



Board Report

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Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE APRIL 19, 2017

SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the **Los Angeles County Metropolitan Transportation Authority's (LACMTA) basic financial statements and component financial statement audits** completed by Crowe Horwath LLP (Crowe) for the fiscal year ended June 30, 2016.

ISSUE

LACMTA is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and component audits for the year ended June 30, 2016:

- Independent Auditors' Report on the LACMTA's basic financial statements which include the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of LACMTA for the year ended June 30, 2016;
- Independent auditors' SAS 114 letter covering required audit communications;
- LACMTA Single Audit Report Fiscal year ended June 30, 2016 which include:
 - Independent Auditors' 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*; and
 - Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance;
- Independent Accountants' Report on Applying Agreed-Upon Procedures on the LACMTA's Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2016;
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6667) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on 50% Expenditure Limitation Schedule for the LACMTA Transportation Development Act Operations Agency for the year ended June 30, 2016;

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6640-6662) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for the LACMTA Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
- Independent Auditors' Report on the LACMTA State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2016 and 2015;
- Independent Auditors' Report on the Crenshaw Project Corporation (A Component Unit of LACMTA) basic financial statements as of June 30, 2016;
- Independent Auditors' Report on the Service Authority for Freeway Emergencies' (A Component Unit of LACMTA) financial statements for the years ending June 30, 2016 and 2015; 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 LACMTA's compliance with the LCTOP Guidelines for the year ended June 30, 2016.

DISCUSSION

The basic financial statements include our audited financial statements, supplemental information and an unmodified opinion from Crowe, the independent auditor. Crowe issued an unmodified opinion on all audit reports. There were no findings identified on any of the audit reports.

Due to the considerable size of the document, we have not attached the basic financial statements. Instead, as a savings measure a hard copy of the Basic Financial Statements is on file with the Board Secretary and is also available on the Metro website.

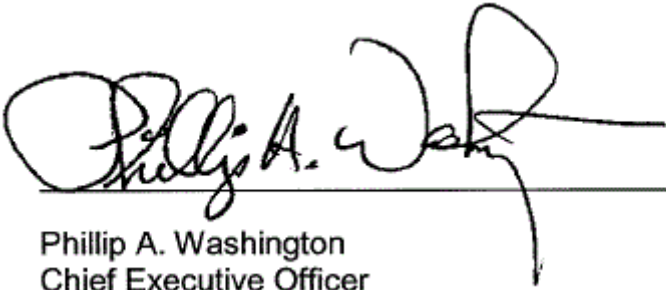
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ATTACHMENT(S)

- A. Independent auditors' SAS 114 letter;
- B. Single Audit Reports for the fiscal year ended June 30, 2016;
- C. Federal Funding Allocation Data Transportation Operating Agency for the fiscal year ended June 30, 2016;
- D. Transportation Development Act Operations Agency Year ended June 30, 2016;
- E. Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
- F. State Transit Assistance Special Revenue Fund Basic Financial Statements June 30, 2016 and 2015;
- G. Crenshaw Project Corporation Financial Statements for the year ended June 30, 2016;
- H. Service Authority for Freeway Emergencies Financial Statements and Other Supplementary Information June 30, 2016 and 2015;
- I. Independent Auditor's Report on compliance with the Low Carbon Transit Operations Program (LCTOP) for the year ended June 30, 2016

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

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer

The 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 Los Angeles County Metropolitan Transportation Authority (LACMTA) for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of LACMTA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the agency 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 agency's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.
- Matters relative to the use of other auditors/other accountants during the audit:
 - An overview of the type of work to be performed by other auditors/other accountants.
 - The basis for the decision to make reference to the audit of the other auditor in our report on the agency'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: The Board of Directors should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board of Directors 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 the Board of Directors about such matters. To assist the Board of Directors in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.	Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.
GASB Statement No. 72, Fair Value Measurement and Application. This Statement defines fair value, provides guidance on different valuation approaches, establishes a hierarchy of inputs used to measure fair value, and requires additional disclosures to be made about fair value measurements.	Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.

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

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

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.
Useful Lives of Capital Assets	Management has determined the economic useful lives of capital assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to LACMTA.	We tested the propriety of information underlying management's estimates.
Loss Contingencies	LACMTA consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management's evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from LACMTA's legal counsel regarding this matter and discussions with management, we concur with management's determination that the loss contingency associated with the Kiewit case met conditions for accrual of being both probable and estimable, and, thus, the accrual was recorded and specific disclosures included.
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.
Accrued Compensated Absences	Accrued compensated absences are estimated based on vacation and sick hours accumulated by each employee and the respective pay rate of each employee.	We tested the propriety of information underlying management's estimates.
Self-Insurance Liability	Management has determined this liability based on the estimated loss of known claims as well as an estimate of incurred but not reported claims based on historical claims data.	We tested the propriety of information underlying management's estimates.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

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

- The appropriateness of the accounting policies to the particular circumstances of the agency, considering the need to balance the cost of providing information with the likely benefit to users of the agency's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the agency's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

- There were no such misstatements

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

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

- A likely misstatement was waived by management to accrue for a legal settlement to Tutor-Saliba-Perini on the Enterprise Fund. Based on the information from LACTMA's legal counsel, the circumstances surrounding the case met the conditions for accrual of being both probable and estimable. As a result of waiving the entry, legal expense and accrued expenses are understated by \$21.5 million.
- LACMTA has two long term notes receivables attributable to governmental funds (A \$44.9 million note on the Proposition A Fund and a \$4.0 million note on the General Fund). The proper treatment of these notes receivables is to exclude the balances from the governmental fund balance sheet, as they do not represent assets available in the current period. They should, however, be recorded on the government-wide statement of net position and included as a reconciling item between the balance sheet and statement of net position.

