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Agenda Number: 10.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 16, 2018**

**SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT
AUDITS**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe Horwath LLP (Crowe) for the fiscal year ended June 30, 2017.

ISSUE

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the year ended June 30, 2017:

- Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority for the year ended June 30, 2017;
- Independent auditors' SAS 114 letter covering required communications;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2017;
- Independent Accountants' Report on Applying Agreed-Upon Procedures on the Los Angeles County Metropolitan Transportation Authority's Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2017;
- 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 Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency for the year ended June 30, 2017;
- 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

Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2017;

- Independent Auditors' Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2017 and 2016;
- Independent Auditors' Report on the Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements as of June 30, 2017;
- Independent Auditors' Report on the Service Authority for Freeway Emergencies' (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the years ending June 30, 2017 and 2016; and
- Independent Auditor's Report on Compliance with Rules and Regulations of the Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the Los Angeles County Metropolitan Transportation Authority's compliance with the LCTOP Guidelines for the year ended June 30, 2017.

DISCUSSION

Metro's basic financial statements include our audited financial statements, supplemental information and unmodified opinion from Crowe, the independent auditor. Crowe issued unmodified opinions (clean; no findings) on all audit reports for FY17. However, during the FY17 audit process, Crowe reissued the FY15 and FY16 Single Audit reports to include a finding related to a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program. In FY15, the TIFIA program was a new federal loan program for Metro, in which the agency pays using local funding. As such, Metro erroneously excluded TIFIA program expenditures of \$37,477,492 and \$467,796,377 for FY15 and FY16 respectively from the federal expenditures in the Schedule of Expenditures of Federal and State Awards (SEFA). Instead, the amounts were presented as Local Share expenditures on the SEFA, but should have been presented as federal expenditures.

As a result, Crowe considered the finding to be a material weakness for the FY15 and the FY16 Single Audit reports. 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. As of the March 28, 2018 reissuance report date, Metro already corrected the issue by properly reporting the amounts under Federal Expenditures.

Due to the considerable size of the document, we have not attached Metro's 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/fy17_cafr.pdf

ATTACHMENTS

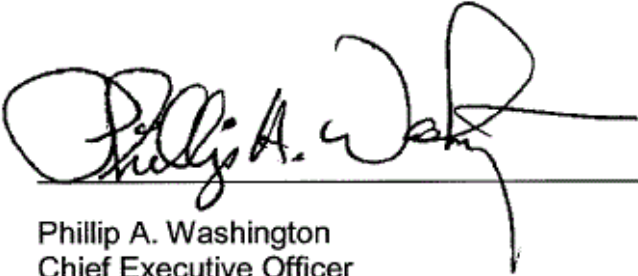
Attachment A - Crowe Horwath's Management Letter dated March 29, 2018

Attachment B - Independent auditors' SAS 114 letter covering required communications;

Attachment C - Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2017;
Attachment D - Los Angeles County Metropolitan Transportation Federal Funding Allocation Data Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2017 (With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon);
Attachment E - Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency Year ended June 30, 2017;
Attachment F - Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
Attachment G - Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund Basic Financial Statements June 30, 2017 and 2016 (With Independent Auditors' Report Thereon);
Attachment H - Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for the year ended June 30, 2017 (With Independent Auditors' Report Thereon);
Attachment I - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements and Other Supplementary Information June 30, 2017 and 2016 (With Independent Auditors' Report Thereon);
Attachment J - Independent Auditor's Report for Los Angeles County Metropolitan Transportation Authority's compliance with the Low Carbon Transit Operations Program (LCTOP) for the year ended June 30, 2017
Attachment K - Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2015
Attachment L - Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2016

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Phillip A. Washington
Chief Executive Officer



Crowe Horwath LLP
Independent Member Crowe Horwath International

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

In planning and performing our audit of the financial statements of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered LACMTA's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The purpose of this letter 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 LACMTA's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Los Angeles, California
March 29, 2018



March 29, 2018

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

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

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

| Accounting Standard | Impact of Adoption |
|---|---|
| <p>GASB Statement No. 82, Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.</p> | <p>Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.</p> |
| <p>GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. This Statement clarifies that certain component units incorporated as not-for-profit corporations should be blended in the financial statements of the primary state or local government in a manner similar to a department or activity of the primary government. The Statement addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member.</p> | <p>Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.</p> |

| Accounting Standard | Impact of Adoption |
|---|--|
| GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in general purpose external financial reports of state and local governmental other postemployment benefit plans for making decisions assessing accountability. | Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations. Additional required disclosures related to LACMTA's OPEB plan were added. |
| Significant Unusual Transactions. | No such matters noted. |
| Significant Accounting Policies in Controversial or Emerging Areas. | No such matters noted. |

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

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

| Significant Accounting Estimate | Process Used by Management | Basis for Our Conclusions |
|--------------------------------------|--|---|
| Fair Values of 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 Fixed Assets | Management has determined the economic useful lives of fixed 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 contingencies do not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required. |

| Significant Accounting Estimate | Process Used by Management | Basis for Our Conclusions |
|--|--|--|
| Pension and Postretirement Obligations | Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets. | We reviewed the reasonableness of these estimates and assumptions. |

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

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

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

There were no such misstatements.

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

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

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

The first known waived adjustment is to reverse the revenue recorded from the sale of credits in FY 2017 in the General fund and present it as an operating transfer from the Enterprise fund in the amount of \$8.0 million. The second waived adjustment records the \$8.0 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 \$26.6 million, overstated revenue by approximately \$6.1 million, and understated net position by approximately \$32.7 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2016, which was reported as waived adjustment in the FY 2016 audit.

2. A known misstatement relating to interest relating to construction projects was waived by management. In accordance with GASB Statement No. 62, the effective interest rate applied to qualifying assets should be based on interest cost on the related obligations which includes amounts resulting from periodic amortization of discounts, premiums, and issue costs. Management did not include the cost of amortization in their calculation. Additionally, certain of LACMTA's rail projects have related TIFIA loans that were issued specifically for their construction. The proceeds drawn on these loans were not removed from the balance of qualifying assets as prescribed by GASB 62. The combination of these two errors resulted in an overstatement of assets and understatement of interest expense on the Enterprise fund of \$40.6 million.
3. 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 \$8.9 million.
4. Two known misstatements were waived by management relating to revenue recorded in FY 2017 that related to previous fiscal years. These errors were identified by management, but not timely enough to record the revenue in the appropriate fiscal year. Revenue on the General fund was overstated and fund balance was understated by \$1.7 million. Revenue on the aggregate remaining fund was overstated and fund balance was understated by \$5.3 million. These misstatements did not materially impact the results of the prior year audit.
5. A known misstatement to accrue accounts payable relating to FY 2017 was waived by management. Management's internal process for accruing AP invoices as of the reporting date includes an analysis of invoices received through the end of September based on certain dollar thresholds. Our audit procedures cover invoices that are outside of the parameters used by management. As a result, we identified two invoices that were not accrued for as of the reporting date, which resulted in an understatement of liabilities and expenses on the Proposition C fund of \$7.3 million.
6. A known misstatement was waived by management to reverse amounts that were improperly transferred out of the SAFE fund. While the transfer of funds was approved, management later identified that the transfer was made in error. However, based on the timing of the release of the SAFE report, the error was not corrected in the FY 2017 financial statements. Operating transfers in and Interfund receivable on the SAFE fund (included in the aggregate remaining fund) were understated by \$500,000.

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"> • Management's Discussion and Analysis of Financial Condition and Results of Operations |
| <p>Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p> | <p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p> |
| <p>Disagreements With Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA's financial statements or the auditor's report.</p> | <p>During our audit, there were no such disagreements with management.</p> |
| <p>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>There were no such significant issues discussed, or subject to correspondence, with management.</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

Los Angeles, California
March 29, 2018

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
WAIVED ENTRY SCHEDULE
June 30, 2017

| Opinion Unit | Account Name | Debit | Credit | Increase (Decrease) | | | | | |
|----------------------------|---------------------------|------------|------------|----------------------------------|--------------------------------------|--------------------------------|-------------|----------------------------|-------------------------------|
| | | | | Assets / Deferred Outflows | Liabilities / Deferred Inflows | Net Position / Fund Balance | Revenues | Expenses / Expenditures | Other Financing Sources |
| 1 Business-type activities | LCFS asset | 26,641,000 | | 26,641,000 | | | | | |
| | Other revenue | 6,065,000 | | | | | (6,065,000) | | |
| | Net position | | 32,706,000 | | | 32,706,000 | | | |
| | Operating transfers out | 8,031,000 | | | | | | | (8,031,000) |
| | Other revenue | | 8,031,000 | | | | 8,031,000 | | |
| General fund | Miscellaneous revenue | 8,031,000 | | | | | (8,031,000) | | |
| | Operating transfers in | | 8,031,000 | | | | | | 8,031,000 |
| 2 Business-type activities | Interest expense | 40,660,000 | | | | | | 40,660,000 | |
| | Construction in progress | | 40,660,000 | (40,660,000) | | | | | |
| 3 Proposition C | Intergovernmental revenue | 8,858,000 | | | | | (8,858,000) | | |
| | Deferred revenue | | 8,858,000 | | 8,858,000 | | | | |
| 4 Aggregate remaining | Intergovernmental revenue | 5,279,000 | | | | | (5,279,000) | | |
| | Fund balance | | 5,279,000 | | | 5,279,000 | | | |
| General fund | Intergovernmental revenue | 1,684,000 | | | | | (1,684,000) | | |
| | Fund balance | | 1,684,000 | | | 1,684,000 | | | |
| 5 Proposition C | Expenditures | 7,270,000 | | | | | | 7,270,000 | |
| | Accounts payable | | 7,270,000 | | 7,270,000 | | | | |
| 6 SAFE | Interfund receivable | 500,000 | | 500,000 | | | | | |
| | Operating transfers in | | 500,000 | | | | | | 500,000 |



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2017

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2017, 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 19, 2017. 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
March 29, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the fiscal year ended June 30, 2017. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.

