | | | | | |
| Transit Security Grant Program | 97.075 | EMW-2018-RA-00007 | 6,204,960 | 5,410,747 | 5,410,747 | - | - | - |
| Transit Security Grant Program | 97.075 | EMW-2019-RA-00019 | 7,208,108 | 2,344,312 | 2,344,312 | - | - | - |
| Video Management System/Security Intelligence | 97.075 | EMW-2020-RA-00029 | 12,180,025 | 294,553 | 294,553 | - | - | - |
| Rail and Transit Security Grant Program Total | | | 25,593,093 | 8,049,612 | 8,049,613 | - | - | - |
| Federal Emergency Management Assistance | | | | | | | | |
| Passed through State of California Department of Transportation: | | | | | | | | |
| Disaster Grants - Public Assistance | | | | | | | | |
| FEMA-4482-DR-CA | 97.036 | FEMA-4482-DR-CA | - | 473,377 | 473,377 | - | - | - |
| Disaster Grants - Public Assistance Total | | | - | 473,377 | 473,377 | - | - | - |
| U.S. Department of Homeland Security Total | | | 25,593,093 | 8,522,990 | 8,522,990 | - | - | - |
| Total Federal Grants | | | \$ 4,206,062,994 | \$ 1,295,091,607 | 1,099,053,143 | 3,538,206 | \$ 24,664,569 | \$ 167,835,689 |

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2023

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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2023

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?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

ALN 20.500 / 20.507 / 20.525 / 20.526 - Federal Transit Cluster

ALN 20.205 - Highway Planning and Construction Cluster

ALN 97.075 - Transit Security Grant Programs

Dollar threshold used to distinguish type A and B programs:

 \$ 3,307,774

Auditee qualified as low-risk auditee?

 X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted in the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in current year.

**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, 2023

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 2023 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, 2023. 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

Los Angeles, California
December 21, 2023

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

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, 2023 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 2023 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 2023 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 351 source documents from all modes and from several different months in fiscal years 2022, 2021, and 2020 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 only fiscal year 2021 and 2022 documents available.

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

- 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. Step performed 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 2023 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 2020 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 (2023) 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)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

- 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 63 source documents across all modes from all twelve months in fiscal year 2023, 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 78 source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception.

- 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.

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

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))

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: Step performed without exception.

- 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 2023.

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

Findings: Step performed without exception.

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

- 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 2023 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 2023 report year, the Agency Revenue Service Date must occur within the transit agency's 2023 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. A new segment was added in FY23 for LR DO. Step performed without exception.

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

Findings: Per review of operating expenses compared to audited financial data for DR DO, a variance of \$74,552 or 0.23% was noted.

- 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.

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

- 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 PMT and OE increased greater than 10%
- MB-PT no changes greater than 10%
- RB-DO PMT and OE increased greater than 10%
- HR-DO OE increased greater than 10%
- LR-DO PMT decreased greater than 10%, OE increased greater than 10%
- DR-DO VRM, PMT, and OE increased greater than 10%
- VP-PT VRM, PMT, and OE increased greater than 10%

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2023

- 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.

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY

50% EXPENDITURE LIMITATION SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 for the Transportation Development Act Program

Opinion on the Transportation Development Act Program

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, 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, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2023.

Basis for Opinion on the Transportation Development Act Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Transportation Development Act 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 Transportation Development Act 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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, 2023, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2023, 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 as required by the Transportation Development Act 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 22, 2023

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Amounts expressed in thousands)

| | | | |
|----------|---|-----------|------------------|
| 1 | Total operating cost | \$ | 2,159,784 |
| 2 | Total capital requirements | | 1,997,821 |
| 3 | Total debt service | | 561,970 |
| 4 | Total of lines 1, 2, and 3 | | 4,719,575 |
| | | | |
| 5 | Less federal grant received | | 1,082,477 |
| 6 | Less State Transit Assistance (STA) funds received | | 164,632 |
| 7 | Total of lines 5 and 6 | | 1,247,109 |
| | | | |
| 8 | Total of line 4 less line 7 | | 3,472,466 |
| | | | |
| | 50% of line 8 | | 1,736,233 |
| | Total permissible Local Transportation Fund expenditures | \$ | 1,736,233 |

**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, 2023

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA
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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 for the Transportation Development Act Program

Opinion on the Transportation Development Act Program

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, 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, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2023.