We noted that the Proposition A notes receivable balance is properly excluded from the governmental fund balance sheet but improperly excluded from the government-wide statement of net position. The General Fund notes receivable balances have been improperly included in the governmental fund balance sheet but properly included in the government-wide statement of net position.

Management chose to waive these known misstatements, and as a result, the notes receivable and unrestricted net position on the government-wide statement of net position is understated by \$44.9 million. On the governmental fund balance sheet, the General Fund notes receivable and unrestricted net position is overstated by \$4.0 million.

- 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. Thus, the revenue from the sales of these credits should be recorded on the Enterprise Fund. However, management has recorded the revenue on the General Fund to provide greater visibility to the revenue being generated.

The first known waived adjustment is to reverse the revenue recorded from the sale of credits in FY 2016 in the General Fund and present it as an operating transfer from the Enterprise Fund in the amount of \$19.6 million. The second waived adjustment records the \$19.6 million of revenue on the Enterprise Fund and the transfer of the funds to the General Fund in operating transfers out.

In addition to reclassifying the revenue between LACMTA's funds, we also noted that the number of credits held as of the reporting date, multiplied by their estimated fair value, should be recorded as an asset based on the GASB's definition of an asset. This resulted in a likely misstatement that understated Enterprise Fund assets by approximately \$32.7 million, understated revenue by approximately \$18.7 million, and understated net position by approximately \$14.0 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2015, which was immaterial to the FY 2015 financial statements.

- A known misstatement to properly defer revenue relating to receivables not collected within 90 days was waived by management. As a result, Proposition C deferred revenues are understated and revenues are overstated by \$2.9 million.
- A known misstatement was waived by management to reverse fiscal year 2015 revenue on the LCTOP fund recorded in fiscal year 2016. The revenue was recorded as advances payable on the Enterprise Fund in FY 2015 and moved to revenue on the LCTOP fund (presented in the Aggregate Remaining fund) in FY 2016. Revenue was overstated and fund balance was understated by \$5.9 million as a result of waived the adjustment.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information In Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We read the following items and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof.</p> <ul style="list-style-type: none"> • Comprehensive Annual Financial Report
<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>

Communication Item	Results
<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>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>
<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>We have previously communicated to management the internal control deficiencies that we have identified during our audit. We have communicated to you that no material weaknesses were identified in a separate letter.</p>
<p>Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with LACMTA's related parties.</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 from 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 the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016

WAIVED ENTRY SCHEDULE
June 30, 2016

Fund Name	Account Name	Debit	Credit	Increase (Decrease)				
				Assets	Liabilities	Net Position / Fund Balance	Revenue	Expense
1 Enterprise Fund	Legal expense	21,517,220						
	Accrued expenses		21,517,220		21,517,220			21,517,220
2 Proposition A	Notes receivable	44,895,984		44,895,984				
	Reconciling item between government-wide and fund FS		44,895,984					
General Fund	Reconciling item between government-wide and fund FS	4,000,000						
	Notes receivable		4,000,000	(4,000,000)				
3 General Fund	Other revenue	19,575,000					(19,575,000)	
	Operating transfers in		19,575,000				19,575,000	
Enterprise Fund	Operating transfers out	19,575,000					(19,575,000)	
	Other revenue		19,575,000				19,575,000	
Enterprise Fund	LCFS asset	32,706,000		32,706,000				
	Other revenue		18,692,000				18,692,000	
	Net position		14,014,000			14,014,000		
4 Proposition C	Revenue	2,922,517					(2,922,517)	
	Deferred revenue		2,922,517		2,922,517			
5 LCTOP (Aggregate Remaining)	Other revenue	5,897,391					(5,897,391)	
	Operating transfers in		5,897,391			5,897,391		



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Year ended June 30, 2016

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Year ended June 30, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2016, 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 16, 2016. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2016. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LACMTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Each Major Federal Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 16, 2016, 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 Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2016**