Report on Internal Control over Compliance

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

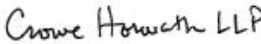
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2017, 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

Sherman Oaks, California
March 29, 2018

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2017**

| Total expended under federal/state/local for the fiscal year ended June 30, 2017 | | | | | | | | | | |
|--|--|-------------|-----------------------------|-----------------|----------------|---------------|---|-------------|----------------|--|
| Federal Grants | Federal grantor/cluster title/pass-through grantor/project title | CFDA Number | Award Identification Number | Total Award | Total | Federal Share | Federal share passed through to subrecipients | State Share | Local Share | |
| U.S. Department of Transportation | | | | | | | | | | |
| Passed through the State of California Department of Transportation: | | | | | | | | | | |
| Highway Planning and Construction Cluster | | | | | | | | | | |
| | Highway Planning and Construction | | | | | | | | | |
| | I-405 CAR Pool Lane | 20.205 | 07-4826 | \$1,143,347,625 | \$ 305,777,459 | \$ | \$ | | \$ 302,348,781 | |
| | Extension of Transit way on I-110 to Downtown LA | 20.205 | FHWA 07-278008 | 6,272,631 | 1,079,041 | 863,233 | | | 215,808 | |
| | Safe Routes to School | 20.205 | SRTSNH5065(178) | 500,000 | 194,888 | 70,084 | | | 124,784 | |
| | Active Transportation Education Program | 20.205 | OMLNI6065 (190) | 4,000,000 | 1,909,753 | 1,753,125 | | | 156,627 | |
| Direct Programs: | | | | | | | | | | |
| | Pedestrian and Pedestrian Mobility | | | 800,000 | 150,757 | 150,757 | | | | |
| | Highway Planning and Construction Cluster Total | 20.205 | CA-15-X005 | 1,154,920,256 | 308,111,878 | 6,265,878 | 150,757 | | 302,846,000 | |
| Direct Programs: | | | | | | | | | | |
| | Transportation Infrastructure Finance and Innovation Act (TIFA) Program - Crenshaw | 20.223 | 2011-1005A | 545,900,000 | 65,835,390 | | | | | |
| | Transportation Infrastructure Finance and Innovation Act (TIFA) Program - Regional Connector | 20.223 | 2013-1008A | 160,000,000 | 36,655,109 | | | | | |
| | Transportation Infrastructure Finance and Innovation Act (TIFA) Program - Westline Purple Line Extension | 20.223 | 2013-1009A | 866,000,000 | 82,222,279 | 82,222,279 | | | | |
| | TIFA Program Total | | | 1,561,900,000 | 184,712,778 | | | | | |
| Direct Programs: | | | | | | | | | | |
| Federal Transit Cluster | | | | | | | | | | |
| Federal Transit Capital Improvement Grants | | | | | | | | | | |
| | Metro Rapid System Gap Closure | 20.500 | CA-03-0796 | 16,700,000 | 1,257,983 | 817,689 | | | 440,294 | |
| | Metro Gold Line Eastside Extension | 20.500 | CA-03-0508 | 431,900,000 | 1,582,577 | (4,840,073) | | | 6,422,650 | |
| | Ped./pass enhan & 22' alt. Fuel bus | 20.500 | CA-03-0783 | 1,214,721 | 20,070 | 16,056 | 16,056 | | 4,014 | |
| | Trans. Cr / Bus Park & Shelters | 20.500 | CA-04-0088 | 5,570,560 | 3,365 | 2,708 | 2,708 | | 677 | |
| | Wilshire Blvd. Bus Only Lane | 20.500 | CA-03-0815 | 23,317,000 | 2,095,088 | 1,566,392 | | | 528,696 | |
| | Regional Connection Transit Corridor Construction | 20.500 | CA-2016-048 | 100,000,000 | 166,958,128 | 82,442,363 | | 12,424,732 | 74,091,033 | |
| | Passenger and Pedestrian Enhancements | 20.500 | CA-04-0067 | 2,502,232 | 401,384 | 321,107 | 321,107 | | 80,277 | |
| | Eng Engineering of Transit Centers | 20.500 | CA-04-0094 | 7,131,578 | 121,937 | 97,550 | 97,550 | | 24,387 | |
| | Westside Purple Line Ext. - Section 1 | 20.500 | CA-2016-017 | 200,000,000 | 140,824,223 | 22,237,032 | | | 118,587,191 | |
| | Paisaurus Plaza Busway Station | 20.500 | CA-04-0233 | 9,679,000 | 6,539,149 | 2,661,423 | | | 3,877,726 | |
| | Westside Purple Line Extension 2 -FFGA | 20.500 | CA-2016-047 | 100,000,000 | 144,148,915 | 100,000,000 | | | 44,148,915 | |
| | Los Angeles Union Station/Cesar Chavez Bus Stop | 20.500 | CA-2016-123-00 | 1,668,557 | 86,002 | 68,802 | | | 17,200 | |
| | Federal Transit Capital Improvement Grants Total | | | 899,683,648 | 466,038,641 | 205,391,049 | 437,421 | 12,424,732 | 248,223,060 | |
| Federal Transit Formula Grants | | | | | | | | | | |
| | Subgrantee Vehicles/Transit facilities | 20.507 | CA-90-Y114 | 5,985,469 | 628,475 | 502,780 | 502,780 | | 125,695 | |
| | Transit Enhancement Improvements | 20.507 | CA-90-Z054 | 30,190 | 37,737 | 30,190 | | | 7,547 | |
| | Metro Rapid Bus Stations/Signal Priority | 20.507 | CA-90-Y261 | 28,919,529 | 147,959 | 147,959 | | | | |
| | Metro Rapid Bus Program | 20.507 | CA-90-Y457 | 11,081,700 | 226,063 | 226,063 | | | | |
| | 45-Ft Composite Buses and Transit Enhancements - Capital | 20.507 | CA-90-Y717 | 8,032,805 | 488,601 | 380,293 | | | 108,308 | |
| | Light Rail Vehicle Acquisition | 20.507 | CA-95-X127 | 41,786,160 | 5,284,178 | 5,190,596 | | | 93,582 | |
| | Light Rail Vehicle Acquisition | 20.507 | CA-95-X246-01 | 120,872,000 | 69,236,440 | 61,295,021 | | 91,437 | 7,849,982 | |
| | Westside Purple Line Ext. - Section 2 CMAQ | 20.507 | CA-2016-045 | 43,000,000 | 24,784,397 | 22,702,520 | | | 2,081,877 | |
| | Pass / Ped. Enhancements and Improvements | 20.507 | CA-95-X227 | 2,996,000 | 982,532 | 786,025 | 786,025 | | 196,506 | |
| | Subrecipient Bus Procurement | 20.507 | CA-95-X329 | 6,952,873 | 5,012,299 | 4,009,839 | 4,009,839 | | 1,002,460 | |
| | Regional Connection Transit Corridor Construction | 20.507 | CA-95-X251 | 64,000,000 | 4,866,871 | 4,308,641 | | 332 | 557,898 | |
| | Purchase Buses, Amenities | 20.507 | CA-95-X255 | 3,953,000 | 320,000 | 160,000 | 160,000 | | 160,000 | |
| | Airport Metro Connector and Crenshaw / LAX Accommodation | 20.507 | CA-2016-062-00 | 33,200,000 | 18,095,300 | 18,095,300 | | | | |
| | Metro Gold Line Foothill Extension Operating Assistance | 20.507 | CA-2016-029-01 | 20,000,000 | 13,283,271 | 10,626,616 | | 1,970,010 | 686,644 | |
| | Replacement 40-ft Buses | 20.507 | CA-2016-029-02 | 2,013,141 | 2,273,965 | 2,013,141 | | | 260,824 | |
| | Metro EXPO Line Phase I Operating Assistance | 20.507 | CA-2016-029-03 | 20,000,000 | 6,587,048 | 5,269,638 | | 1,317,410 | | |
| | Azusa Intermodal Center Parking Structure | 20.507 | CA-2016-076-01.00 | 3,520,190 | 4,400,238 | 3,520,190 | | | 880,048 | |
| | Preventive Maintenance - FY 17 | 20.507 | CA-2017-049-01 | 121,053,386 | 151,316,733 | 121,053,386 | | | 30,263,347 | |

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

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2017**

| Federal grantor/cluster title/pass-through grantor/project title | CFDA Number | Award Identification Number | Total Award | Total | Federal Share | passed through to subrecipients | State Share | Local Share |
|---|-------------|-----------------------------|-----------------|-----------------|----------------|---------------------------------|---------------|----------------|
| Acquisition of Buses | | | | | | | | |
| LA Metro FY17 Rail Preventive Maintenance - Air Quality Improvement (CMAQ) program | 20.507 | CA-2017-043-02 | 33,714,517 | 40,639,501 | 33,714,517 | - | - | 6,924,984 |
| LA Metro FY17 Rail Preventive Maintenance - Growing States Funds | 20.507 | CA-2017-042 | 2,206,000 | 1,797,627 | 1,150,481 | 1,150,481 | - | 647,146 |
| Federal Transit Formula Grants Total | | CA-2017-064-01 | 12,964,743 | 16,205,929 | 12,964,743 | - | - | 3,241,186 |
| | | | 586,281,703 | 366,615,164 | 308,147,939 | 10,129,315 | 3,379,189 | 55,088,034 |
| State of Good Repair Grants Program | | | | | | | | |
| LA Metro FY17 Rail Preventive Maintenance - High Intensity Motorbus Funds | 20.525 | CA-2017-064-02 | 7,500,797 | 9,375,996 | 7,500,797 | - | - | 1,875,199 |
| LA Metro FY17 Rail Preventive Maintenance - Fixed Guideway Funds | 20.525 | CA-2017-064-03 | 99,534,460 | 119,776,955 | 95,821,564 | - | - | 23,955,391 |
| State of Good Repair Grants Program Total | | | 107,035,257 | 129,152,951 | 103,322,361 | - | - | 25,830,590 |
| Federal Transit Cluster Total | | | 1,593,000,608 | 961,806,956 | 616,861,349 | 10,566,736 | 15,803,921 | 329,141,684 |
| Transit Services Cluster | | | | | | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities Program | | | | | | | | |
| Enhance Mobility of Seniors and Disabilities | 20.513 | CA-16-0063 | 693,120 | 366,159 | 366,159 | 366,159 | - | - |
| 30-ft Bus Procurement | 20.513 | CA-16-X067-01 | 7,072,604 | 6,838,652 | 6,760,207 | 6,760,207 | - | 78,445 |
| Enhanced Mobility of Seniors and Individuals with Disabilities Program | 20.513 | CA-16-X066 | 6,092,451 | 2,556,290 | 2,247,429 | 2,247,429 | - | 308,861 |
| Enhanced Mobility of Seniors and Individuals with Disabilities Program Total | | | 13,858,175 | 9,761,101 | 9,373,795 | 9,373,795 | - | 387,306 |
| Job Access and Reverse Commute Program | | | | | | | | |
| LA County Job Access and Reverse Commute Program, Administration, FY 06-12 | 20.516 | CA-37-X071 | 5,032,849 | 133,349 | 133,349 | - | - | - |
| Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project | 20.516 | CA-37-X100 | 10,343,881 | 682,727 | 519,689 | 519,689 | - | 163,038 |
| Job Access and Reverse Commute - Capital/Operating Assist. | 20.516 | CA-37-X123 | 13,878,024 | 1,324,443 | 1,310,842 | 1,310,842 | - | 13,601 |
| LA County Job Access and Program Project - Capital/Operating Assist. Job Access and Reverse Commute Program Total | 20.516 | CA-37-X171 | 7,711,637 | 2,182,481 | 2,182,481 | 2,182,481 | - | - |
| | | | 36,966,391 | 4,323,000 | 4,146,361 | 4,013,012 | - | 176,639 |
| New Freedom Program | | | | | | | | |
| New Freedom - Program Adm, FY06-12 | 20.521 | CA-57-X003 | 2,152,346 | 137,995 | 137,995 | - | - | - |
| New Freedom - Capital & Operating, Assistance | 20.521 | CA-57-X048 | 1,755,553 | 985,414 | 477,707 | 477,707 | - | 477,707 |
| New Freedom - Capital & Operating, Assistance | 20.521 | CA-57-X084-01 | 8,702,026 | 879,003 | 828,785 | 829,785 | - | 49,218 |
| New Freedom - Capital & Operating, Assistance | 20.521 | CA-57-X100 | 7,354,678 | 802,218 | 401,109 | 401,109 | - | 401,109 |
| New Freedom Program Total | | | 19,964,603 | 2,774,630 | 1,846,596 | 1,708,601 | - | 928,034 |
| Transit Services Cluster Total | | | 70,789,169 | 16,858,731 | 15,366,752 | 15,095,408 | - | 1,491,979 |
| Public Transportation Research | | | | | | | | |
| National Infrastructure Investments | 20.514 | CA-26-7015 | 1,722,400 | 1,342,038 | 1,303,972 | - | - | 38,066 |
| Passed through the California High-Speed Rail Authority | 20.933 | CA-79-0005 | 11,800,000 | 917,850 | 644,446 | - | - | 273,404 |
| High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants - ARRA | 20.319 | HSR 15-170 SCRP | 15,000,000 | 17,891,851 | 13,657,068 | - | - | 4,234,784 |
| Passed through the State of California Office of Traffic Safety | | | | | | | | |
| Highway Safety Cluster | 20.600 | PS1624 | 550,000 | 96,474 | 96,474 | - | - | - |
| State and Community Highway Safety | | | | | | | | |
| | | | 4,409,682,433 | 1,492,738,556 | 838,908,717 | 25,812,901 | 15,803,921 | 638,025,917 |
| U.S. Department of Homeland Security: | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Rail and Transit Security Program | 97.075 | EMW-2014-RA-00003 | 6,285,096 | 4,689,897 | 4,682,170 | - | - | 7,728 |
| Transit Security Grant Program | 97.075 | EMW-2015-RA-00001 | 6,521,328 | 22,559 | 22,559 | - | - | - |
| Transit Security Grant Program | | | 12,806,424 | 4,712,456 | 4,704,729 | - | - | 7,728 |
| U.S. Department of Homeland Security Total | | | \$4,422,488,857 | \$1,497,451,012 | \$ 843,613,446 | \$ 25,812,901 | \$ 15,803,921 | \$ 638,033,645 |
| Total Federal Grants | | | | | | | | |