Basis for Opinion on the Transportation Development Act Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Transportation Development Act 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 Transportation Development Act 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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 LACMTA as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2023, 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 as required by the Transportation Development Act 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Los Angeles, California
December 22, 2023

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

TRANSPORTATION DEVELOPMENT ACT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2023

(Amounts expressed in thousands)

| Revenues: | <u>Planning</u> | <u>Administration</u> | <u>Total</u> |
|--------------------------------------|-----------------|-----------------------|--------------|
| Local grants and contracts | \$ 9,028 | \$ 3,910 | \$ 12,938 |
| Expenditures: | 9,028 | 3,910 | 12,938 |
| 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 | <u>\$</u> | <u>\$</u> | <u>\$</u> |

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT

NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30,2023

(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 \$34,992 consisting of \$15,176 for PUC Section 99313 and \$19,816 for PUC Section 99314. Total expenditures and transfers out are \$17,462 and \$15,501 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, 2023 and 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of LACMTA, as of June 30, 2023 and 2022, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 LACMTA, as of June 30, 2023 and 2022, and 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STA Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the STA Fund's internal control over financial reporting and compliance.


Crowe LLP

Los Angeles, California
December 6, 2023

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) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2023, 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 6, 2023. 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.

Report on 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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the STA Fund's financial statements are free 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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Los Angeles, California
December 6, 2023

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2023 and 2022

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, 2023, and 2022. 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.

2023 Financial Highlights

- Sales tax revenues for the fiscal year increased by \$91,527 or 43.88% compared with the prior year. Sales tax in FY23 significantly increased due to higher gas prices and more people travelling after the Covid-19 pandemic.
- Actual sales tax revenues in FY23 totaled \$300,134 was higher by \$106,472 or 55% than the original and final budget of \$193,662 which was projected at 7.72% lower than FY22 actual revenues.
- Total transfers out increased by \$76,601 or 87.02% compared to the previous year mainly due to the increase in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also increased by \$8,458 or 41.98% over FY22 due to higher claims and higher city allocations in the current year.

2022 Financial Highlights

- Sales tax revenues for the fiscal year increased by \$48,726 or 30.48% compared with the prior year. Despite an average decrease of 5.06% in the first quarter over the same period last year, sales tax revenues increased an average of 44% in the last three quarters compared to the same quarters of FY21. The sales tax during the last 3 quarters of FY22 significantly increased as the economy recovered from the Covid-19 pandemic.
- Actual sales tax revenues in FY22 totaled \$208,607 was higher by \$111,877 or 116% than the original and final budget of \$96,730 which was projected at 65.29% lower than FY21 actual revenues.
- Total transfers out decreased by \$52,372 or 37.30% 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 \$4,837 or 19.36% over FY21 due to lesser claims and lower city allocations in the current year.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2023 and 2022

Overview of Financial Statements

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

The condensed balance sheets show the STA Fund's assets and liabilities as of June 30, 2023, 2022, and 2021. The differences between the assets and liabilities are reported as fund balance. The fund balance may serve as a useful indicator of the STA Fund's financial health.

