



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

Financial Statements

June 30, 2015 and 2014

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of the LACMTA, as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of Los Angeles County Metropolitan Transportation Authority, as of June 30, 2015, or the changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements of the STA Fund as of June 30, 2014, were audited by other auditors whose report dated December 19, 2014, expressed an unmodified opinion on those financial statements.

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 on pages 3 through 5 and page 11, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2015 financial statements as a whole. The 2015 supplemental schedule of allocations and supplemental schedule of expenditures and transfers on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the 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 2015 financial statements. The 2015 information has not been subjected to the auditing procedures applied in the audit of the 2015 financial statements and accordingly, we do not express an opinion or provide any assurance on it. The 2014 supplemental schedule of allocations and supplemental schedule of expenditures and transfers on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the 2014 financial statements. The 2014 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The information has not been subjected to the auditing procedures applied by other auditors in the audit of the 2014 financial statements and accordingly, they did not express an opinion or provide any assurance on it.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 22, 2015

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

Management's Discussion and Analysis (Unaudited)

Fiscal years ended June 30, 2015 and 2014

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

Our discussion and analysis of STA Fund's financial performance presents an overview of the STA Fund's financial activities during the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the financial statements beginning on page 6. The financial statements, notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of the management.

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

2015 Financial Highlights

- Revenues exceeded expenditures by \$95,774.
- Sales tax collected for the year decreased by \$10,999 or 9.39% compared with the prior year. The decrease was mainly due to the lower allocation received from the State of California. Investment income decreased by \$4 or 2.38% mainly due to unfavorable investment conditions.
- Total other financing sources (uses) of funds decreased by \$18,791 or 17.12% compared with the prior year. The decrease was mainly due to the lower bus and rail operating subsidy allocated to the Enterprise Fund due to less sales tax revenue.

2014 Financial Highlights

- Revenues exceeded expenditures by \$100,256.
- Sales tax collected for the year increased by \$574 or 0.49% compared with the prior year. The increase was due to the higher allocation received from the State of California. Investment income decreased by \$26 or 13.31% was mainly due to lower levels of funds available for investing.

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- Total other financing sources (uses) of funds increased by \$3,768 or 3.60% compared with the prior year. The increase was mainly due to an increase in the bus and rail operating subsidy allocated to the Enterprise Fund.

Overview of Financial Statements

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

The condensed balance sheets show STA Fund's assets, liabilities, and fund balances as of June 30, 2015, 2014 and 2013. The difference between the assets and liabilities is reported as fund balance. The Fund balance may serve as a useful indicator of the STA Fund's financial health.

The comparative statements of revenues, expenditures, and changes in fund balance for the fiscal year show the fund activities that impacted the fund balance.

Condensed Balance Sheets

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total assets	\$ 48,186	\$ 49,955	\$ 46,215
Total liabilities	\$ 39,632	\$ 46,235	\$ 33,020
Fund balances	8,554	3,720	13,195
Total liabilities and fund balances	\$ 48,186	\$ 49,955	\$ 46,215

As of June 30, 2015, STA's fund balance of \$8,554 represents funds available for future payments.

Total assets decreased \$1,769 or 3.54% as of June 30, 2015 compared to June 30, 2014 primarily due to lower sales tax receivable and the transfer of fund back to Prop A Discretionary Bus (95%x40%). Total liabilities decreased \$6,603 or 14.28%, as of June 30, 2015 compared to June 30, 2014 mainly due to lower accrued liabilities and a lower amount due to the Enterprise Fund for the bus and rail operating subsidy.

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Total assets increased \$3,740 or 8.09% as of June 30, 2014 compared to June 30, 2013 primarily due to an increase in sales tax receivables and in the due from Prop A Discretionary Bus (95%x40%). Total liabilities increased \$13,215 or 40.02% as of June 30, 2014 compared to June 30, 2013 mainly due to a higher amount due to the Enterprise Fund for the bus and rail operating subsidy.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 106,287	\$ 117,290	\$ 116,742
Expenditures and other financing sources(uses) of funds	<u>(101,453)</u>	<u>(126,765)</u>	<u>(130,493)</u>
Excess of revenues over expenditures	4,834	(9,475)	(13,751)
Fund balances – beginning of year	<u>3,720</u>	<u>13,195</u>	<u>26,946</u>
Fund balances – end of year	<u>\$ 8,554</u>	<u>\$ 3,720</u>	<u>\$ 13,195</u>

Total revenues decreased \$11,003 or 9.38%, during fiscal year 2015 compared to fiscal year 2014 primarily due to the lower sales tax allocations received from the State of California. Expenditures and other financing uses decreased \$25,312 or 20% during fiscal 2015 compared to fiscal year 2014 mainly due to the lower bus and rail operating subsidy to the Enterprise Fund.

Total revenues increased \$548 or 0.47% during fiscal 2014 compared to fiscal year 2013 primarily due to the higher sales tax allocation received from the State of California. Expenditures and other financing uses decreased \$3,728 or 2.86% during fiscal 2014 compared to fiscal year 2013 mainly due to a transfer in from Prop A Discretionary Bus (95%x40%).

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Balance Sheets

June 30, 2015 and 2014

(Amounts expressed in thousands)

	2015	2014
Assets		
Cash and cash equivalents	\$ 23,490	\$ 12,130
Interest receivable	28	36
Due from other funds	—	5,521
Sales tax receivable	24,668	32,268
Total assets	48,186	49,955
Liabilities		
Accounts payable and accrued liabilities	1,857	4,466
Due to other funds	37,775	41,769
Total liabilities	39,632	46,235
Fund balances:		
Restricted	8,554	3,720
Total Fund balances	8,554	3,720
Total liabilities and fund balances	\$ 48,186	\$ 49,955

See accompanying notes to financial statements

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Fiscal years ended June 30, 2015 and 2014

(Amounts expressed in thousands)

	2015	2014
Revenues:		
Sales tax	\$ 106,123	\$ 117,122
Investment income	164	168
Total Revenue	106,287	117,290
Expenditures:		
Transportation subsidies	10,513	17,034
Excess of revenues over expenditures	95,774	100,256
Other financing sources (uses)		
Transfers in	—	5,000
Transfers out	(90,940)	(114,731)
Total net other financing uses	(90,940)	(109,731)
Net change in fund balances	4,834	(9,475)
Fund balances - beginning of the year	3,720	13,195
Fund balances - end of year	\$ 8,554	\$ 3,720

See accompanying notes to financial statements.

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Notes to Financial Statements
June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

(a) General Description

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

(b) Basis of Accounting

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

(c) Fund Accounting

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

(d) Financial Statement Presentation

The accompanying financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the Los Angeles County Metropolitan Transportation Authority as of June 30, 2015 and 2014, the changes in its financial position, and where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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June 30, 2015 and 2014

(e) Cash and Cash Equivalents

The STA Fund's cash and cash equivalents include investments in the Los Angeles County Investment Pool (LACIP) and are reported at fair value which is the quoted market price. The STA Fund is an involuntary participant in the LACIP.

(f) Sales Tax Receivable

Sales tax receivables represent uncollected amounts from the allocation of retail sales tax on gasoline and diesel fuel collected by the State Board of Equalization in the State of California. As of June 30, 2015 and 2014, the STA Fund had a receivable of \$24,668 and \$32,268 due from the State for the fourth quarter allocation.

(2) Cash and Investments

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

The STA Fund's pooled cash and investments with the LACIP amounted to \$23,490 at June 30, 2015 and \$12,130 at June 30, 2014. The County Board of Supervisors provides regulatory oversight for the LACIP. The fair 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, 2015 and 2014.

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

(3) Due to/from Other Funds

Due to or from other funds represent payables owed to or receivable from a particular LACMTA fund for temporary loans, advances, goods delivered, or services rendered. As of June 30, 2015, the STA Fund had a payable to the LACMTA's Enterprise Fund in the net amount of \$37,775. At June 30, 2014, the STA Fund had a net payable of \$41,248 due to the Enterprise Fund and a receivable from the Prop A Discretionary Bus Fund (95%x40%) of \$5,000.

(4) Interfund Transfers

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund. For the year ended June 30, 2015, the STA Fund transferred \$85,940 to LACMTA's Enterprise Fund and \$5,000 to the Prop A Discretionary Bus Fund (95%x40%). For the year ended June 30, 2014, the STA Fund transferred \$114,731 to the LACMTA Enterprise Fund and received \$5,000 from the Prop A Discretionary Bus Fund (95%x40%).

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(5) Sales Tax Revenue

Sales tax revenue represents amounts from the allocation of retail sales tax on gasoline and diesel fuel collected by the California State Board of Equalization. For the years ended June 30, 2015 and 2014, the STA Fund received an allocation of \$106,123 and \$117,122, respectively.

(6) Payables to Cities and Jurisdiction

For the years ended June 30, 2015 and 2014, the STA Fund incurred accrued liabilities to various cities and jurisdictions of \$1,857 and \$4,466, respectively. These accrued liabilities represented claims for the fiscal year allocation that were disbursed by the STA Fund in the following fiscal year.

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

Fiscal year ended June 30, 2015

(Amounts expressed in thousands)

	Final budget (Unaudited)	Actual	Variance with Final Budget
Revenues:			
Sales tax	\$ 104,699	\$ 106,123	\$ 1,424
Investment income	-	164	164
Total revenues	104,699	106,287	1,588
Expenditures:			
Transportation subsidies	11,582	10,513	1,069
Total expenditures	11,582	10,513	1,069
Excess of revenues over expenditures	93,117	95,774	2,657
Other financing sources(uses)			
Transfers in	-	-	-
Transfers out	(85,745)	(90,940)	(5,195)
Total net financing (uses)	(85,745)	(90,940)	(5,195)
Net change in fund balances	7,372	4,834	(2,538)
Fund balances - beginning of the year	3,720	3,720	-
Fund balances - end of year	\$ 11,092	\$ 8,554	\$ (2,538)

See accompanying independent auditors' report

**LOS ANGELES COUNTY
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Supplemental Schedule of Allocations (Unaudited)

Fiscal years ended June 30, 2015 and 2014

(Amounts expressed in thousands)

PUC Code	Operating 6730(a)	Capital 6730(b)	Rail 6730 (c)	2015 Total	2014 Total
Jurisdiction					
Arcadia	\$ 40	-	-	40	50
Claremont	29	-	-	29	39
Commerce	41	-	-	41	48
Culver City	646	-	-	646	886
Foothill Transit	2,744	-	-	2,744	3,913
Gardena	637	-	-	637	915
La Mirada	15	-	-	15	20
Montebello	1,009	-	-	1,009	1,444
Long Beach	2,768	-	-	2,768	3,940
LACMTA	33,271	-	48,406	81,677	99,108
Norwalk	368	-	-	368	546
Redondo Beach	88	-	-	88	119
Santa Monica	2,426	-	-	2,426	3,479
Torrance	770	-	-	770	1,102
Total STA fund allocations	\$ <u>44,852</u>	\$ <u>-</u>	\$ <u>48,406</u>	\$ <u>93,258</u>	\$ <u>115,609</u>

See accompanying independent auditors' report

**LOS ANGELES COUNTY
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Supplemental Schedule of Expenditures and Transfers (Unaudited)

Fiscal years ended June 30, 2015 and 2014

(Amounts expressed in thousands)

PUC Code	2015				2014			
	Operating 6730(a)	Capital 6730(b)	Rail 6730 (c)	Total	Operating 6730(a)	Capital 6730(b)	Rail 6730 (c)	Total
Jurisdiction								
Arcadia	\$ 30	\$ -	\$ -	\$ 30	\$ 66	\$ -	\$ -	\$ 66
Claremont	-	-	-	-	50	-	-	50
Commerce	31	-	-	31	63	-	-	63
Culver City	484	-	-	484	886	310	-	1,196
Foothill Transit	2,058	-	-	2,058	3,913	-	-	3,913
Gardena	478	-	-	478	915	111	-	1,026
La Mirada	-	-	-	-	27	-	-	27
Long Beach	2,768	-	-	2,768	3,940	-	-	3,940
LACMTA	33,271	196	52,475	85,942	57,457	(10)	57,284	114,731
Montebello	1,008	-	-	1,008	1,444	-	-	1,444
Norwalk	368	-	-	368	546	-	-	546
Redondo Beach	88	-	-	88	158	9	-	167
Santa Monica	2,425	2	-	2,427	3,479	15	-	3,494
Torrance	771	-	-	771	1,102	-	-	1,102
Total STA fund expenditures	\$ 43,780	\$ 198	\$ 52,475	\$ 96,453	\$ 74,046	\$ 435	\$ 57,284	\$ 131,765

See accompanying independent auditors' report


INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2015, and the related statement of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated December 22, 2015

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

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



Crowe Horwath LLP

Sherman Oaks, California
December 22, 2015