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

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2017**

| State Grants | Federal grantor/cluster title/program title/pass-through grantor/project title | CFDA Number | Award Identification Number | Total Award | Total | Federal Share | Federal share | | Local Share |
|---|--|-------------|-----------------------------|-----------------------|-----------------------|---------------|---------------------------------|----------------------|-----------------------|
| | | | | | | | passed through to subrecipients | State Share | |
| Prop 1B Security - FY 08-09 | | | 6161-002-FPS#037-91170 | \$ 16,103,000 | \$ 62,573 | \$ - | \$ - | \$ 57,485 | \$ 5,088 |
| Prop 1B Security - FY 09-10 | | | 6261-002-FPS#037-91170 | 16,103,043 | 158,212 | - | - | 158,212 | - |
| Crenshaw/Lax Transit Corridor | | | State - Prop 1B PTMSEA | 13,903,535 | 281,114,270 | - | - | 313,907 | 280,800,363 |
| Prop 1B Security - FY 10-11 | | | 6361-002-FPS#037-91170 | 16,103,043 | 5,054,636 | - | - | 5,054,636 | - |
| Construction of Division 13 - Bus Operations and Maintenance Facility | | | Prop 1B PTMSEA | 47,772,000 | 754,500 | - | - | 134,731 | 619,769 |
| Conservation for Regional Climate Action and Sustainability | | | 3012-568 | 1,000,000 | 265,726 | - | - | 246,558 | 19,169 |
| Proposition 1B Intercity Rail (ICR) Raymer to Berrison Double Track Project | | | ICRB-A 1314-02 75A.0406 | 6,500,000 | 275,453 | - | - | 242,652 | 32,801 |
| Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project | | | ICRB-A 1314-01 75A.0407 | 4,000,000 | 776,111 | - | - | 687,244 | 88,867 |
| Alternative & Renewable Fuel & Vehicle Technology Program | | | ARV-13-054 | 492,000 | 154,779 | - | - | 77,389 | 77,389 |
| STIP PPM (State Transportation Improvement Program - Planning, Programming & Monitoring Program | | | STIP-PPM15-6065(192) | 3,098,000 | 2,528,747 | - | - | 1,076,152 | 1,452,595 |
| Sustainable South Bay Transportation and Land Use Implementation Framework | | | 3014-616 | 885,048 | 422,156 | - | - | 379,307 | 42,849 |
| Metro Blue Line First / Last Mile Plan | | | ATPLNI-6065(200) | 280,000 | 147,698 | - | - | 147,698 | - |
| Regional Transportation Planning and Program Development | | | STIP-PPM16-6065(204) | 3,098,000 | 2,972,668 | - | - | 1,486,326 | 1,486,343 |
| | | | | \$ 129,337,669 | \$ 294,687,529 | \$ - | \$ - | \$ 10,062,297 | \$ 284,625,233 |

Total State Grants

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2017

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. The Schedule includes all federal and state grant and loan expenditures, however, the Schedule only includes local expenditures as they relate to the federal and state funded projects.

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. For CFDA #20.233, \$90,700,940 included in the Schedule represents current year loan proceeds that were originally incurred in prior years.

NOTE 5 – MAJOR PROGRAMS

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

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2017

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
 Fiscal year ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes 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 No

Identification of major federal programs:

CFDA 20.500 / 20.507 / 20.525

Federal Transit Cluster

CFDA 20.319

High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants - ARRA

Dollar threshold used to distinguish type A and B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

Yes No

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2017

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

None

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Fiscal year ended June 30, 2017

Finding 2016-001 – Preparation of Schedule of Expenditures of Federal and State Awards (Material Weakness)

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not presented by management as federal expenditures and instead was reported in the Local Share expenditures column of the schedule of expenditures of federal and state awards.

Status: This matter is considered resolved as of March 29, 2018.



**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, 2017

Independent Accountant's Report
on Applying Agreed Upon Procedures

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

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

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

We have applied the procedures, as described in Attachment A, to the data contained in the accompanying FFA-10 for the fiscal year ending June 30, 2017. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2017 Policy Manual* and were agreed to by the Authority management and the Board of Directors, were applied to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this part and that the information included in the NTD report FFA-10 for the fiscal year ending June 30, 2017 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 *2017 Policy Manual*. The District management is responsible for the FFA-10 and compliance with NTD requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures in Attachment A were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the Authority for the fiscal year ending June 30, 2017 for each of the following modes:

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

In performing the procedures, except for the information identified in Attachment A to this report, no matters came to our attention that would be required to be reported to you regarding the information included in the NTD report on the FFA-10 Form for the fiscal year ending June 30, 2017. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2017 Policy Manual*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above, and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report other than the FFA-10 form, for any date or period.

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

Crowe Horwath LLP
Crowe Horwath LLP

Los Angeles, California
October 31, 2017

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2017

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 2017 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 2017 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 2016, 2015, and 2014 (7/3/2013, 12/20/2013, 3/8/2014, 11/13/2014, 1/8/2015, 5/8/2015, 8/13/2015, 12/8/2015, 4/7/2016) to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.

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

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

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

Selected a haphazard sample of 103 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, 2017

- 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 2017 Policy Manual.

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

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
 - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - c. Service purchased from a seller is included in the transit agency's NTD report.
 - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
 - e. Determine how the transit agency estimated annual PMT for the current report year.

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

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

Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2017

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

Selected a haphazard sample of 72 source documents across all modes from all twelve months in fiscal year 2017, used for accumulating passenger miles traveled (PMT) data and determined they were complete and mathematically accurate. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.

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

Step performed without exception.

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

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, the Authority uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles. Selected a haphazard sample of 72 source documents across all modes, except for VP-PT, 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. There are no locomotives.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2017

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

Step performed without exception.

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

Per inquiry of management, no new FG segments were added in fiscal year 2017.

- 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 2017 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.

- 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.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2017

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2017 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 2017 report year, the Agency Revenue Service Date must occur within the transit agency's 2017 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, no new FG segments were added in fiscal year 2017.

- 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.

- 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.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2017

- 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.

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

Financial Statements

For the Fiscal Year Ended June 30, 2017

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Financial Statements
For the Fiscal Year Ended June 30, 2017

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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, 2017 and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CPC, as of June 30, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017 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

Los Angeles, California
October 4, 2017

**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, 2017, and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements, and have issued our report thereon dated October 4, 2017.

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.

Compliance and Other Matters

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

Purpose of this Report

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

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

Crowe Horwath LLP

Los Angeles, California
October 4, 2017

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, 2017

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, 2017. 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 Corridor Project (Project).

Financial Highlights

- In September, 2012, the CPC secured a \$545,900 TIFIA loan from the USDOT to partially finance the Project. The loan under the TIFIA program is secured by Measure R sales tax revenues allocated to the Project. As of June 30, 2017, the CPC has drawn down the full amount of TIFIA loan proceeds.
- Total assets of \$566,769 represent advances to LACMTA and total liabilities of \$566,769 consist of the principal amount of \$545,900 and interest accretion of \$20,869 on the TIFIA loan. Therefore, there is no net position as of June 30, 2017.
- Total expenses of \$21 consisted mostly of loan fees and other administration charges, which were reimbursed by LACMTA.
- In fiscal year 2017, total drawdowns from TIFIA loan amounted to \$65,835. As of June 30, 2017, \$1.4 billion has been expended on the Project, which 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, 2017

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 the Notes to the Financial Statements for the summary of the CPC's significant accounting policies.

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

Presented below are the condensed Statement of Net Position and the condensed Statement of Revenues, Expenses, and Changes in Fund Net Position as of and for the year ended June 30, 2017.

| Condensed Statement of Net Position | |
|--|------------|
| Non-current assets | \$ 566,769 |
| Total assets | 566,769 |
| Non-current liabilities | 566,769 |
| Total liabilities | 566,769 |
| Net position | \$ - |
| Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position | |
| Revenues | \$ 21 |
| Expenses | 21 |
| Net income (loss) | - |
| Changes 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, 2017
(Amounts expressed in thousands)

Assets

| | |
|--------------------|-------------------|
| Non-current assets | |
| Advances to LACMTA | \$ 566,769 |
| Total assets | <u>\$ 566,769</u> |

Liabilities

| | |
|-------------------------|----------------|
| Non-current liabilities | |
| Notes payable | \$ 566,769 |
| Total liabilities | <u>566,769</u> |

Net position

| |
|-------------|
| <u>\$ -</u> |
|-------------|

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

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2017
(Amounts expressed in thousands)

| | |
|-------------------------------------|-------------|
| Operating revenues | |
| Charges for services | \$ 21 |
| Operating expenses | |
| Professional and technical services | <u>21</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 the Fiscal Year Ended June 30, 2017
(Amounts expressed in thousands)

| | |
|---|-----------|
| Cash flows from operating activities | |
| Receipts from LACMTA | \$ 21 |
| Payments to vendors | (21) |
| Net cash flows from operating activities | - |
| Cash flows from non-capital financing activities | |
| Proceeds from TIFIA loan | 65,835 |
| Advances to LACMTA | (65,835) |
| Net cash flows from non-capital financing activities | - |
| Net increase (decrease) in cash and cash equivalents | |
| - | |
| Cash and cash equivalents - beginning of year | - |
| Cash and cash equivalents - end of year | |
| \$ - | |
| Non-cash financing activity: | |
| Interest accretion on notes payable | \$ 13,234 |

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, 2017

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

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

The CPC is governed by a Board of Directors (CPC Board) consisting of the same members of the Board of Directors of LACMTA (Metro Board). The Chair, First-Chair and Second-Chair of the Metro Board shall have the corresponding positions on the CPC Board. The Board members may serve only as long as they are members of the Metro Board. Each Director shall serve a term commensurate with his or her term on the Metro Board. The CPC is a component unit of LACMTA because it is financially dependent upon LACMTA, and LACMTA's approval is needed for the CPC to expend its budgets or charges and issue long-term debt. Although the CPC is a legally separate entity, it is in-substance part of LACMTA's operations, and therefore the data from the CPC is included in LACMTA's financial data. These financial statements present only the CPC and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2017, or the changes in the financial position for the year then ended.