Total expended under federal/state/local for the fiscal year ended June 30, 2016

Federal Grantor/Cluster Title/Program Title/Pass-through Grantor/Project Title	CFDA Number	Grant Number	Total Award	Total	Federal Share	Federal Share passed through to subrecipients	State Share	Local Share
Federal Grants								
U.S. Department of Transportation								
Passed through the State of California Department of Transportation:								
Highway Planning and Construction Cluster								
Highway Planning and Construction								
1405 CAR Pool Lane	20.205	07-4826	\$1,143,347,625	\$ 137,196,291	\$ 30,274,096	\$ -	\$ -	\$ 106,922,195
Pedestrian and Pedestrian Mobility	20.205	CA-15-X005	800,000	285,760	285,760	285,760	-	-
Burbank Airport	20.205	07-4U6524	4,387,000	2,606,007	82,327	82,327	-	2,523,680
Extension of Transit way on 1-110 to Downtown LA	20.205	EA 07-278008	6,272,631	1,367,554	607,802	-	-	759,752
Active Transportation Education Program	20.205	CMLN 6065 (190)	4,000,000	1,343,285	-	-	-	1,600,531
Safe Routes to School	20.205	SRTSNL 6065(178)	500,000	659,819	274,711	-	-	385,108
Orange Line High Speed Magnetic Levitation trains	20.205	HFLUL-6065(156)	251,972	41,934	37,026	37,026	-	4,908
Highway Planning and Construction Cluster Total			1,159,559,228	145,101,181	32,905,007	405,113	-	112,195,174
Direct Programs:								
Federal Transit Cluster								
Federal Transit Capital Improvement Grants								
Metro Rapid System Gap Closure	20.500	CA-03-0796	16,700,000	3,693,807	2,400,974	-	-	1,292,832
Red/pass enhan & 22' alt. Fuel bus	20.500	CA-03-0783	1,214,721	16,986	13,565	13,565	-	3,391
Westside Purple Line Ext. Sec. 1 - FFCA	20.500	CA-2016-017	100,000,000	294,827,535	100,000,000	-	-	194,827,535
Wilshire Blvd. Bus Only Lane	20.500	CA-03-0815	23,317,000	4,390,490	2,757,919	2,757,919	-	1,632,571
Regional Connection Transit Corridor Construction	20.500	CA-03-0825	165,000,000	149,407,797	80,971,963	-	26,478,941	41,956,893
Regional Connection Transit Corridor Construction	20.500	CA-2016-046	100,000,000	4,018,715	2,936,848	-	996,166	85,701
Westside Purple Line Ext. - Section 1	20.500	CA-03-0824	100,000,000	-	100,000,000	-	-	(100,000,000)
Crenshaw - Prairie Transit Corridor	20.500	CA-04-0034	8,563,010	445,218	445,218	-	-	(1,168,667)
Passenger and Pedestrian Enhancements	20.500	CA-04-0067	2,502,232	616,290	493,032	493,032	-	123,258
Phg Engineering of Transit Centers	20.500	CA-04-0084	7,131,578	3,387,746	2,710,197	2,710,197	-	677,549
Southern California 511V/TCLJ	20.500	CA-04-0230	2,000,000	672,528	538,022	-	-	134,506
Pasadenas Plaza Bus way Station	20.500	CA-04-0233	9,679,000	4,233,051	3,386,441	-	-	846,610
Metro Orange Line Bus Enhancement	20.500	CA-04-0261	10,000,000	4,525,521	3,628,471	-	-	897,050
Federal Transit Capital Improvement Grants Total			546,107,541	469,066,957	300,282,651	5,974,713	27,475,106	141,309,229
Federal Transit Formula Grants								
Subgrantee Vehicles/Transit facilities	20.507	CA-90-Y114	5,985,469	29,208	23,366	23,366	-	5,842
Preventive Maintenance - FY15	20.507	CA-90-Z054	312,668,288	189,587,378	151,669,902	-	-	37,917,476
Metro Rapid Bus Stations/Signal Priority	20.507	CA-90-Y261	28,919,529	1,758,022	1,758,022	-	-	-
FY05 Transit Enhancements	20.507	CA-90-Y454	516,210	15,000	11,012	-	-	3,989
Metro Rapid Bus Program	20.507	CA-90-Y457	11,081,700	285,290	285,290	-	-	-
Transit Enhancement FY2005 funds	20.507	CA-90-Y685	854,520	160,350	128,280	-	-	32,070
Preventive Maintenance - Operation & Capital - FY 14 PM	20.507	CA-90-Y717	480,395,145	(417)	(334)	-	-	(83)
45-Ft Composite Buses and Transit Enhancements - Capital	20.507	CA-95-X099	400,000	347,877	278,302	-	-	69,575
LA CRD Operating Assistance - Vanpool	20.507	CA-95-X099	8,013,440	19,689	19,689	-	-	-
Light Rail Vehicle Acquisition	20.507	CA-95-X127	41,786,160	17,076,894	11,634,380	-	91,437	5,351,077
Pass / Ped. Enhancements and Improvements	20.507	CA-95-X227	2,996,000	596,281	477,025	477,025	-	119,256
Light Rail Vehicle Acquisition	20.507	CA-95-X246	120,872,000	8,992,447	8,992,447	-	-	(11,428,991)
Exposition Blvd. Right-of-Way Bike Path	20.507	CA-95-X214	11,528,000	2,254,957	1,045,409	-	-	1,209,548
Replacement Buses	20.507	CA-95-X245	1,839,600	3,900	2,847	2,847	-	1,053
Acquisition of Buses	20.507	CA-2016-011-01	46,113,344	55,473,053	46,113,344	-	-	9,359,709
Metro Orange Line Bus Enhancement	20.507	CA-2016-011-02	3,299,729	4,259,099	3,299,729	-	-	959,370
Preventive Maintenance - FY16	20.507	CA-2016-011-03	109,975,245	137,469,057	109,975,245	-	-	27,493,812
Westside Purple Line Extension - Section 1	20.507	CA-95-X264	12,171,000	21,109,533	12,171,000	-	-	8,938,533
Regional Connection Transit Corridor Construction	20.507	CA-95-X251	64,000,000	20,087,042	17,783,059	-	2,285,632	18,352
Crenshaw/Lax Transit Corridor	20.507	CA-95-X286	82,213,840	27,109,454	24,000,000	-	-	3,109,454
Airport Metro Connector and Crenshaw / LAX A accommodation	20.507	CA-2016-062-00	33,200,000	744,764	744,764	-	-	-
LA Metro FY 16 Rail Preventive Maintenance - Growing State Funds	20.507	CA-2016-024-01	8,012,101	10,015,126	8,012,101	-	-	2,003,025
Metro Gold Line Foothill Extension Operating Assistance	20.507	CA-2016-029-01	20,000,000	1,949,498	1,559,598	-	-	389,900
Metro EXPO Line Phase I Operating Assistance	20.507	CA-2016-029-03	20,000,000	544,429	435,543	-	-	106,886