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

Condensed Balance Sheets

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-------------------|-------------------|-------------------|
| Total assets | \$ 313,817 | \$ 165,726 | \$ 116,799 |
| Total liabilities | 77,063 | 41,230 | 93,198 |
| Fund balances | 236,754 | 124,496 | 23,601 |
| Total liabilities and fund balances | <u>\$ 313,817</u> | <u>\$ 165,726</u> | <u>\$ 116,799</u> |

Total assets increased by \$148,091 or 89.36% as of June 30, 2023 compared to June 30, 2022 primarily due to the increase in sales receipts and higher sales tax and interest receivables. Total liabilities increased by \$35,833 or 86.91% as of June 30, 2023 compared to June 30, 2022 mainly due to the increase in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

Total assets increased by \$48,927 or 41.89% as of June 30, 2022 compared to June 30, 2021 primarily due to the increase in sales receipts and higher sales tax and interest receivables. Total liabilities decreased by \$51,968 or 55.76% as of June 30, 2022 compared to June 30, 2021 mainly due to the decrease in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|------------------|
| Revenues | \$ 305,494 | \$ 209,072 | \$ 160,276 |
| Expenditures and other financing uses of funds | (193,236) | (108,177) | (165,386) |
| Net change in fund balances | 112,258 | 100,895 | (5,110) |
| Fund balances – beginning of year | 124,496 | 23,601 | 28,711 |
| Fund balances – end of year | <u>\$ 236,754</u> | <u>\$ 124,496</u> | <u>\$ 23,601</u> |

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2023 and 2022

Total revenues increased by \$96,422 or 46.12% during fiscal year 2023 compared to fiscal year 2022 primarily due to increase in sales tax revenues. Expenditures and other financing uses increased by \$85,059 or 78.63% during fiscal 2023 compared to fiscal year 2022 mainly due to increase in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and an increase in local transportation subsidies claims by the cities/other local transportation agencies.

Total revenues increased by \$48,796 or 30.44% during fiscal year 2022 compared to fiscal year 2021. Despite an average decrease of 5.06% in the first quarter over the same period last year, sales tax revenues increased an average of 44% in the last three quarters compared to the same quarters of FY21. Expenditures and other financing uses decreased by \$57,209 or 34.59% during fiscal 2022 compared to fiscal year 2021 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.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Balance Sheets
June 30, 2023 and 2022
(Amounts expressed in thousands)**

| | 2023 | 2022 |
|--|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 220,753 | \$ 106,208 |
| Interest receivable | 2,115 | 259 |
| Sales tax receivable | 77,927 | 59,259 |
| Due from other funds | 13,022 | - |
| Total assets | 313,817 | 165,726 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 7,013 | 4,190 |
| Due to other funds | 70,050 | 37,040 |
| Total liabilities | 77,063 | 41,230 |
| Fund balances | | |
| Restricted | 236,754 | 124,496 |
| Total liabilities and fund balances | \$ 313,817 | \$ 165,726 |

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, 2023 and 2022
(Amounts expressed in thousands)

| | 2023 | 2022 |
|--------------------------------------|------------|------------|
| Revenues: | | |
| Sales tax | \$ 300,134 | \$ 208,607 |
| Investment income | 5,360 | 465 |
| Total revenues | 305,494 | 209,072 |
| Expenditures: | | |
| Transportation subsidies | 28,604 | 20,146 |
| Excess of revenues over expenditures | 276,890 | 188,926 |
| Other financing uses: | | |
| Transfers out | (164,632) | (88,031) |
| Net change in fund balances | 112,258 | 100,895 |
| Fund balances - beginning of year | 124,496 | 23,601 |
| Fund balances - end of year | \$ 236,754 | \$ 124,496 |

See accompanying notes to financial statements.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Notes to Financial Statements
June 30, 2023 and 2022**

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. Disbursements 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, and recorded as expenditures in the STA Fund.

(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, 2023 and 2022, 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.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Notes to Financial Statements
June 30, 2023 and 2022**

(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, 2023 and 2022, the STA Fund had receivables of \$77,927 and \$59,259 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 \$220,753 at June 30, 2023 and \$106,208 at June 30, 2022. 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, 2023 and 2022.

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, 2023 and 2022, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for \$70,050 and \$37,040, respectively, for various unpaid operating and capital subsidies. Due mainly from Enterprise Fund is \$13,022 as of June 30, 2023 and none as of June 30, 2022.