Fund Accounting

The proprietary fund type is used to account for ongoing operations and activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. The CPC uses the proprietary fund type to account for the goods and services provided to LACMTA on a cost-reimbursement basis. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include reimbursements from LACMTA for operating expenses. Operating

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2017

expenses include professional services and administrative expenses. The CPC applies all applicable Government Accounting Standard Board (GASB) pronouncements in 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 an original maturity date of 90 days or less, are considered to be cash and cash equivalents. Otherwise, they are considered to be investments.

Receivables and Payables

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

Note 2 – Advances to LACMTA

Advances to LACMTA consist of cash advances to partially finance the construction of the Project. As of June 30, 2017, the outstanding balance of advances to LACMTA totaled \$566,769.

Note 3 – Notes Payable

In September 2012, the CPC secured a loan not to exceed \$545,900 from the 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. On each June 1 and December 1, interest accrued in the six-month period ending on such date is capitalized and added to the outstanding balance of the TIFIA loan. The principal amount is payable in annual installments on June 1 of each year commencing on June 1, 2021, while the interest payments are payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2020. As of June 30, 2017, the outstanding balance of the TIFIA loan was \$566,769.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2017

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|-------------------|-------------------|-------------------|
| 2018 | \$ (13,914) | \$ 13,914 | \$ - |
| 2019 | (14,196) | 14,196 | - |
| 2020 | (13,328) | 13,328 | - |
| 2021 | (59) | 14,759 | 14,700 |
| 2022 | 8,619 | 14,781 | 23,400 |
| 2023-2027 | 107,487 | 69,813 | 177,300 |
| 2028-2032 | 312,329 | 45,270 | 357,599 |
| 2033-2034 | 179,831 | 6,449 | 186,280 |
| | <u>\$ 566,769</u> | <u>\$ 192,510</u> | <u>\$ 759,279</u> |

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



SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Financial Statements
Fiscal years ended June 30, 2017 and 2016

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprises SAFE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAFE as of June 30, 2017 and 2016, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 December 1, 2017 on our consideration of SAFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAFE's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Los Angeles, California
December 1, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Los Angeles, California
December 1, 2017

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2017 and 2016

The management's discussion and analysis of the financial performance of the Service Authority for Freeway Emergencies (SAFE) presents an overview of SAFE's financial activities during the fiscal years ended June 30, 2017 and 2016. Management encourages readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The basic financial statements, the notes to the basic financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- SAFE's net position decreased by \$3,580 or 15.95% compared to fiscal year 2016 mainly due to higher expenditures incurred for the operation of the call box system and the continued development of the Southern California 511. The favorable variance of \$771 in actual receipts of vehicle registration fees over budgeted amount was mainly due to an increase in vehicle registrations by the California Department of Motor Vehicles from the previous year. The favorable variance of \$1,940 in administration and other expenditures under budgeted amount was mainly due to lower operating subsidy to LACMTA for its freeway service project.
- Revenues are comprised of vehicle registration fees and investment earnings. Investment earnings in fiscal year 2017 decreased by \$283 or 66.75% compared to fiscal year 2016 mainly due to lower cash balance available for participation in the LACMTA pooled investments.
- Expenditures increased by \$1,395 or 13.16% compared to fiscal year 2016. The increase in expenditures was mainly due to higher expenditures incurred for professional and technical services and advertising for the operation of the call box system and the Southern California 511.

Overview of Financial Statements

This management's discussion and analysis serves as an introduction to SAFE's basic financial statements. SAFE's basic financial statements are comprised of three components: (1) the government-wide financial statements; (2) the fund financial statements, and (3) the notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements provide a broad overview of SAFE's finances in a manner similar to private sector entities. The government-wide financial statements consist of: (1) the **statements of net position**, which present information on all of SAFE's assets and liabilities with the difference being reported as net position, and (2) the **statements of activities**, which depict the changes in net position during the year. Trends of increasing or decreasing net position may serve as a useful indicator of financial health.

Fund financial statements represent the near-term inflows, outflows, and balances of spendable resources. The fund financial statements consist of: (1) the **balance sheets**, which present SAFE's assets and liabilities, with the difference being reported as fund balance; and (2) **the statements of revenues, expenditures, and changes in fund balance**. This report presents the underlying events or activities of the fund that affected the balance sheets.

The **notes to the basic financial statements** are various disclosures that accompany the government-wide and fund financial statements in order to provide a full understanding of SAFE's finances.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2017 and 2016

Analytical Overview

The table below shows the condensed schedule of net position as of June 30, 2017, 2016, and 2015:

| | Governmental Activities | | |
|--------------------|---------------------------------|------------------|------------------|
| | Schedule of Net Position | | |
| | 2017 | 2016 | 2015 |
| Total assets | \$ 19,764 | \$ 23,387 | \$ 25,678 |
| Total liabilities | 890 | 933 | 1,119 |
| Total net position | <u>\$ 18,874</u> | <u>\$ 22,454</u> | <u>\$ 24,559</u> |

Total assets decreased by \$3,623 or 15.49% in fiscal year 2017 and by \$2,291 or 8.92% in fiscal year 2016. This was due mainly to increases in expenditures incurred for its congestion relief operations and other programs.

Total liabilities decreased by \$43 or 4.61% in fiscal year 2017 and by \$186 or 16.62% in fiscal year 2016 mainly due to lower accrued liabilities in program expenses.

The following table is a condensed schedule of activities for the fiscal years ended June 30, 2017, 2016, and 2015:

| | Governmental Activities | | |
|------------------------------------|---------------------------------------|-------------------|-------------------|
| | Summary Schedule of Activities | | |
| | 2017 | 2016 | 2015 |
| Program expenses, net of revenues: | | | |
| Congestion relief operations | \$ 10,492 | \$ 8,310 | \$ 8,205 |
| Subsidies to LACMTA | 1,500 | 2,287 | 4,956 |
| Total program expenses | <u>11,992</u> | <u>10,597</u> | <u>13,161</u> |
| General revenues: | | | |
| License fees | 8,271 | 8,068 | 7,834 |
| Investment income | 141 | 424 | 163 |
| Total general revenues | <u>8,412</u> | <u>8,492</u> | <u>7,997</u> |
| Change in net position | <u>\$ (3,580)</u> | <u>\$ (2,105)</u> | <u>\$ (5,164)</u> |

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2017 and 2016

Factors Impacting Future Periods

SAFE anticipates continuing the operation and management of the call box system (fixed and mobile) and Southern California 511. SAFE completed an additional phase of the fixed call box system restructuring as well as the transition from 2G to 3G wireless capabilities during FY17. The cost to continue operating the fixed call box system will decrease in FY18 with further reviews to be conducted for its continued operation. The use of the mobile call box service is projected to increase slightly but the costs should be relatively stable as the new contract for call answering services was recently awarded. The operational costs associated with Southern California 511 will also decrease in FY18 due to the transition to a new system. The SoCal 511 operational costs are projected to remain relatively stable with any increases occurring as a result of new service/functionality development and implementation. Finally, there may be a reduction to the annual allocation in support of Metro Freeway Service Patrol due to the potential of obtaining additional new funds from the State. SAFE will monitor this situation and will reduce its annual allocation as warranted after discussions with LACMTA. Overall, it is anticipated that in the near term, the future costs will be relatively stable.

Further Information

This report has been designed to provide all interested parties with a general overview of SAFE's financial condition and related issues. Inquiries should be directed to the Accounting Department, One Gateway Plaza, Mail Stop 99-20-7, Los Angeles, CA 90012-2952.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statements of Net Position
Fiscal years ended June 30, 2017 and 2016
(Amounts expressed in thousands)

| | Governmental Activities | |
|---------------------------------------|--------------------------------|-------------|
| | 2017 | 2016 |
| Assets: | | |
| Cash and cash equivalents | \$ 8,029 | \$ 9,221 |
| Investments | 11,643 | 13,286 |
| Intergovernmental receivable | — | 791 |
| Interest receivable | 92 | 89 |
| Total assets | 19,764 | 23,387 |
| Liabilities: | | |
| Accounts payable and accrued expenses | 890 | 933 |
| Net position: | | |
| Restricted | 18,874 | 22,454 |
| Total net position | \$ 18,874 | \$ 22,454 |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statements of Activities
Fiscal years ended June 30, 2017 and 2016
(Amounts expressed in thousands)

| | Governmental Activities | |
|------------------------------------|--------------------------------|-------------|
| | 2017 | 2016 |
| Program expenses, net of revenues: | | |
| Transit operations: | | |
| Congestion relief operations | \$ 10,492 | \$ 8,310 |
| Subsidies to LACMTA | 1,500 | 2,287 |
| Total program expenses | 11,992 | 10,597 |
| General revenues: | | |
| License fees | 8,271 | 8,068 |
| Investment income | 141 | 424 |
| Total general revenues | 8,412 | 8,492 |
| Change in net position | (3,580) | (2,105) |
| Net position – beginning of year | 22,454 | 24,559 |
| Net position – end of year | \$ 18,874 | \$ 22,454 |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority
 Balance Sheets
 Fiscal years ended June 30, 2017 and 2016
 (Amounts expressed in thousands))

| | Special Revenue Fund | |
|------------------------------------|-----------------------------|-------------|
| | 2017 | 2016 |
| Assets: | | |
| Cash and cash equivalents | \$ 8,029 | \$ 9,221 |
| Investments | 11,643 | 13,286 |
| Intergovernmental receivable | — | 791 |
| Interest receivable | 92 | 89 |
| Total assets | 19,764 | 23,387 |
| Liabilities: | | |
| Accounts payable | 890 | 933 |
| Fund balance: | | |
| Restricted | 18,874 | 22,454 |
| Total liabilities and fund balance | \$ 19,764 | \$ 23,387 |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Fiscal years ended June 30, 2017 and 2016
(Amounts expressed in thousands)

| | Special Revenue Fund | |
|--|-----------------------------|-------------|
| | 2017 | 2016 |
| Revenues: | | |
| License fees | \$ 8,271 | \$ 8,068 |
| Investment income | 141 | 424 |
| Total revenues | 8,412 | 8,492 |
| Expenditures: | | |
| Administration and other transportation projects | 10,492 | 8,310 |
| Subsidies to LACMTA | 1,500 | 2,287 |
| Total expenditures | 11,992 | 10,597 |
| Net change in fund balance | (3,580) | (2,105) |
| Fund balance - beginning of year | 22,454 | 24,559 |
| Fund balance - end of year | \$ 18,874 | \$ 22,454 |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2017 and 2016

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

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

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

(b) Operations

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 2,700 call boxes along 436 miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

(c) Government-wide Financial Statements

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

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

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

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2017 and 2016

(d) Fund Accounting

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

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

(e) Fund Balance and Net Position

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

(f) Budgetary Accounting

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

(g) Cash and Investments

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of \$50 are withdrawn and deposited into the LACMTA internal investment pool.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Notes to the Basic Financial Statements
 June 30, 2017 and 2016

(h) Receivables

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license and fine revenue due from the State Department of Motor Vehicles. As of June 30, 2016, SAFE had a receivable for license fees of \$791. No receivable was necessary as of June 30, 2017.

(i) Vehicle Registration Fees

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

(j) Effects of New GASB Pronouncements

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2017.