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2016

Bus replacement(141), Overhaul(290), Meiro Blue Line Transit Provider - ARRA	20.507	CA-96-X012	224,263,474 1,651,104,794	488,492,759	33,820	33,820	503,238	2,377,069	-	85,661,851
Federal Transit Formula Grants Total										
State of Good Repair Grants Program										
Preventive Maintenance - FY 15 PM Rail	20.525	CA-54-0032	48,868,211	61,085,264	48,868,211	-	-	-	-	12,217,053
Preventive Maintenance - FY 15 PM Rail	20.525	CA-54-0037	26,414,989	33,018,736	26,414,989	-	-	-	-	6,603,747
LA Metro FY 16 Rail Preventive Maintenance - SGR High Intensity Motorbus Funds	20.525	CA-2016-024-02	10,240,619	12,800,774	10,240,619	-	-	-	-	2,560,155
LA Metro FY 16 Rail Preventive Maintenance - SGR Fixed Guideway ay Funds	20.525	CA-2016-024-03	66,073,366	82,591,708	66,073,366	-	-	-	-	16,518,342
State of Good Repair Grants Program Total			151,597,185	189,496,482	151,597,185	-	-	-	-	37,899,297
Bus and Bus Facilities Formula Program										
Acquisition of Buses	20.526	CA-2016-011-01	68,881,180	100,716,203	68,881,180	-	-	-	-	31,835,023
Federal Transit Cluster Total			2,417,690,700	1,247,772,431	921,214,854	6,477,951	29,852,175	296,705,401		
Transit Service Cluster										
Enhance Mobility of Seniors and Disabilities	20.513	CA-16-0063	693,120	241,780	241,780	-	-	-	-	-
Job Access and Reverse Commute Program										
L A County Job Access and Reverse Commute Program.										
Administration, FY 06-12	20.516	CA-37-X071	5,032,849	208,293	208,293	-	-	-	-	-
Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	1,830,211	1,152,439	1,152,439	-	-	-	677,772
Job Access and Reverse Commute - Capital/Operating Assis.	20.516	CA-37-X123	13,878,024	146,298	116,378	116,378	-	-	-	29,920
LA County Job Access and Program Project - Capital/Operating Assis.	20.516	CA-37-X171	7,711,637	338,800	338,800	-	-	-	-	-
Job Access and Reverse Commute Program Total			36,966,391	2,523,601	1,815,909	1,607,617	-	-	-	707,692
New Freedom Program										
New Freedom - Program Adm, FY 06-12	20.521	CA-57-X003	2,152,346	236,486	236,486	-	-	-	-	-
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X048	1,755,553	308,910	154,455	154,455	-	-	-	154,455
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X084	8,702,026	1,155,623	1,155,623	-	-	-	-	-
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X100	7,354,678	533,155	279,085	279,085	-	-	-	254,070
New Freedom Program Total			19,964,603	2,234,183	1,825,659	1,589,163	-	-	-	408,525
Transit Services Cluster Total			57,624,114	4,999,564	3,883,348	3,196,779	-	-	-	1,116,216
Clean Fuels - ONG Fueling Facility at Division 13	20.519	CA-58-0006	5,500,000	375,985	153,516	-	114,112	-	-	108,357
State and Community Highway Safety										
Countywide Bicycle Education Safety	20.600	PS1512	223,950	157,575	88,984	-	-	-	-	68,591
The Office of Traffic Safety	20.600	PS1624	550,000	299,408	299,408	-	-	-	-	-
State and Community Highway Program Total			773,950	456,983	388,392	-	-	-	-	68,591
Eastside Access Improvements	20.933	CA-79-0005	11,800,000	189,350	132,998	-	-	-	-	56,352
U.S. Department of Transportation Total			3,652,947,992	1,398,895,494	958,678,115	10,079,843	29,966,287	410,251,092		
U.S. Department of Homeland Security:										
Direct Programs:										
Rail and Transit Security Program										
Transit Security Grant Program	97.075	EMW-2011-RA-00011-S01	5,744,329	1,449,781	1,449,781	-	-	-	-	-
Transit Security Grant Program	97.075	EMW-2014-RA-00003	6,285,096	693,617	693,617	-	-	-	-	-
Transit Security Grant Program	97.075	EMW-2015-RA-00001	6,521,328	1,102,814	1,102,814	-	-	-	-	-
Transit Security Grant Program	97.075	EMW-2013-RA-00043-S01	7,050,010	2,810,569	2,810,569	-	-	-	-	-
U.S. Department of Homeland Security Total			25,600,763	6,056,781	6,056,781	-	-	-	-	-
Total Federal Grants			\$3,678,548,755	\$1,404,952,275	\$ 964,734,896	\$ 10,079,843	\$ 29,966,287	\$ 410,251,092		