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, 2023 and 2022, the STA Fund transferred \$164,632 and \$88,031 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, 2023 and 2022, the STA Fund received an allocation of \$300,134 and \$208,607, respectively.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Notes to Financial Statements
June 30, 2023 and 2022

6. Payable to Cities and Jurisdictions

As of June 30, 2023 and 2022, the STA Fund had accrued liabilities to various cities and other jurisdictions of \$7,013 and \$4,190, 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, 2023

| | Original Budget | Final Budget | Actual | Variance with Final budget |
|--------------------------------------|----------------------------|---------------------|---------------|---------------------------------------|
| Revenues: | | | | |
| Sales tax | \$ 193,662 | \$ 193,662 | \$ 300,134 | \$ 106,472 |
| Investment income | — | — | 5,360 | 5,360 |
| Total revenues | 193,662 | 193,662 | 305,494 | 111,832 |
| Expenditures: | | | | |
| Transportation subsidies | 31,508 | 31,508 | 28,604 | 2,904 |
| Excess of revenues over expenditures | 162,154 | 162,154 | 276,890 | 114,736 |
| Other financing sources (uses): | | | | |
| Transfers out | (136,025) | (136,025) | (164,632) | (28,607) |
| Net change in fund balances | 26,129 | 26,129 | 112,258 | 86,129 |
| Fund balances – beginning of year | 124,496 | 124,496 | 124,496 | — |
| Fund balances – end of year | \$ 150,625 | \$ 150,625 | \$ 236,754 | \$ 86,129 |

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Schedule of Allocations (Unaudited)
Fiscal years ended June 30, 2023 and 2022
(Amounts expressed in thousands)**

| CCR Code | Operating 6730(a) | Capital 6730(b) | Rail 6730(c) | 2023 Total | 2022 Total |
|---------------------------------------|----------------------|--------------------|------------------|-------------------|-------------------|
| Arcadia | \$ 89 | \$ — | \$ — | \$ 89 | \$ 57 |
| Claremont | 29 | — | — | 29 | 20 |
| Commerce | 82 | — | — | 82 | 65 |
| Culver City | 1,557 | — | — | 1,557 | 875 |
| Foothill Transit | 7,469 | — | — | 7,469 | 4,096 |
| Gardena | 1,428 | — | — | 1,428 | 875 |
| La Mirada | 22 | — | — | 22 | 16 |
| Long Beach | 6,450 | — | — | 6,450 | 3,815 |
| LACMTA | 78,868 | — | 85,344 | 164,211 | 93,926 |
| Montebello | 2,290 | — | — | 2,290 | 1,335 |
| Norwalk | 891 | — | — | 891 | 523 |
| Redondo Beach | 206 | — | — | 206 | 122 |
| Santa Monica | 5,684 | — | — | 5,684 | 3,268 |
| Torrance | 1,848 | — | — | 1,848 | 1,034 |
| Antelope Valley | 780 | — | — | 780 | 450 |
| LADOT | 1,668 | — | — | 1,668 | 884 |
| Santa Clarita | 653 | — | — | 653 | 395 |
| Foothill –BSCP | 361 | — | — | 361 | 189 |
| Total STA fund allocations | \$ 110,375 | \$ — | \$ 85,344 | \$ 195,719 | \$ 111,944 |

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**
Schedule of Expenditures and Transfers (Unaudited)
Fiscal years ended June 30, 2023 and 2022
(Amounts expressed in thousands)