(2) Cash and Investments

The following is a breakdown of SAFE's cash and investments as of June 30, 2017 and 2016.

| | 2017 | 2016 |
|---------------------------|------------------|------------------|
| LACMTA investment pool | \$ 18,953 | \$ 21,834 |
| LA County investment pool | 719 | 673 |
| | \$ 19,672 | \$ 22,507 |

SAFE's cash balances are pooled with other LACMTA funds. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2017 and 2016. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Comprehensive Annual Financial Report (CAFR). A copy of the LACMTA's CAFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE's cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2017 and 2016. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2017 and 2016

obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No. 3*, certain required disclosures regarding investment policies and practices with respect to the risk associated with their concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

(a) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2017, SAFE does not have any investments with more than 5% of the total investments under one issuer.

(b) Custodial Credit Risk

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

(c) Interest Rate Risk

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

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2017 and 2016, there was no exposure to foreign currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

(3) Significant Commitments

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

SAFE had \$603 and \$774 of outstanding contractual commitments as of June 30, 2017 and 2016, respectively that had not been claimed or disbursed.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Unaudited)
Fiscal years ended June 30, 2017 and 2016
(Amounts expressed in thousands)

| | 2017 | | | | 2016 | | | |
|--|------------------|------------------|------------------|----------------------------|------------------|------------------|------------------|----------------------------|
| | Original Budget* | Final Budget* | Actual | Variance with Final Budget | Original Budget* | Final Budget* | Actual | Variance with Final Budget |
| Revenues: | | | | | | | | |
| Licenses and fines | \$ 7,500 | \$ 7,500 | \$ 8,271 | \$ 771 | \$ 7,500 | \$ 7,500 | \$ 8,068 | \$ 568 |
| Investment income | 75 | 75 | 141 | 66 | 100 | 100 | 424 | 324 |
| Total revenues | <u>7,575</u> | <u>7,575</u> | <u>8,412</u> | <u>837</u> | <u>7,600</u> | <u>7,600</u> | <u>8,492</u> | <u>892</u> |
| Expenditures: | | | | | | | | |
| Administration and other transportation projects | 12,932 | 12,932 | 10,492 | 2,440 | 10,328 | 10,328 | 8,310 | 2,018 |
| Subsidies to LACMTA | <u>1,000</u> | <u>1,000</u> | <u>1,500</u> | <u>(500)</u> | <u>2,000</u> | <u>2,000</u> | <u>2,287</u> | <u>(287)</u> |
| Total expenditures | <u>13,932</u> | <u>13,932</u> | <u>11,992</u> | <u>1,940</u> | <u>12,328</u> | <u>12,328</u> | <u>10,597</u> | <u>1,731</u> |
| Net change in fund balance | (6,357) | (6,357) | (3,580) | 2,777 | (4,728) | (4,728) | (2,105) | 2,623 |
| Fund balance – beginning of year | <u>22,454</u> | <u>22,454</u> | <u>22,454</u> | — | <u>24,559</u> | <u>24,559</u> | <u>24,559</u> | — |
| Fund balance – end of year | <u>\$ 16,097</u> | <u>\$ 16,097</u> | <u>\$ 18,874</u> | <u>\$ 2,777</u> | <u>\$ 19,831</u> | <u>\$ 19,831</u> | <u>\$ 22,454</u> | <u>\$ 2,623</u> |

* Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Year ended June 30, 2015

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Year ended June 30, 2015

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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, 2015, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 22, 2015. 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 defined benefit pension plan financial statements 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-002 to be a material weakness.

(Continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-001 to be a significant deficiency.

Other Matter

This report is being reissued to include Finding 2015-002 related to a federal program being initially excluded from the Schedule of Expenditures of Federal and State Awards. It was originally presented as Local Share expenditures on the Schedule of Expenditures of Federal and State Awards, but should have been presented as federal expenditures.

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*.

Response to Findings

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

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 22, 2015, except for finding 2015-002, which
the date is March 29, 2018

**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 OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

Other Matter

This report is replacing a previously issued report. Management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (CFDA # 20.223) amount of approximately \$37.5 million was initially included as Local Share expenditures, rather than as federal expenditures, on the Schedule of Expenditures of Federal and State Awards. In addition, this report includes this federal program tested as a major program.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2015, 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 OMB Circular A-133 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 expenditure of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 8 to the Schedule of Expenditures of Federal and State Awards, management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (Catalog of Federal Domestic Assistance (CFDA) # 20.223) amount of approximately \$37.5 million was initially included as Local Share expenditures in the Schedule rather than as federal expenditures. Our report is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California

March 3, 2016, except for major program CFDA # 20.223 (TIFIA Program), and our report on the Schedule of Expenditures of Federal and State Awards, including Note 4 and Note 8, for which the date is March 29, 2018

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (RESTATED)
 Year ended June 30, 2015

| Federal Grants | Federal grantor/cluster title/program title/pass-through grantor/project title | CFDA Number | Grant Number | Total Award | Total | Federal Share | State Share | Local Share |
|---|--|-------------|------------------|------------------|------------------|---------------|---------------|---------------|
| U.S. Department of Transportation | | | | | | | | |
| Highway Planning and Construction Cluster | | | | | | | | |
| Highway Planning and Construction | Passed through State of California Department of Transportation: | | | | | | | |
| I-405 CAR Pool Lane | 07-4826 | 20.205 | | \$ 1,053,347,625 | \$ 63,527,694 | \$ 56,241,067 | \$ - | \$ 7,286,627 |
| Burbank Airport | 07-4U4524 | 20.205 | | 4,387,000 | 623,063 | 280,193 | - | 342,870 |
| Extension of Transit way on 1-110 to Downtown LA | EA 07-278008 | 20.205 | ISTDEN-6065(165) | 6,272,631 | 765,280 | 612,224 | - | 153,056 |
| Congestion Reduction Demonstrations Project | EA 07-274408 | 20.205 | | 68,429,771 | 7,652,753 | (425,915) | - | 8,078,668 |
| Safe Routes to School | SRTSNJ-6065(178) | 20.205 | | 500,000 | 199,927 | 125,836 | - | 74,091 |
| Orange line High Speed Magnetic Levitation trains | HPLUL-6065(156) | 20.205 | | 251,972 | 45,822 | 39,466 | - | 6,356 |
| Highway Planning and Construction Cluster Total | | | | 1,133,168,999 | 72,814,539 | 56,872,871 | - | 15,941,668 |
| Transportation Infrastructure Finance and Innovation Act (TFIA) Program - Crenshaw (Restated) | | 20.223 | 2011-1005A | 545,900,000 | 37,477,492 | 37,477,492 | - | - |
| Federal Transit Cluster | | | | | | | | |
| Federal Transit Capital Improvement Grants: | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Reseda Blvd. BRT Enhancements | CA-04-0073 | 20.500 | | 500,446 | 37,157 | 29,726 | - | 7,431 |
| Wilshire Blvd. Bus Only Lane | CA-03-0815 | 20.500 | | 23,317,000 | 13,366,145 | 10,442,954 | - | 2,923,191 |
| Metro Rapid System Gap Closure | CA-03-0796 | 20.500 | | 16,700,000 | 4,346,765 | 2,717,179 | - | 1,629,586 |
| Transit Center/Stop Improvements | CA-04-0037 | 20.500 | | 1,601,429 | 12,925 | 10,340 | - | 2,585 |
| Flg Engineering of Transit Centers | CA-04-0094 | 20.500 | | 7,131,578 | 3,894,026 | 3,187,221 | - | 796,805 |
| Crenshaw - Prairie Transit Corridor | CA-04-0034 | 20.500 | | 8,563,010 | 560,168 | 448,134 | - | 112,034 |
| Westside Purple Line Ext - Section 1 | CA-03-0824 | 20.500 | | 65,000,000 | 378,292,855 | 19,091,340 | - | 359,201,515 |
| City of Baldwin Park - Purchase Two Buses - Dial-A-Ride Program | CA-04-0149 | 20.500 | | 592,000 | 200,000 | 200,000 | - | - |
| Regional Connection Transit Corridor Construction | CA-03-0825 | 20.500 | | 65,000,000 | 258,277,539 | 65,000,000 | 143,482,405 | 49,795,134 |
| Construction of Division 13 - Bus Operations and Maintenance Facility | CA-04-0190 | 20.500 | | 47,750,000 | 31,863,693 | 5,008,864 | 26,856,829 | - |
| Aquisition of Buses | CA-04-0232 | 20.500 | | 35,000,000 | 31,869,557 | 26,451,732 | 5,417,825 | - |
| Southern California 511VTCJ | CA-04-0230 | 20.500 | | 2,000,000 | 902,848 | 722,279 | - | 180,569 |
| Pasadena Plaza Bus way Station | CA-04-0233 | 20.500 | | 9,679,000 | 4,602,178 | 3,681,743 | - | 920,435 |
| Metro Orange Line Bus Enhancement | CA-04-0261 | 20.500 | | 10,000,000 | 6,873,246 | 5,498,597 | - | 1,374,649 |
| Traction Power Substations - ARRA | CA-56-0001 | 20.500 | | 8,185,197 | 64,677 | 64,677 | - | - |
| CFDA Subtotal | | | | 301,019,660 | 735,255,779 | 142,554,786 | 175,757,059 | 416,943,934 |
| Federal Transit Formula Grants: | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Metro Rapid Bus Stations/Signal Priority | CA-90-Y261 | 20.507 | | 28,919,529 | 106,945 | 106,945 | - | - |
| Replacement Buses | CA-95-X245 | 20.507 | | 1,839,600 | 2,516,352 | 1,836,753 | - | 679,599 |
| Purchase Buses, Amenities | CA-95-X255 | 20.507 | | 3,953,000 | 4,899,000 | 3,793,000 | - | 1,106,000 |
| Metro Rapid Bus Program | CA-90-Y457 | 20.507 | | 11,081,700 | 1,201,135 | 1,201,135 | - | - |
| FY05 Transit Enhancements | CA-90-Y454 | 20.507 | | 516,210 | 149,659 | 119,727 | - | 29,932 |
| Transit Enhancement FY 2005 funds | CA-90-Y685 | 20.507 | | 854,520 | 209,620 | 167,696 | - | 41,924 |
| Preventive Maintenance - Operation & Capital - FY 14 PM | CA-90-Y717 | 20.507 | | 480,395,145 | 111 | 89 | - | 22 |
| 45-Ft Composite Buses and Transit Enhancements - Capital | CA-90-Y717 | 20.507 | | 8,013,440 | 936,735 | 749,388 | 187,347 | - |
| Regional Connection Transit Corridor Construction | CA-95-X251 | 20.507 | | 64,000,000 | 15,735,516 | 23,121,439 | (7,385,923) | - |
| Preventive Maintenance - FY 14 | CA-90-Z122 | 20.507 | | 7,699,762 | 9,624,703 | 7,699,762 | - | 1,924,941 |
| Preventive Maintenance - FY 14 | CA-90-Z132 | 20.507 | | 142,473,992 | 178,092,490 | 142,473,992 | - | 35,618,498 |
| Preventive Maintenance - FY 15 | CA-90-Z224 | 20.507 | | 7,968,293 | 9,947,867 | 7,968,293 | - | 1,989,574 |
| Crenshaw/Lax Transit Corridor | CA-95-X256 | 20.507 | | 58,213,840 | 65,756,060 | 58,213,840 | - | 7,542,220 |
| Metro Orange Line Extension Operating Assistance - FM | CA-95-X206 | 20.507 | | 15,000,000 | 4,688,170 | 4,688,170 | - | - |
| Exposition Blvd. Right-of-Way Bike Path | CA-95-X214 | 20.507 | | 11,528,000 | 8,762,923 | 7,757,816 | - | 1,005,107 |
| Bus Acq and MCL & MCL Op Asst | CA-95-X042 | 20.507 | | 125,046,000 | 20,094,399 | 20,125,508 | - | (31,109) |
| Expo Phase 1 Operating assistance - 80% CMAQ | CA-95-X176 | 20.507 | | 32,093,000 | 20,435,304 | 16,348,243 | - | 4,087,061 |
| LA CRD Operating Assistance - Vanpool | CA-95-X099 | 20.507 | | 400,000 | 8,838 | 8,838 | - | - |
| Bus replacement(141)Overhaul(290),Metro Blue Line Transit Provider - ARRA | CA-96-X012 | 20.507 | | 225,154,824 | 4,465,007 | 4,460,771 | - | 14,236 |
| CFDA Subtotal | | | | 1,225,140,855 | 347,630,834 | 300,821,405 | (7,385,923) | 54,195,352 |
| State of Good Repair Grants Program - FY14 SGR - FM Rail | CA-54-0011 | 20.525 | | 86,968,557 | 56,191,946 | 44,953,557 | - | 11,238,389 |
| Federal Transit Cluster Total | | | | \$1,613,129,072 | \$ 1,139,078,559 | \$483,329,748 | \$168,371,136 | \$482,377,675 |