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year ended June 30, 2016

State Grants	\$	\$	\$	\$	\$	\$	\$	\$
Prop 1B Security - FY 08-09	16,103,000	6,214,663	-	-	-	6,214,663	-	-
Prop 1B Security - FY 09-10	16,103,043	1,041,032	-	-	-	1,041,032	-	-
Prop 1B Security - FY 10-11	16,103,043	1,550,513	-	-	-	1,550,513	-	-
Metro Greening Plan (U59207-0)	530,000	241,844	-	-	-	179,252	62,593	-
Strategic Growth Council/Department of Conservation-Sustainable Communities Planning Grant	3,098,000	890,652	-	-	-	207,010	683,642	-
STIP PFM (State Transportation Improvement Program - Planning, Programming & Monitoring Program)	3,098,000	4,367,925	-	-	-	1,846,610	2,521,315	-
Alternative & Renewable Fuel & Vehicle Technology Program	492,000	110,949	-	-	-	55,475	55,475	-
Sustainable South Bay Transportation and Land Use Implementation Framework	865,048	113,202	-	-	-	101,712	11,490	-
LACMTA Division 4 Maintenance Facility (14-440-550)	752,000	206,445	-	-	-	13,851	192,594	-
Proposition 1B Intercity Rail (ICR) Raymer to Bernson Double Track Project	6,500,000	1,306,327	-	-	-	1,206,554	99,773	-
Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project	4,000,000	1,185,873	-	-	-	1,021,365	164,508	-
Metro Greening Plan (U59207-0)	135,983,130	91,934,526	-	-	-	67,999,068	23,935,458	-
Construction of Division 13 - Bus Operations and Maintenance Facility	47,772,000	6,962,140	-	-	-	2,771,643	4,190,497	-
Total State Grants	<u>\$ 251,419,264</u>	<u>\$ 116,126,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,208,748</u>	<u>\$ 31,917,345</u>	<u>\$ -</u>

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2016

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.

NOTE 6 – COMMINGLED ASSISTANCE

The LACMTA receives federal and state funding as a subrecipient through the State of California's Department of Transportation (Caltrans). The expenditures reported in the accompanying Schedule for CFDA 20.205, U.S. Department of Transportation – Highway Planning and Construction (grant #07-4826), represent commingled federal and state funding received from Caltrans. The sources of funding passed through Caltrans include state funding from the Traffic Congestion Relief Program (TCRP) and the State Transportation Program - Local (STPL) and Federal funding from the Federal Regional Surface Transportation Program (RSTP) and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA - LU). The program also includes Local Proposition C-25% funding provided by LACMTA. When the sources of funding from Caltrans are not separately identifiable, LACMTA's policy is to report amounts expended under the program first as federal expenditures up to the approved budgeted amount and then the remaining expenditures will be reported as state expenditures.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

CFDA 20.500 / 20.507 / 20.525 / 20.526 – Federal Transit Cluster

Dollar threshold used to distinguish type A and B programs:

 \$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

Finding 2015-001 – OPEB Benefits and Plan Provisions (Significant Deficiency)

Condition: Management determined that certain benefit provisions were not included in the actuarial calculation used to measure the Net OPEB Obligation liability on LACMTA's statement of net position. Management discovered that lifetime benefits for ATU employees were not reflected in the previous valuations of the net OPEB obligation. With the addition of the OPEB lifetime benefit provision, the calculation of the prior Annual Required Contributions were understated and resulted in the Net OPEB Obligation liability being understated. This benefit plan provision did not affect any of the other LACMTA OPEB plans.

Status: Resolved



**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, 2016

Independent Accountant's Report
on Applying Agreed Upon Procedures

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

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

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

We have applied the procedures, as described in Attachment A, to the data contained in the accompanying FFA-10 for the fiscal year ending June 30, 2016. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2016 Policy Manual* and were agreed to by the Authority, were applied to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this part and that the information included in the NTD report FFA-10 for the fiscal year ending June 30, 2016 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2016 Policy Manual*. The Authority's management is responsible for the FFA-10 and compliance with NTD requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose. This report is intended solely for your information and for FTA and should not be used by those who did not participate in determining the procedures.


The procedures in Attachment A were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the Authority for the fiscal year ending June 30, 2016 for each of the following modes:

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

The agreed upon procedures are substantially less in scope than an examination, the objective of which is an expression of an opinion on the FFA-10 form. Accordingly, we do not express such an opinion. Also, we do not express an opinion on the Authority's system of internal control taken as a whole.

In performing the procedures, except for the information and findings identified in Attachment A to this report, no matters came to our attention that would be required to be reported to you regarding the information included in the NTD report on the FFA-10 Form for the fiscal year ending June 30, 2016. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above, and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report other than the FFA-10 form, for any date or period.

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



Crowe Horwath LLP

Sherman Oaks, California
October 31, 2016

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2016

FTA Suggested Procedures:

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2016 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

Step performed without exception.

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2016 Policy Manual.

Step performed without exception.