| CCR Code | FY2023 | | | | FY2022 | | | |
|---|----------------------|--------------------|------------------|-------------------|----------------------|--------------------|------------------|-------------------|
| | Operating 6730(a) | Capital 6730(b) | Rail 6730(c) | Total | Operating 6730(a) | Capital 6730(b) | Rail 6730(c) | Total |
| Antelope Valley | \$ — | \$ — | \$ — | \$ — | \$ 2,588 | \$ — | \$ — | \$ 2,588 |
| Arcadia | 121 | — | — | 121 | — | — | — | — |
| Claremont | — | — | — | — | — | — | — | — |
| Commerce | 83 | — | — | 83 | 65 | — | — | 65 |
| Culver City | 1,557 | — | — | 1,557 | 875 | 184 | — | 1,059 |
| Foothill Transit | 7,830 | — | — | 7,830 | 4,285 | — | — | 4,285 |
| Gardena | 1,428 | 16 | — | 1,444 | 871 | 90 | — | 961 |
| La Mirada | 37 | — | — | 37 | — | — | — | — |
| Long Beach | 6,451 | — | — | 6,451 | 3,814 | — | — | 3,814 |
| LACMTA | 78,909 | — | 85,723 | 164,632 | 45,152 | — | 42,879 | 88,031 |
| LADOT | — | — | — | — | — | — | — | — |
| Montebello | 1,385 | 88 | 326 | 1,799 | 2,030 | — | — | 2,030 |
| Norwalk | 891 | — | — | 891 | 523 | — | — | 523 |
| Redondo Beach | 206 | — | — | 206 | 122 | 2 | — | 124 |
| Santa Clarita | 653 | — | — | 653 | 395 | — | — | 395 |
| Santa Monica | 5,684 | — | — | 5,684 | 3,268 | — | — | 3,268 |
| Torrance | 1,848 | — | — | 1,848 | 1,034 | — | — | 1,034 |
| Total expenditures & transfers | \$ 107,083 | \$ 104 | \$ 86,048 | \$ 193,236 | \$ 65,022 | \$ 276 | \$ 42,879 | \$ 108,177 |

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) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2023 and 2022, 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 6, 2023.

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

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



Crowe LLP

Los Angeles, California
December 6, 2023

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Financial Statements and Supplementary Information
June 30, 2023
(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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Auditor's Opinion

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Service Authority for Freeway Emergencies
Los Angeles, California

Opinion

We have audited the financial statements of the governmental activities and the major 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, 2023, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SAFE as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAFE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the 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 schedule of revenues, expenditures, and changes in fund balances – budget and actual 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 schedule of revenues, expenditures, and changes in fund balances – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

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

Crowe LLP

Los Angeles, California
December 6, 2023

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

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

Statement of Net Position

June 30, 2023

(Amounts expressed in thousands)

| | <u>Governmental Activities</u> |
|---|--------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 12,015 |
| Investments | 26,865 |
| Intergovernmental receivable | 1,419 |
| Interest receivable | 77 |
| Total assets | <u>40,376</u> |
| Liabilities: | |
| Accounts payable and accrued expenses | <u>971</u> |
| Total liabilities | <u>971</u> |
| Net position: | |
| Restricted for motorist aid system projects | <u>39,405</u> |
| Total net position | <u>\$ 39,405</u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

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

Statement of Activities

June 30, 2023

(Amounts expressed in thousands)

| | <u>Governmental Activities</u> |
|------------------------------------|--------------------------------|
| Program expenses, net of revenues: | |
| Transit operations: | |
| Congestion relief operations | \$ 5,040 |
| Total program expenses | <u>5,040</u> |
| General revenues: | |
| License fees | 8,126 |
| Investment income | 1,009 |
| Total general revenues | <u>9,135</u> |
| | |
| Change in net position | 4,095 |
| Net position – beginning of year | <u>35,310</u> |
| Net position – end of year | <u><u>\$ 39,405</u></u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

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

Balance Sheet

June 30, 2023

(Amounts expressed in thousands)

| | <u>Special Revenue Fund</u> |
|---|-----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 12,015 |
| Investments | 26,865 |
| Intergovernmental receivable | 1,419 |
| Interest receivable | 77 |
| Total assets | <u>\$ 40,376</u> |
| | |
| Liabilities: | |
| Accounts payable and accrued liabilities | <u>971</u> |
| | |
| Fund balance: | |
| Restricted for motorist aid system projects | <u>39,405</u> |
| Total liabilities and fund balance | <u><u>\$ 40,376</u></u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 June 30, 2023

| | Special Revenue Fund |
|--|-----------------------------|
| Revenues: | |
| License fees | \$ 8,126 |
| Investment income | 1,009 |
| Total revenues | 9,135 |
| Expenditures: | |
| Administration and other transportation projects | 5,040 |
| Total expenditures | 5,040 |
| Net change in fund balance | 4,095 |
| Fund balance – beginning of year | 35,310 |
| Fund balance – end of year | \$ 39,405 |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2023