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

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (RESTATED)
Year ended June 30, 2015**

| Federal grantor/cluster title/program title/pass-through grantor/project title | CFDA Number | Grant Number | Total Award | Total expended under federal/state/local for the fiscal year ended June 30, 2015 | | |
|--|-------------|-----------------------------------|------------------|--|----------------|----------------|
| | | | | Federal Share | State Share | Local Share |
| Transit Service Cluster | | | | | | |
| Job Access - Reverse Commute | | | | | | |
| Direct Programs: | | | | | | |
| L.A. County Job Access and Reverse Commute Program, Administration, FY 06-12 | 20.516 | CA-37-X071 | \$ 5,032,849 | \$ 362,529 | \$ - | \$ - |
| Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project | 20.516 | CA-37-X100 | 10,343,881 | 976,364 | 749,398 | 226,966 |
| LA County Job Access and Program Project - Capital/Operating Assist. | 20.516 | CA-37-X171 | 7,711,637 | 2,073,944 | - | - |
| Job Access and Reverse Commute - Capital/Operating Assist. | 20.516 | CA-37-X123 | 13,878,024 | 308,852 | 226,992 | 81,860 |
| CFDA Subtotal | | | 36,966,391 | 3,721,689 | 3,412,863 | 308,826 |
| New Freedom Programs: | | | | | | |
| Direct Programs: | | | | | | |
| New Freedom- Program Adm, FY06-12 | 20.521 | CA-57-X003 | 2,152,346 | 237,171 | - | - |
| New Freedom- Capital & Operating, Assistance | 20.521 | CA-57-X048 | 1,755,553 | 262,102 | 131,051 | 131,051 |
| New Freedom- Capital & Operating, Assistance | 20.521 | CA-57-X084 | 8,702,026 | 920,642 | - | - |
| New Freedom- Capital & Operating, Assistance | 20.521 | CA-57-X100 | 7,354,678 | 635,808 | 317,904 | 317,904 |
| CFDA Subtotal | | | 19,964,603 | 2,055,723 | 1,606,768 | 448,955 |
| Transit Services Cluster Total | | | 56,930,994 | 5,777,412 | 5,019,631 | 757,781 |
| Clean Fuels - CNG Fueling Facility at Division 13 | 20.519 | CA-58-0006 | 5,500,000 | 2,342,131 | 2,107,918 | - |
| Wayside Energy Storage System | 20.523 | CA-77-0002 | 4,466,000 | 522,247 | 521,565 | 682 |
| National Infrastructure Investments - Crenshaw/Lax Transit Corridor (Restated) | 20.933 | CA-79-0001 | 13,903,535 | 157,326,292 | - | 163,777,028 |
| U.S. Department of Transportation Total | | | 3,373,018,600 | 1,415,338,672 | 590,329,225 | 662,854,834 |
| U.S. Department of Homeland Security | | | | | | |
| Rail and Transit Security Program | | | | | | |
| Direct Programs: | | | | | | |
| Transit Security Grant Program | 97.075 | 2009-RA-TB-K004 | 8,458,478 | 558,685 | 502,071 | 56,614 |
| Transit Security Grant Program | 97.075 | 2010-RA-TD-K001 | 3,584,180 | 3,191,109 | 3,183,949 | 7,160 |
| Transit Security Grant Program | 97.075 | EMW-2011-RA-0001-1-S01 | 5,744,329 | (143,069) | (143,069) | - |
| Transit Security Grant Program | 97.075 | 6361-0002, FIPS#037-91170 | 16,103,043 | 561,891 | - | 561,891 |
| Transit Security Grant Program | 97.075 | EMW-2012-RA-K00030-S01 | 2,484,254 | 2,363,469 | 2,363,469 | - |
| Transit Security Grant Program | 97.075 | EMW-2013-RA-00043-S01 | 7,050,010 | 4,752,681 | 4,752,681 | - |
| Rail and Transit Security Program Total | | | 43,424,294 | 11,284,766 | 10,659,101 | 63,774 |
| U.S. Department of Homeland Security Total | | | 43,424,294 | 11,284,766 | 10,659,101 | 63,774 |
| Total Federal Grants | | | \$ 3,416,442,894 | \$ 1,426,623,438 | \$ 600,988,326 | \$ 662,918,608 |
| State Grants | | | | | | |
| Prop 1B Security - FY 08-09 | n/a | 6161-002, FIPS#037-91170 | \$ 16,103,000 | \$ 487,314 | \$ - | \$ - |
| Prop 1B Security - FY 09-10 | n/a | 6261-002, FIPS#037-91170 | 16,103,043 | 5,053,917 | - | - |
| STIP PFM (State Transportation Improvement Program - Planning, Programming & Monitoring Program) | n/a | PFM14-0065(183) | 3,098,000 | 3,810,458 | - | 935,780 |
| New State Pass-Through - South Bay Cities Council of Government | n/a | New State Pass-Through (3014-616) | 885,048 | 74,888 | - | 67,287 |
| Prop 1B PTMSEA SLPP LRT II - State / Local Partnership | n/a | 07A0034-11 A4 | 28,259,000 | 54,725,716 | - | 17,218,732 |
| Prop 1B PTMSEA - Ramer to Bernson Double Track Project (75A0406) | n/a | ICRB-A1314-02 75A0406 | 6,500,000 | 4,818,419 | - | 4,631,359 |
| Prop 1B PTMSEA - Van Nuys North Platform Project (75A0407) | n/a | ICRB-A1314-01 75A0407 | 4,000,000 | 2,254,319 | - | 1,717,882 |
| Prop 1B PTMSEA | n/a | Prop 1B PTMSEA | 135,468,949 | 137,998,115 | - | 103,756,847 |
| Prop 1B PTMSEA | n/a | Exposition LRT - I | 135,983,130 | 197,348,620 | - | 76,794,789 |
| Prop 1B PTMSEA | n/a | Division 13 | 52,764,816 | 13,486,437 | - | 1,308 |
| Total State Grants | | | \$ 399,164,986 | \$ 420,059,403 | \$ - | \$ 207,455,290 |

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2015

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). 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

The Schedule includes the federal grant activity of LACMTA and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, LACMTA provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amount</u> |
|--|------------------------|----------------------|
| Highway Planning and Construction Program | 20.205 | \$ 319,659 |
| Federal Transit Capital Improvement Grants | 20.500 | 13,870,240 |
| Federal Transit Formula Grants | 20.507 | 5,629,753 |
| Job Access and Reverse Commute | 20.516 | 3,050,334 |
| New Freedom Program | 20.521 | <u>1,369,597</u> |
| | | <u>\$ 24,239,583</u> |

NOTE 4 – 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. The Schedule includes all federal and state grant and loan expenditures, however, the Schedule only includes local expenditures as they relate to the federal and state funded projects. For CFDA 20.233, \$37,477,492 included in the Schedule represents current year loan proceeds for expenditures that were originally incurred in prior years.

NOTE 5 – FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Single Audit Act and the OMB Circular A-133 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 6 – MAJOR PROGRAMS

The Single Audit Act and OMB Circular A-133 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 OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

NOTE 7 – 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.

NOTE 8 – RESTATEMENT

During fiscal year 2017, management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (CFDA # 20.223) expenditures were not included on the Schedule for the fiscal year ended June 30, 2015 as federal funding, but instead were included as Local Share expenditures. An adjustment was made to reclassify the TIFIA loan program as a federal program and reduce the \$37.5 million of expenditures from Local Share (CFDA #20.933) on the Schedule. When corrected, the TIFIA program became a major program that required testing in fiscal year 2015.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? Yes No

Identification of major programs:

CFDA 20.205 – Highway Planning and Construction Cluster
CFDA 20.223 – Transportation Infrastructure Finance and Innovation Act Program
CFDA 20.500 / 20.507 / 20.525 – Federal Transit Cluster
CFDA 20.516 / 20.521 – Transit Services Cluster
CFDA 97.075 – Rail and Transit Security Program

Dollar threshold used to distinguish type A and B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

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.

Criteria: Accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (Governmental GAAP) -- Under GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans. The projection of benefits should include all benefits covered by the current substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and should take into consideration the pattern of sharing of benefit costs between the employer and plan members to that point, as well as certain legal or contractual caps on benefits to be provided.

Effect: An adjustment was made to recognize the lifetime benefits for ATU employees that 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 Contribution amounts were understated and resulted in the Net OPEB Obligation liability being understated. A prior period adjustment of \$215,000,000 was made to decrease the business-type activities' beginning net position and increase the net OPEB obligation by \$215,000,000. The impact on change in net position for the year ended June 30, 2014 was a reduction of \$35,000,000.

Cause: As part of a transition from one actuarial firm to a new actuarial firm, management and the actuary reviewed benefit plan provisions and identified the ATU lifetime benefit that was not included, although the benefit had been in place for several years.

Recommendation: We recommend that LACMTA management perform a review of all OPEB plan provisions and benefits any time a change in the plan is made.

Management Response: LACMTA management performed a detailed review of OPEB plan provisions as part of an actuarial valuation specialist transition during 2015 to determine the existence, completeness, and values of benefits provided. Ongoing, management will perform an annual review of plan and benefit changes for each OPEB plan and update the actuary on changes to the plan to evaluate their impact on benefits expense and valuation estimates.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

Finding 2015-002 – Preparation of Schedule of Expenditures of Federal and State Awards (Material Weakness)

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not included as federal expenditures and instead was presented in the Local Share column of the schedule of expenditure of federal and state awards (SEFA).

Criteria: OMB Circular A-133 requires that proper internal controls are in place over the SEFA to ensure that all federal grant expenditures and loan draws during the current fiscal year are included as federal expenditures.

Effect: TIFIA Program expenditures of \$37,477,492 were excluded from the federal column of the original fiscal year 2015 SEFA prepared by management and instead were included in the Local Share column. As a result of this presentation on the Schedule, the TIFIA Program was not identified and tested as a major program during the original fiscal year 2015 audit, thus requiring a reissuance of the Single Audit Report.

Cause: The TIFIA Program had not previously had any loan draws or activity, and unlike the other federal programs that LACMTA receives funds from which are cost reimbursement grant programs, this is a loan program. Additionally, it appears that there was not clear communication of the OMB Circular A-133 requirements in the loan agreement, nor was there any disclosure of the CFDA number in the loan agreement. At the time, management made the determination that the funds were Local since the repayment of the TIFIA loans will come from local funding.