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

Step performed without exception.

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

Selected source documents from three different months in fiscal years 2015, 2014, and 2013 (9/12/2012, 3/18/2013, 5/25/2013, 8/21/2013, 2/13/2014, 4/8/2014, 10/13/2014, 1/8/2015, 6/7/2015) to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.

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

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

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

Selected a random sample of 110 source documents, noting the required approval on all source documents. Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2016

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

We obtained the worksheets and agreed the data on the worksheets to the summaries provided and verified the arithmetical accuracy of the summaries without exception.

- 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 2016 Policy Manual.

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

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
 - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - c. Service purchased from a seller is included in the transit agency's NTD report.
 - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2016) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
 - e. Determine how the transit agency estimated annual PMT for the current report year.

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

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

Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
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ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2016

- k. Select a random 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 random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

Selected a random sample of 114 source documents from all twelve months in fiscal year 2016, used for accumulating passenger miles traveled (PMT) data and determined they were complete and mathematically accurate. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.

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

Step performed without exception.

- m. For actual vehicle revenue miles (VRM) data, document the collection and recording methodology and identify that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random 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 random 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 random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, the Authority uses monthly services reports and daily loss service records to record any missed trips. Selected a haphazard sample of 24 source documents 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.

Step performed without exception.

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

Step performed without exception.

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

Per inquiry of management, new FG segments were added in fiscal year 2016 for the Expo Line Santa Monica extension and Gold Line Foothill extension. Re-computed the average monthly DRM's 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.

Per inquiry of management there were no interruptions in service during fiscal year 2016 that would require a change in reporting.

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

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

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

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

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2016 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 2016 report year, the Agency Revenue Service Date must occur within the transit agency's 2016 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.

Per inquiry of management, new FG segments were added in fiscal year 2016 for the Expo Line Santa Monica extension and Gold Line Foothill extension.

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

Step performed without exception.

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

We agreed the fare revenue for the vanpool and motor bus PT without exception.

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

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

LOS ANGELES COUNTY METROPOLITAN
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ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2016

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

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

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

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

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

We compared and agreed the data reported on the Federal Funding Allocation Statistics form (Form FFA-10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. For any current year data that increased or decreased by more than 10%, we inquired to the Authority and documented the explanations for the variances.

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

Step performed without exception.



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

**50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND REPORT ON 50%
EXPENDITURE LIMITATION SCHEDULE**

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

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 the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, including applicable provisions of the Transportation Development Act, including Public Utility Code Section 99245 as enacted and amended by statute through June 30, 2016, 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LACMTA'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 LACMTA's internal control and compliance. Accordingly, this communication 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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 16, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 50% expenditure limitation schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 50% expenditure limitation schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
50% LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Amounts expressed in thousands)

1	Total operating cost	\$	1,562,985
2	Total capital requirements		1,577,250
3	Total debt service		323,906
4	Total of lines 1, 2, and 3		<u>3,464,141</u>
5	Less federal grant received		621,966
6	Less State Transit Assistance (STA) funds received		92,509
7	Total of lines 5 and 6		<u>714,475</u>
8	Total of line 4 less line 7		2,749,666
	50% of line 8		1,374,833
	Total permissible Local Transportation Fund expenditures	\$	<u><u>1,374,833</u></u>

See accompanying independent auditor's report on internal control over financial reporting and on compliance with the California Code of Regulations (Section 6667) and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.



**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY**

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2016

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY**

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ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS 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 Internal Control over Financial Reporting and on Compliance and Other Matters

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 the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 16, 2016. These financial statements include LACMTA's Transportation Development Act Special Revenue Fund (TDA Fund) and the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA Fund), which were audited as major governmental funds.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's TDA Fund and PTMISEA Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the California Code of Regulations (Sections 6640-6662), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LACMTA'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 LACMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LACMTA as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 16, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balances is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Amounts expressed in thousands)**

	Transportation Development Act			
	<u>Planning</u>	<u>Administration</u>	<u>Total</u>	<u>PTMISEA</u>
Revenues:				
Local grants and contracts	\$ 4,896	\$ 3,604	\$ 8,500	\$ —
Investment income	—	—	—	147
Net decline in fair value of investments	—	—	—	(13)
Total revenues	4,896	3,604	8,500	134
Expenditures:				
Excess of revenues over expenditures	4,896	3,604	8,500	—
Excess of revenues over expenditures	—	—	—	134
Other financing uses:				
Transfers out	—	—	—	(68,612)
Total other financing uses	—	—	—	(68,612)
Net change in fund balances	—	—	—	(68,478)
Fund balances – beginning of year	—	—	—	82,385
Fund balances – end of year	\$ —	\$ —	\$ —	\$ 13,907

See notes to schedule of revenues, expenditures, and changes in fund balances and independent auditor's report on internal control over financial reporting and on compliance with the California Code of Regulations (Sections 6640 - 6662) and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(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 RTP and RTIP are directed to achieve a coordinated and balanced regional transportation system for the counties in its jurisdiction. LACMTA is also the administrator of the Local Transportation Fund (LTF) under provisions of Section 9532 of the Code.

The LTF was created by the Transportation Development Act (TDA) to fund transit projects in each county with California revenues since the LTF is derived from retail sales taxes collected statewide by the State Board of Equalization and returned to individual counties according to the amount collected within that county. Los Angeles County sales tax receipts are deposited with 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.