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

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

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

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

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

(b) *Operations*

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

(c) *Government-wide Financial Statements*

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

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Notes to the Basic Financial Statements

June 30, 2023

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

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

(d) Fund Accounting

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

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

(e) Fund Balance and Net Position

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

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

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

Notes to the Basic Financial Statements

June 30, 2023

(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, 2023, SAFE has a receivable for license fees of \$1,419.

(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, 2023.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Notes to the Basic Financial Statements
 June 30, 2023

(2) Cash and Investments

The following is a breakdown of SAFE’s cash and investments as of June 30, 2023.

| | | |
|------------------------------------|----|--------|
| LACMTA investment pool | \$ | 38,181 |
| Los Angeles County investment pool | | 699 |
| Total | \$ | 38,880 |

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, 2023. 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, 2023. 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.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

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

Notes to the Basic Financial Statements

June 30, 2023

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, 2023, 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, 2023, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2023

(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 \$1,929 of outstanding contractual commitments as of June 30, 2023 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, 2023
(Amounts expressed in thousands)

| | Original Budget* | Final Budget* | Actual | Variance with Final Budget |
|--|-----------------------------|--------------------------|------------------|---|
| Revenues: | | | | |
| License fees | \$ 8,038 | \$ 8,038 | \$ 8,126 | \$ 88 |
| Investment income | 50 | 50 | 1,087 | 1,037 |
| Net decline in fair value of investments | — | — | (78) | (78) |
| Total revenues | 8,088 | 8,088 | 9,135 | 1,047 |
| Expenditures: | | | | |
| Administration and other transportation projects | 8,403 | 8,403 | 5,040 | 3,363 |
| Total expenditures | 8,403 | 8,403 | 5,040 | 3,363 |
| Net change in fund balance | (315) | (315) | 4,095 | 4,410 |
| Fund balances – beginning of year | 35,310 | 35,310 | 35,310 | — |
| Fund balances – end of year | \$ 34,995 | \$ 34,995 | \$ 39,405 | \$ 4,410 |

*Budget prepared in accordance with GAAP.

Independent Auditor on Compliance

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
Service Authority for Freeway Emergencies
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 major 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, 2023, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 6, 2023.

Report on 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE's internal control.

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

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

Report on 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.

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

Crowe LLP

Los Angeles, California
December 6, 2023

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
LOW CARBON TRANSIT OPERATIONS PROGRAM
COMPLIANCE REPORT**

Fiscal year ended June 30, 2023

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 for the Low Carbon Transit Operations Program Guidelines

Opinion on the Low Carbon Transit Operations Program Guidelines

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit 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, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the LCTOP program for the year ended June 30, 2023.

Basis for Opinion on the Low Carbon Transit Operations Program Guidelines

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the LCTOP program.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the LCTOP Guidelines, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

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

Crowe LLP

Los Angeles, California
December 22, 2023



Los Angeles County Metropolitan Transportation Authority

FY2023 Annual Financial and Compliance Audits

Finance, Budget and Audit Committee

March 20, 2024

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 | • None |
| New Accounting Pronouncements | • GASB 91 – Conduit Debt Obligations; GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements; GASB 96 – Subscription Based Information Technology Arrangements |
| Corrected Misstatements | • None |
| Uncorrected Misstatements | • Two passed adjustments – total net position understated by \$43M * |

* One passed adjustment is related to not recording LCFS credits at their estimated fair value. As a result, approximately \$43M will be recognized when the credits are sold. The second passed adjustment is related to RTAP cash and accounts payable that should be reported in the fiduciary fund instead of the enterprise fund. As a result, the enterprise fund net position should be approximately \$6M lower and the fiduciary fund net position should be \$6M higher.

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



Thank You

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