Recommendation: We recommend that management review all loan agreements and confirm, as applicable, with the funding source the nature of funding and audit compliance requirements. As of the March 28, 2018 reissuance report date, this matter is considered resolved.

Management's Response: As of this reissuance report date, management has reviewed loan agreements and affirmed the nature of the funding and audit compliance requirements. Management believe the matter is resolved.

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(A):

None

(Continued)

SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2014-001 – Davis-Bacon Act – Submission of Certified Payrolls (Significant Deficiency)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster and National Infrastructure Investments (CFDA 20.500 and 20.933)

Condition: Management of the Los Angeles County Metropolitan Transportation Authority (LACMTA) is required to obtain, on a weekly basis, certified payrolls and statements of compliance from each contractor for each week in which contracted work is performed under the Davis-Bacon Act. For all major programs cited below, we noted that management did not have adequate controls in place to ensure that certified payrolls and compliance statements are received on a weekly basis as required by the Davis-Bacon Act (29 CFR Sections 5.5 and 5.6).

In our sample of 40 certified payrolls and compliance statements for the Federal Transit Cluster, we noted all of our samples were not received on a weekly basis. We noted that 27 of the exceptions were received between 2 and 243 days past the due date. For 13 of the samples, we noted that received date stamp on the documentation for the respective samples were either illegible or not present on the weekly certified payroll reports. Although the certified payrolls were not received weekly, the LACMTA ultimately received all of the required certified payrolls for the samples tested.

In our sample of 40 certified payrolls and compliance statements for the National Infrastructure Investments program, we noted 35 of our samples were not received on a weekly basis. We noted that these exceptions were received between 1 and 157 days past the due date. Although the certified payrolls were not received weekly, the LACMTA ultimately received all of the required certified payrolls for the samples tested.

Status: Resolved. For the Federal Transit Cluster, we selected a sample of 60 certified payrolls from fiscal year 2015 and did not identify any testing exceptions. The National Infrastructure Investments grant did not have any federal expenditures in fiscal year 2015, therefore no testing or follow-up was completed.

Finding 2014-002 – Procurement, Suspension, and Debarment (Significant Deficiency)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster, National Infrastructure Investments, Rail and Transit Service Security Grant Program (CFDA 20.500, 20.933, and 97.075)

Condition: Management is required to document the significant history of procurements, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract type. Management is also required to perform verification for all covered transactions by checking the Excluded Party List System (EPLS) to ensure covered transactions are not awarded to suspended or debarred parties. For all major programs cited below, we noted that management did not have adequate controls in place to ensure compliance with procurement requirements.

Federal Capital Improvement Grants

In our sample of 40 contracts and purchase orders with values over \$25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 10 contract files did not have certification of non-suspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

There were also 6 contracts which were missing the following information:

- 2 contract files were missing support for the history of the procurement, including the evidence of full and open competition. These contract files were also missing the required and Buy America certification.
- 1 contract file was missing support for the history of the procurement, including the evidence of full and open competition and of the cost or price analysis.
- 2 contract files were missing support for the history of the procurement, including the evidence of full and open competition.
- 1 contract file could not be located.

The federal share of expenditures associated with the 6 contracts and purchase orders that are not in compliance with the procurement requirements amounted to \$172,073 of the \$384,087,792 of total federal program expenditures for the Federal Transit Cluster.

National Infrastructure Investments

In our sample of 3 contracts and purchase orders with values over \$25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 1 contract file did not have certification of non-suspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

Rail and Transit Security Grant Program

In our sample of 4 contracts and purchase orders with values over \$25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 2 contract files did not have certification of non-suspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the SAM that the respective vendors were not listed on the EPLS as suspended or debarred.

Status: Resolved. For the Federal Transit Cluster, we selected a sample of 20 contracts and purchase orders from fiscal year 2015 and did not identify any testing exceptions with any of the procurement requirements and all 20 contract files were available and included supporting documentation. The National Infrastructure Investments grant did not have any federal expenditures in fiscal year 2015, therefore no testing or follow-up was completed. For the Rail and Transit Security Grant Program, we selected a sample of 6 contracts and purchase orders and did not identify any testing exceptions related to suspension or debarment.



**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 that we consider to be a material weakness.

Other Matter

This report is being reissued to include Finding 2016-001 related to a federal program being initially excluded from the Schedule of Expenditures of Federal and State Awards. It was originally presented as Local Share expenditures on the Schedule of Expenditures of Federal and State Awards, but should have been presented as federal expenditures.

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*.

Response to Finding

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

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, except for finding 2016-01, which
the date is March 29, 2018.

**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.

Emphasis of Matter

As discussed in Note 7 to the Schedule of Expenditures of Federal and State Awards, management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (Catalog of Federal Domestic Assistance (CFDA) # 20.223) amount of approximately \$467.8 million was initially included as Local Share expenditures in the Schedule rather than as federal expenditures. Our report is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California

December 16, 2016, except for our report on the Schedule of Expenditures of Federal and State Awards including note 3 and note 7, for which the date is March 29, 2018

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

| Federal Grants | | 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 |
|--|--|--|------------------|------------------|--------------|----------------|---------------|---------------|---|-------------|----------------|
| U.S. Department of Transportation | | | | | | | | | | | |
| Passed through the State of California Department of Transportation: | | | | | | | | | | | |
| Highway Planning and Construction Cluster | | | | | | | | | | | |
| Highway Planning and Construction | | | | | | | | | | | |
| I-405 CAR Pool Lane | | | | | | | | | | | |
| 20.205 | | Pedestrian and Pedestrian Mobility | 07-4826 | | | \$ 137,196,291 | \$ 30,274,096 | | \$ - | | \$ 106,922,195 |
| 20.205 | | Burbank Airport | CA-15-X005 | | | 800,000 | 285,760 | | 285,760 | | |
| 20.205 | | Extension of Transit way on 1-110 to Downtown LA | EA 07-278008 | ISTDBM-6065(165) | | 4,387,000 | 2,906,007 | | 82,327 | | 2,523,680 |
| 20.205 | | Active Transportation Education Program | CMLN 6065 (190) | | | 6,272,631 | 607,802 | | | | 759,752 |
| 20.205 | | Safe Routes to School | SRTSNM-6065(178) | | | 4,000,000 | 1,343,285 | | | | 1,600,531 |
| 20.205 | | Orange Line High Speed Magnetic Levitation trains | HRLU-6065(156) | | | 251,972 | 41,934 | | 37,026 | | 385,108 |
| 20.205 | | Highway Planning and Construction Cluster Total | | | | 1,159,559,228 | 32,905,007 | | 405,113 | | 112,196,174 |
| Direct Programs: | | | | | | | | | | | |
| Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Crenshaw (Restated) | | | | | | | | | | | |
| 20.223 | | Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Regional Connector (Restated) | 2011-1005A | | | 545,900,000 | 442,587,118 | | | | |
| 20.223 | | TIFIA Program Total | 2013-1008A | | | 160,000,000 | 25,209,259 | | | | |
| | | | | | | 705,900,000 | 467,796,377 | | | | |
| Direct Programs: | | | | | | | | | | | |
| Federal Transit Cluster | | | | | | | | | | | |
| Federal Transit Capital Improvement Grants | | | | | | | | | | | |
| 20.500 | | Metro Rapid System Gap Closure | CA-03-0796 | | | 16,700,000 | 3,693,807 | | 2,400,974 | | 1,292,832 |
| 20.500 | | Ped./pass enhan & 22' alt. Fuelbus | CA-03-0783 | | | 1,214,721 | 16,956 | | 13,565 | | 3,391 |
| 20.500 | | Westside Purple Line Ext. Sec. 1 - FFGA | CA-2016-017 | | | 100,000,000 | 294,827,535 | | 100,000,000 | | 194,827,535 |
| 20.500 | | Wilshire Blvd. Bus Only Lane | CA-03-0815 | | | 23,317,000 | 4,390,490 | | 2,757,919 | | 1,632,571 |
| 20.500 | | Regional Connection Transit Corridor Construction (Restated) | CA-03-0825 | | | 165,000,000 | 124,198,538 | | 80,971,963 | 26,478,941 | 16,747,634 |
| 20.500 | | Regional Connection Transit Corridor Construction | CA-2016-046 | | | 100,000,000 | 4,018,715 | | 2,936,848 | 996,166 | 85,701 |
| 20.500 | | Westside Purple Line Ext - Section 1 | CA-03-0824 | | | 100,000,000 | - | | 100,000,000 | | (100,000,000) |
| 20.500 | | Crenshaw - Prairie Transit Corridor | CA-04-0034 | | | 8,563,010 | 445,218 | | | | (1,168,667) |
| 20.500 | | Passenger and Pedestrian Enhancements | CA-04-0067 | | | 2,502,232 | 616,290 | | 493,032 | | 123,258 |
| 20.500 | | Flag Engineering of Transit Centers | CA-04-0094 | | | 7,131,578 | 3,387,746 | | 2,710,197 | | 677,549 |
| 20.500 | | Southern California 511/IVTCLJ | CA-04-0230 | | | 2,000,000 | 672,528 | | 538,022 | | 134,506 |
| 20.500 | | Paisanos Plaza Bus way Station | CA-04-0233 | | | 9,679,000 | 4,233,051 | | 3,386,441 | | 846,610 |
| 20.500 | | Metro Orange Line Bus Enhancement | CA-04-0261 | | | 10,000,000 | 4,525,521 | | 3,628,471 | | 897,050 |
| | | Federal Transit Capital Improvement Grants Total | | | | 546,107,541 | 443,857,728 | | 5,974,713 | 27,475,106 | 116,099,970 |
| Federal Transit Formula Grants | | | | | | | | | | | |
| 20.507 | | Subgrantee Vehicles/Transit facilities | CA-90-Y114 | | | 5,985,469 | 29,208 | | 23,366 | | 5,942 |
| 20.507 | | Preventive Maintenance - FY 15 | CA-90-Z054 | | | 312,668,288 | 189,587,378 | | 151,669,902 | | 37,917,476 |
| 20.507 | | Metro Rapid Bus Stations/Signal Priority | CA-90-Y261 | | | 28,919,529 | 1,756,022 | | | | |
| 20.507 | | FY05 Transit Enhancements | CA-90-Y454 | | | 516,210 | 15,000 | | 11,012 | | 3,989 |
| 20.507 | | Metro Rapid Bus Program | CA-90-Y457 | | | 11,081,700 | 285,290 | | | | |
| 20.507 | | Transit Enhancement FY 2005 funds | CA-90-Y685 | | | 854,520 | 160,350 | | 128,280 | | 32,070 |
| 20.507 | | Preventive Maintenance - Operation & Capital - FY 14 FM | CA-90-Y717 | | | 480,395,145 | (417) | | (334) | | (83) |
| 20.507 | | 45-FI Composite Buses and Transit Enhancements - Capital | CA-90-Y717 | | | 8,013,440 | 347,877 | | 278,302 | | 69,575 |
| 20.507 | | LA CRD Operating Assistance - Vampool | CA-95-X089 | | | 400,000 | 19,689 | | | | |
| 20.507 | | Light Rail Vehicle Acquisition | CA-95-X127 | | | 41,786,160 | 17,076,894 | | 11,634,380 | 91,437 | 5,351,077 |
| 20.507 | | Pass / Ped. Enhancements and Improvements | CA-95-X227 | | | 2,996,000 | 586,281 | | 477,025 | | 119,256 |
| 20.507 | | Light Rail Vehicle Acquisition | CA-95-X246 | | | 120,872,000 | (2,436,544) | | 8,992,447 | | (11,428,832) |
| 20.507 | | Exposition Blvd. Right-of-Way Bike Path | CA-95-X214 | | | 11,528,000 | 2,254,957 | | | | 1,209,548 |
| 20.507 | | Replacement Buses | CA-95-X245 | | | 1,839,600 | 3,900 | | 2,847 | | 1,053 |
| 20.507 | | Acquisition of Buses | CA-2016-011-01 | | | 46,113,344 | 55,473,053 | | 46,113,344 | | 9,389,709 |
| 20.507 | | Metro Orange Line Bus Enhancement | CA-2016-011-02 | | | 3,299,729 | 4,259,099 | | 3,299,729 | | 959,370 |
| 20.507 | | Preventive Maintenance - FY 16 | CA-2016-011-03 | | | 109,975,245 | 137,469,057 | | 109,975,245 | | 27,483,812 |
| 20.507 | | Westside Purple Line Extension - Section 1 | CA-95-X264 | | | 12,171,000 | 21,109,533 | | 12,171,000 | | 8,938,533 |
| 20.507 | | Regional Connection Transit Corridor Construction | CA-95-X251 | | | 64,000,000 | 20,087,042 | | 17,783,059 | | 18,352 |
| 20.507 | | Crenshaw/Lax Transit Corridor (Restated) | CA-95-X256 | | | 82,213,840 | (415,477,664) | | 24,000,000 | 2,285,632 | (439,477,664) |