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.

(2) **Prop 1B PTMISEA**

The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) was created by the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.9 billion available to transportation, \$3.6 billion was allocated to PTMISEA to be available to transit operators over a ten-year period. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, and rolling stock (buses and rail cars) procurement and rehabilitation or replacement. Funds in this account are appropriated annually by the Legislature to the State Controller's Office (SCO) for allocation in accordance with Public Utilities Code formula distributions: 50% allocated to Local Operators based on fare box revenue and 50% to Regional Entities based on population.

Basis of Accounting

The PTMISEA 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.

Crenshaw Project Corporation

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

Financial Statements

For the Fiscal Year Ended June 30, 2016

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Financial Statements
For the Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Crenshaw Project Corporation (CPC), a component unit of the Los Angeles County Metropolitan Transportation Authority, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CPC, as of June 30, 2016, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of the CPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CPC's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
October 10, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Crenshaw Project Corporation (CPC) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Sherman Oaks, California
October 10, 2016

Crowe Horwath LLP

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

As management of the Crenshaw Project Corporation (CPC), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the CPC for the fiscal year ended June 30, 2016. . This discussion and analysis is designed to assist the readers in focusing on the significant financial issues and activities of the CPC.

We encourage the readers to consider the information presented herein in conjunction with the financial statements beginning on page 7. The financial statements, the notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

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

Background

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

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

Financial Highlights

- In September, 2012, the CPC secured a \$545,900 TIFIA loan from the USDOT to partially finance the Project. The loan under the TIFIA program is secured by Measure R sales tax revenues allocated to the Project. The CPC has drawn down \$480,064 of the TIFIA loan as of June 30, 2016.
- Total assets of \$487,700 represent advances to LACMTA and total liabilities of \$487,700 represent the loans payable to TIFIA. Therefore, there is no net position as of June 30, 2016.
- Total expenses of \$49 consisted mostly of loan fees and other charges, which were reimbursed by LACMTA.
- In fiscal year 2016, total drawdown from TIFIA loan amounted to \$442,587. As of June 30, 2016, \$998.8 million has been expended on the Project and it is recorded in LACMTA's Comprehensive Annual Financial Report (CAFR) under the capital assets section of the statement of net position of the Enterprise fund.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

Overview of the Basic Financial Statements

This management's discussion and analysis serves as an introduction to the CPC's basic financial statements. The CPC's basic financial statements are: 1) the statement of net position, 2) the statement of revenues, expenses, and changes in fund net position, 3) the statement of cash flows, and 4) the notes to the financial statements.

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

The statement of net position presents information on all of the CPC's assets and liabilities, with the difference between the two is reported as net position. The statement of revenues, expenses, and changes in fund net position presents the results of the CPC's operations. The statement of cash flows presents the cash flows generated by the CPC to meet its obligations. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Presented below are the condensed statement of net position and condensed statement of revenues, expenses, and changes in fund net position as of and for the year ended June 30, 2016.

Condensed Statement of Net Position	
Non-current assets	\$ 487,700
Total assets	487,700
Non-current liabilities	487,700
Total liabilities	487,700
Net position	\$ -
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position	
Revenues	\$ 49
Expenses	49
Change in net position	-
Net position – beginning of year	-
Net position – end of year	\$ -

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Net Position
June 30, 2016
(Amounts expressed in thousands)

Assets

Non-current assets	
Due from LACMTA	\$ 487,700

Total assets	<u>\$ 487,700</u>
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Liabilities

Non-current liabilities	
Loans payable	\$ 487,700

Total liabilities	<u>487,700</u>
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Net position	<u>\$ -</u>
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The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016
(Amounts expressed in thousands)

Operating revenues	
Charges for services	\$ 49
Operating expenses	
Professional and technical services	<u>49</u>
Change in net position	-
Net position – beginning of year	<u>-</u>
Net position – end of year	<u>\$ -</u>

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

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Cash Flows
For Fiscal Year Ended June 30, 2016
(Amounts expressed in thousands)

Cash flows from operating activities	
Receipts from LACMTA	\$ 49
Payments to vendors	(49)
Net cash flows from operating activities	<u>-</u>
Cash flows from non-capital financing activities	
Proceeds from TIFIA loan	442,587
Advances to LACMTA for the construction of Crenshaw/LAX Transit project	<u>(442,587)</u>
Net cash flows from non-capital financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>
Non-cash financing activity:	
Interest accretion on loans payable	\$ 7,635

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

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2016

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

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

The CPC is governed by a Board consisting of the same members of the Board of Directors of LACMTA (the "Metro Board"). The Chair, First-Chair and Second-Chair of the Metro Board shall have the corresponding positions on the CPC Board. The Board members may serve only as long as they are members of the Metro Board. Each Director shall serve a term commensurate with his or her term on the Metro Board. The CPC is a component unit of LACMTA because it is financially dependent upon LACMTA, and LACMTA's approval is needed for the CPC to expend their budgets or charges and issue long-term debt. Although the CPC is a legally separate entity, and in-substance part of LACMTA's operations, the data from the CPC is included in LACMTA's financial data. These financial statements present only the CPC and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2016, or the changes in the financial position for the year then ended.

