



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

Basic Financial Statements

June 30, 2015

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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 statement of net position of the Crenshaw Project Corporation (CPC), a component unit of the Los Angeles County Metropolitan Transportation Authority, as of June 30, 2015 and the related statement of revenues, expenses, and changes in fund net position and statement of cash flows for the period from March 23, 2012 through June 30, 2015, 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 CPC, as of June 30, 2015, and the changes in its financial position, and its cash flows for the period from March 23, 2012 through June 30, 2015 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 information on pages 1 and 2, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 22, 2015

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

As management of the Crenshaw Project Corporation (CPC), we offer readers of our basic financial statements this narrative overview and analysis of the financial activities of CPC for the period from March 23, 2012 to June 30, 2015. This discussion and analysis is designed to assist the readers in focusing on the significant financial issues and activities of CPC.

We encourage the readers to consider the information presented herein in conjunction with the basic financial statements beginning on page 3. 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 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).

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

Financial Highlights

- In September, 2012, CPC secured a \$545,900 TIFIA loan from the USDOT to partially finance the Project. The loan under the TIFIA program is secured by Measure R sales tax revenues allocated to the Project. The CPC has drawdown \$37,477 of the loan as of June 30, 2015.
- Net position remained \$0 as of June 30, 2015. Total assets of \$37,477 represent advances to LACMTA and the total liabilities represent the note payable to TIFIA.
- Total expenses of \$457 consisted mostly of loan fees and other charges, which were reimbursed by LACMTA.

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 net position, 3) the statement of cash flows, and 4) the notes to the basic financial statements.

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

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Government Accounting Standards Board (GASB). CPC is structured as an Enterprise fund where revenues are recognized when they are earned and expenses are recognized when they are incurred. See notes to the basic financial statements for the summary of CPC's significant accounting policies.

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

Presented below are the condensed statement of net position and condensed statement of revenues, expenses, and changes in net position as of June 30, 2015 and for the period from March 23, 2012 to June 30, 2015. The table below presents financial information for CPC since its inception, therefore comparative amounts are not available.

Condensed Statement of Net Position	
Non-current assets	\$ 37,477
Total assets	<u>37,477</u>
Non-current liabilities	<u>37,477</u>
Total liabilities	<u>37,477</u>
Net position	<u>\$ -</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Revenues	\$ 457
Expenses	<u>457</u>
Net income (loss)	<u>-</u>
Changes in net position	-
Net position – beginning of year	-
Net position – end of year	<u>\$ -</u>

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Net Position
June 30, 2015
(Amounts expressed in thousands)

Assets

Non-current assets
 Due from LACMTA \$ 37,477

Total Assets \$ 37,477

Liabilities

Non-current liabilities
 Note payable \$ 37,477

Total Liabilities 37,477

Net Position \$ -

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

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Statement of Revenues, Expenses, and Changes in Fund Net Position
 Period from March 23, 2012 to June 30, 2015
 (Amounts expressed in thousands)

Operating Revenues	
Charges for services	\$ 457
Total operating revenues	<u>457</u>
Operating Expenses	
Professional and technical services	455
Other administrative expenses	<u>2</u>
Total operating expenses	<u>457</u>
Operating income (loss)	<u>-</u>
Change in net position	-
Net position – beginning of year	<u>-</u>
Net position – end of year	<u><u>\$ -</u></u>

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

Crenshaw Project Corporation
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Statement of Cash Flows
Period from March 23, 2012 to June 30, 2015
(Amounts expressed in thousands)

Cash Flows from Operating Activities	
Receipts from LACMTA	\$ 457
Payments to vendors	(457)
Net cash flows from operating activities	<u>-</u>
Cash Flows from Non-Capital Financing Activities	
Proceeds from TIFIA loan	37,477
Advances to LACMTA for the construction of Crenshaw Transit project	(37,477)
Net cash flows from non-capital financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>

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

Crenshaw Project Corporation
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Notes to the Financial Statements
June 30, 2015

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 stated, all dollar amounts are expressed in thousands.

Note 1 – Reporting Entity

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

CPC is governed by a Board consisting of the same members of the Board of Directors of LACMTA (the “Metro Board”). The Chair, First-Chair and Second-Chair of the Metro Board shall have the corresponding positions on the CPC Board. The Board may serve on the Board 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. CPC is a component unit of LACMTA because it is financially dependent upon LACMTA and LACMTA’s approval is needed for CPC to expend its budgets and issue long-term debt. Although CPC is a legally separate entity, and in substance part of LACMTA’s operations, the data from CPC is included in LACMTA’s financial data. These financial statements present only CPC 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.

Note 2 - Summary of Significant Accounting Policies

CPC’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The basic financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred, regardless of the timing of related cash flows.

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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. CPC uses the proprietary fund type to account for the goods and services provided to LACMTA on a cost reimbursement basis. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues generally result from providing services in connection with CPC's ongoing operations. Operating expenses include professional services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. CPC applied all applicable Government Accounting Standard Board pronouncements in accounting and reporting for its proprietary operations.

Cash and Cash Equivalents

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

Note 3 – Due from LACMTA

Due from LACMTA consists of cash advances to partially finance the construction of the Project. As of June 30, 2015, the outstanding balance of due from LACMTA totaled \$37,477.

Note 4 – Notes Payable

In September, 2012, the CPC secured a loan not to exceed \$545,900 from USDOT under the TIFIA program to partially finance the construction of the Project. The loan, secured by a portion of LACMTA's Measure R sales tax revenues allocated to the Project, bears interest at 2.43% per annum on the outstanding balance with a maturity date of June 1, 2034. As of June 30, 2015, the outstanding balance of the TIFIA loan was \$37,477.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ (857)	\$ 857	\$ -
2017	(936)	936	-
2018	(960)	960	-
2019	(984)	984	-
2020	(1,009)	1,009	-
2021-2025	2,892	5,044	7,936
2026-2030	16,961	4,054	21,015
2031-2034	22,370	1,460	23,830
	\$ 37,477	\$ 15,304	\$ 52,781

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The annual debt service requirements represent a proportionate share of the loan payments for the principal amount of \$545,900.

Note 5 – Subsequent Events

In July and August 2015, \$82,678 and \$143,751, respectively, were drawn down from the TIFIA loan to reimburse LACMTA for expenditures incurred on the Project.