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 (RESTATED)
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 | Federal Share | State Share | Local Share |
| | | | | passed through to subrecipients | | |
| Airport Metro Connector and Crenshaw / LAX Accommodation | 20.507 | CA-2016-062-00 | 33,200,000 | 744,764 | - | - |
| LA Metro FY 16 Rail Preventive Maintenance - Growing State Funds | 20.507 | CA-2016-024-01 | 8,012,101 | 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 | - | 389,900 |
| Metro EXPO Line Phase II Operating Assistance | 20.507 | CA-2016-029-03 | 20,000,000 | 544,429 | - | 108,886 |
| Bus Replacement(141), Overhaul(200), Metro Blue Line Transit Provider - ARRA | 20.507 | CA-96-X012 | 224,263,474 | 33,820 | - | - |
| Federal Transit Formula Grants Total | | | 1,651,104,794 | 400,453,838 | 503,238 | (356,925,267) |
| State of Good Repair Grants Program | | | | | | |
| Preventive Maintenance - FY 15 PM Rail | 20.525 | CA-54-0032 | 48,868,211 | 48,868,211 | - | 12,217,053 |
| Preventive Maintenance - FY 15 PM Rail | 20.525 | CA-54-0037 | 26,414,989 | 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 | 10,240,619 | - | 2,560,155 |
| LA Metro FY 16 Rail Preventive Maintenance - SGR Fixed Guideway Funds | 20.525 | CA-2016-024-03 | 66,073,366 | 66,073,366 | - | 16,518,342 |
| State of Good Repair Grants Program Total | | | 151,597,185 | 151,597,185 | - | 37,899,297 |
| Bus and Bus Facilities Formula Program | | | | | | |
| Acquisition of Buses | 20.526 | CA-2016-011-01 | 68,881,180 | 68,881,180 | - | 31,835,023 |
| Federal Transit Cluster Total | | | 2,417,690,700 | 921,214,854 | 6,477,951 | (171,090,976) |
| Transit Service Cluster | | | | | | |
| Enhance Mobility of Seniors and Disabilities | 20.513 | CA-16-0063 | 693,120 | 241,780 | - | - |
| Job Access and Reverse Commute Program | 20.516 | CA-37-X071 | 5,032,849 | 208,293 | - | - |
| LA County Job Access and Reverse Commute Program Administration FY 06-12 and Program Project | 20.516 | CA-37-X100 | 10,343,881 | 1,152,439 | 1,152,439 | 677,772 |
| Job Access and Reverse Commute - Capital/Operating Assist. | 20.516 | CA-37-X123 | 13,878,024 | 146,298 | 116,378 | 29,920 |
| LA County Job Access and Program Project - Capital/Operating Assist. Job Access and Reverse Commute Program Total | 20.516 | CA-37-X171 | 36,966,391 | 338,800 | 338,800 | - |
| New Freedom Program | | | | | | |
| New Freedom - Program Adm. FY06-12 | 20.521 | CA-57-X003 | 2,152,346 | 236,496 | - | - |
| New Freedom - Capital & Operating, Assistance | 20.521 | CA-57-X048 | 1,755,553 | 308,910 | 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 | 254,070 |
| New Freedom Program Total | | | 19,964,603 | 2,234,183 | 1,589,163 | 408,525 |
| Transit Services Cluster Total | | | 57,624,114 | 3,883,348 | 3,196,779 | 1,116,216 |
| Clean Fuels - CNG Fueling Facility at Division 13 | 20.519 | CA-58-0006 | 5,500,000 | 375,985 | - | 108,357 |
| State and Community Highway Safety | 20.600 | PS1512 | 223,950 | 88,984 | - | 68,591 |
| Countywide Bicycle Education Safety | 20.600 | PS1624 | 550,000 | 299,408 | - | - |
| The Office of Traffic Safety | | | 773,950 | 456,983 | - | 68,591 |
| State and Community Highway Program Total | | | 11,800,000 | 189,350 | - | 56,352 |
| Eastside Access Improvements | | | 4,356,847,992 | 1,426,474,492 | 10,079,843 | (57,545,285) |
| U.S. Department of Homeland Security: | | | | | | |
| Direct Programs: | | | | | | |
| Rail and Transit Security Program | 97.075 | EMW-2011-RA-00011-S01 | 5,744,329 | 1,449,781 | - | - |
| Transit Security Grant Program | 97.075 | EMW-2014-RA-00003 | 6,285,096 | 693,617 | - | - |
| Transit Security Grant Program | 97.075 | EMW-2015-RA-00001 | 6,521,328 | 1,102,814 | - | - |
| Transit Security Grant Program | 97.075 | EMW-2013-RA-00043-S01 | 7,050,010 | 2,810,569 | - | - |
| U.S. Department of Homeland Security Total | | | 25,600,763 | 6,056,781 | - | - |
| Total Federal Grants | | | \$4,384,448,755 | \$1,432,531,273 | \$ 10,079,843 | \$ (57,545,285) |

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 (RESTATED)
 Year ended June 30, 2016

| State Grants | 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 | | Local Share |
|--------------|---|-------------|-------------------------|----------------|----------------|---------------|---|---------------|---------------|
| | | | | | | | Federal Share | State Share | |
| | Prop 1B Security - FY 08-09 | | 6161-002.FIFS#037-91170 | \$ 16,103,000 | \$ 6,214,663 | \$ - | \$ - | \$ 6,214,663 | \$ - |
| | Prop 1B Security - FY 08-10 | | 6261-002.FIFS#037-91170 | 16,103,043 | 1,041,032 | - | - | 1,041,032 | - |
| | Prop 1B Security - FY 10-11 | | 6361-002.FIFS#037-91170 | 16,103,043 | 1,550,513 | - | - | 1,550,513 | - |
| | Metro Greening Plan (U59207-0) | | U59207-0 | 530,000 | 241,844 | - | - | 179,252 | 62,593 |
| | Strategic Growth Council/Department of Conservation-Sustainable Communities Planning Grant | | PFM14-6065(183) | 3,098,000 | 890,652 | - | - | 207,010 | 683,642 |
| | STIP PFM(State Transportation Improvement Program- Planning, Programming & Monitoring Program | | STIP-PFM15-6065(192) | 3,098,000 | 4,367,925 | - | - | 1,846,610 | 2,521,315 |
| | Alternative & Renewable Fuel & Vehicle Technology Program | | ARV-13-054 | 492,000 | 110,949 | - | - | 55,475 | 55,475 |
| | Sustainable South Bay Transportation and Land Use Implementation Framework | | 3014-616 | 885,048 | 113,202 | - | - | 101,712 | 11,490 |
| | LACMTA Division 4 Maintenance Facility (14-440-550) | | 14-440-500 | 752,000 | 206,445 | - | - | 13,851 | 192,594 |
| | Proposition 1B Intercity Rail (ICR) Raymer to Benson Double Track Project | | ICRB-A 1314-02 75A 0406 | 6,500,000 | 1,306,327 | - | - | 1,206,554 | 99,773 |
| | Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project | | ICRB-A 1314-01 75A 0407 | 4,000,000 | 1,185,873 | - | - | 1,021,365 | 164,508 |
| | Metro Greening Plan (U59207-0) | | 135,983,130 | 135,983,130 | 91,934,526 | - | - | 67,999,068 | 23,935,458 |
| | Construction of Division 13 - Bus Operations and Maintenance Facility | | CA-04-0190 | 47,772,000 | 6,962,140 | - | - | 2,771,643 | 4,190,497 |
| | | | | \$ 251,419,264 | \$ 116,126,093 | \$ - | \$ - | \$ 84,208,748 | \$ 31,917,345 |

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. The Schedule includes all federal and state grant and loan expenditures, however, the Schedule only includes local expenditures as they relate to the federal and state funded projects.

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. For CFDA 20.233, \$312,220,783 in the Schedule represents current year loan proceeds for expenditures that were originally incurred in prior years.

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.

NOTE 7 – RESTATEMENT

During fiscal year 2017, management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (CFDA # 20.223) expenditures were not included on the Schedule for the fiscal year ending June 30, 2016 as federal funding, but instead were included as Local Share expenditures. An adjustment was made to add the TIFIA loan program as a federal program line and reclassify the \$467.8 million of expenditures from Local Share (CFDA #20.500 Grant Number CA-03-0825 and CFDA #20.507 Grant Number CA-95-X256) to Federal on the Schedule.

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 No

Significant deficiency(ies) identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes 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 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:

\$ 4,297,594

Auditee qualified as low-risk auditee?

Yes No

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

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Finding 2016-001 – Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not classified as federal expenditures, but instead was presented in the Local Share column of the schedule of expenditure of federal and state awards (SEFA).

Criteria: Uniform Guidance requires that proper internal controls are in place over the SEFA to ensure that all federal grant expenditures and loan draws during the current fiscal year are included as federal expenditures.

Effect: TIFIA Program expenditures of \$467,796,377 were excluded from the federal column of the original fiscal year 2016 SEFA prepared by management and instead were included in the Local Share column. Therefore, the federal expenditures were understated.

Cause: The TIFIA Program had not previously had any loan draws or activity, and unlike the other federal programs that LACMTA receives funds from which are cost reimbursement grant programs, this is a loan program. Additionally, it appears that there was not clear communication of the Uniform Guidance requirements in the loan agreement, nor was there any disclosure of the CFDA number in the loan agreement. At the time, management made the determination that the funds were Local since the repayment of the TIFIA loans will come from local funding.

Recommendation:

We recommend that management review all loan agreements and confirm, as applicable, with the funding source the nature of funding and audit compliance requirements. As of the March 28, 2018 reissuance report date, this matter is considered resolved.

Management's Response: As of this reissuance report date, management has reviewed loan agreements and affirmed the nature of the funding and audit compliance requirements. Management believes the matter is resolved.

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

Finding 2015-002 – Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not identified by management as federal expenditures in the fiscal year 2015 SEFA and instead was included in the Local Share column.

Status: As of March 29, 2018 reporting date, this matter is considered resolved.