Fund Accounting

The proprietary fund type is used to account for ongoing operations and activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. The CPC uses the proprietary fund type to account for the goods and services provided to LACMTA on a cost reimbursement basis. Proprietary funds distinguish operating revenue and expense from non-operating items. Operating revenues generally result from providing services in connection with the CPC's ongoing operations. Operating expenses included professional services and administrative expenses. The CPC applied all applicable Government Accounting Standard Board pronouncements in

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2016

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

Cash and Cash Equivalents

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

Receivables and Payables

Interagencies' receivables/payables are amounts owed to/due from other LACMTA funds for services performed. Payables are amounts due to vendors for goods or services received.

Note 2 – Due from LACMTA

Due from LACMTA consists of cash advances to partially finance the construction of the Project. As of June 30, 2016, the outstanding balance of due from LACMTA totaled \$487,700.

Note 3 – Loans Payable

In September, 2012, the CPC secured a loan not to exceed \$545,900 from USDOT under the TIFIA program to partially finance the construction of the Project. The loan, secured by a portion of LACMTA's Measure R sales tax revenues allocated to the Project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034. As of June 30, 2016, the outstanding balance of the TIFIA loan was \$487,700.

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

Year Ending June 30	Principal	Interest	Total
2017	\$ (10,911)	\$ 10,911	\$ -
2018	(12,190)	12,190	-
2019	(12,488)	12,488	-
2020	(12,811)	12,811	-
2021	(82)	13,009	12,927
2022-2026	63,874	63,111	126,985
2027-2031	245,134	45,947	291,081
2032-2034	227,174	11,280	238,454
	<u>\$ 487,700</u>	<u>\$ 181,747</u>	<u>\$ 669,447</u>

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

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2016

Note 4 – Subsequent Events

The remaining and final drawdown from the TIFIA loan of \$65,836 was received in August 2016 to reimburse LACMTA for expenditures incurred on the Project.



Board Report

File #: 2017-0220, File Type: Informational Report

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE APRIL 19, 2017

SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the **Los Angeles County Metropolitan Transportation Authority's (LACMTA) basic financial statements and component financial statement audits** completed by Crowe Horwath LLP (Crowe) for the fiscal year ended June 30, 2016.

ISSUE

LACMTA is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and component audits for the year ended June 30, 2016:

- Independent Auditors' Report on the LACMTA's basic financial statements which include the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of LACMTA for the year ended June 30, 2016;
- Independent auditors' SAS 114 letter covering required audit communications;
- LACMTA Single Audit Report Fiscal year ended June 30, 2016 which include:
 - Independent Auditors' 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*; and
 - Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance;
- Independent Accountants' Report on Applying Agreed-Upon Procedures on the LACMTA's Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2016;
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6667) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on 50% Expenditure Limitation Schedule for the LACMTA Transportation Development Act Operations Agency for the year ended June 30, 2016;

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6640-6662) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for the LACMTA Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
- Independent Auditors' Report on the LACMTA State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2016 and 2015;
- Independent Auditors' Report on the Crenshaw Project Corporation (A Component Unit of LACMTA) basic financial statements as of June 30, 2016;
- Independent Auditors' Report on the Service Authority for Freeway Emergencies' (A Component Unit of LACMTA) financial statements for the years ending June 30, 2016 and 2015; 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 LACMTA's compliance with the LCTOP Guidelines for the year ended June 30, 2016.

DISCUSSION

The basic financial statements include our audited financial statements, supplemental information and an unmodified opinion from Crowe, the independent auditor. Crowe issued an unmodified opinion on all audit reports. There were no findings identified on any of the audit reports.

Due to the considerable size of the document, we have not attached the basic financial statements. Instead, as a savings measure a hard copy of the Basic Financial Statements is on file with the Board Secretary and is also available on the Metro website.

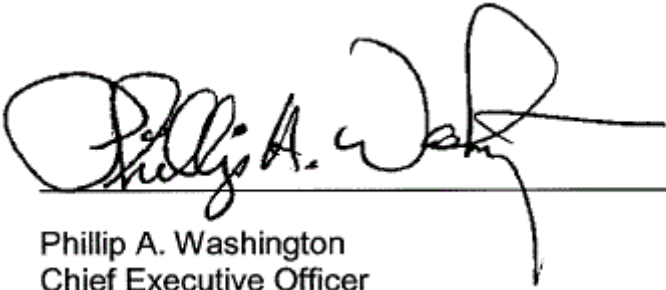
https://media.metro.net/about_us/finance/images/fy16_cafr.PDF

ATTACHMENT(S)

- A. Independent auditors' SAS 114 letter;
- B. Single Audit Reports for the fiscal year ended June 30, 2016;
- C. Federal Funding Allocation Data Transportation Operating Agency for the fiscal year ended June 30, 2016;
- D. Transportation Development Act Operations Agency Year ended June 30, 2016;
- E. Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
- F. State Transit Assistance Special Revenue Fund Basic Financial Statements June 30, 2016 and 2015;
- G. Crenshaw Project Corporation Financial Statements for the year ended June 30, 2016;
- H. Service Authority for Freeway Emergencies Financial Statements and Other Supplementary Information June 30, 2016 and 2015;
- I. Independent Auditor's Report on compliance with the Low Carbon Transit Operations Program (LCTOP) for the year ended June 30, 2016

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

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer