



**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT**

Year ended June 30, 2016

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
Los Angeles, California

SINGLE AUDIT REPORT  
Year ended June 30, 2016

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

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

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

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Crowe Horwath LLP*

Crowe Horwath LLP

Sherman Oaks, California  
December 16, 2016

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

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

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control over Compliance

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

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

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

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

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

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

*Crowe Horwath LLP*

Crowe Horwath LLP

Sherman Oaks, California  
December 16, 2016

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

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

Federal Grantor/Cluster Title/Program Title/Pass-through Grantor/Project Title	CFDA Number	Grant Number	Total Award	Total	Federal Share	Federal Share passed through to subrecipients	State Share	Local Share
<b>Federal Grants</b>								
<b>U.S. Department of Transportation</b>								
Passed through the State of California Department of Transportation:								
Highway Planning and Construction Cluster								
Highway Planning and Construction								
1405 CAR Pool Lane	20.205	07-4826	\$1,143,347,625	\$ 137,196,291	\$ 30,274,096	\$ -	\$ -	\$ 106,922,195
Pedestrian and Pedestrian Mobility	20.205	CA-15-X005	800,000	285,760	285,760	285,760	-	-
Burbank Airport	20.205	07-4U6524	4,387,000	2,606,007	82,327	82,327	-	2,523,680
Extension of Transit way on 1-110 to Downtown LA	20.205	EA 07-278008	6,272,631	1,367,554	607,802	-	-	759,752
Active Transportation Education Program	20.205	CMLN 6065 (190)	4,000,000	1,343,285	-	-	-	1,600,531
Safe Routes to School	20.205	SRTSNL-6065(178)	500,000	659,819	274,711	-	-	385,108
Orange Line High Speed Magnetic Levitation trains	20.205	HFLUL-6065(156)	251,972	41,934	37,026	37,026	-	4,908
Highway Planning and Construction Cluster Total			1,159,559,228	145,101,181	32,905,007	405,113	-	112,195,174
<b>Direct Programs:</b>								
<b>Federal Transit Cluster</b>								
<b>Federal Transit Capital Improvement Grants</b>								
Metro Rapid System Gap Closure	20.500	CA-03-0796	16,700,000	3,693,807	2,400,974	-	-	1,292,832
Red/Passenhart & 22nd St. Fuel Bus	20.500	CA-03-0783	1,214,721	16,986	13,565	13,565	-	3,391
Westside Purple Line Ext. Sec. 1 - FFGA	20.500	CA-2016-017	100,000,000	294,827,535	100,000,000	-	-	194,827,535
Wilshire Blvd. Bus Only Lane	20.500	CA-03-0815	23,317,000	4,390,490	2,757,919	2,757,919	-	1,632,571
Regional Connection Transit Corridor Construction	20.500	CA-03-0825	165,000,000	149,407,797	80,971,963	-	26,478,941	41,956,893
Regional Connection Transit Corridor Construction	20.500	CA-2016-046	100,000,000	4,018,715	2,936,848	-	996,166	85,701
Westside Purple Line Ext. - Section 1	20.500	CA-03-0824	100,000,000	-	100,000,000	-	-	(100,000,000)
Crenshaw - Prairie Transit Corridor	20.500	CA-04-0034	8,563,010	445,218	445,218	-	-	(1,168,667)
Passenger and Pedestrian Enhancements	20.500	CA-04-0067	2,502,232	616,290	493,032	493,032	-	123,258
Phg Engineering of Transit Centers	20.500	CA-04-0084	7,131,578	3,387,746	2,710,197	2,710,197	-	677,549
Southern California 511V/TCLJ	20.500	CA-04-0230	2,000,000	672,528	538,022	-	-	134,506
Pasadenas Plaza Bus way Station	20.500	CA-04-0233	9,679,000	4,233,051	3,386,441	-	-	846,610
Metro Orange Line Bus Enhancement	20.500	CA-04-0261	10,000,000	4,525,521	3,628,471	-	-	897,050
Federal Transit Capital Improvement Grants Total			546,107,541	469,066,957	300,282,651	5,974,713	27,475,106	141,309,229
<b>Federal Transit Formula Grants</b>								
Subgrantee Vehicles/Transit facilities	20.507	CA-90-Y114	5,985,469	29,208	23,366	23,366	-	5,842
Preventive Maintenance - FY15	20.507	CA-90-Z054	312,668,288	189,587,378	151,669,902	-	-	37,917,476
Metro Rapid Bus Stations/Signal Priority	20.507	CA-90-Y261	28,919,529	1,758,022	1,758,022	-	-	-
FY05 Transit Enhancements	20.507	CA-90-Y454	516,210	15,000	11,012	-	-	3,989
Metro Rapid Bus Program	20.507	CA-90-Y457	11,081,700	285,290	285,290	-	-	-
Transit Enhancement FY2005 funds	20.507	CA-90-Y685	854,520	160,350	128,280	-	-	32,070
Preventive Maintenance - Operation & Capital - FY 14 PM	20.507	CA-90-Y717	480,395,145	(417)	(334)	-	-	(83)
45-Ft Composite Buses and Transit Enhancements - Capital	20.507	CA-95-X099	400,000	347,877	278,302	-	-	69,575
LA CRD Operating Assistance - Vanpool	20.507	CA-95-X099	8,013,440	19,689	19,689	-	-	-
Light Rail Vehicle Acquisition	20.507	CA-95-X127	41,786,160	17,076,894	11,634,380	-	91,437	5,351,077
Pass / Ped. Enhancements and Improvements	20.507	CA-95-X227	2,996,000	596,281	477,025	477,025	-	119,256
Light Rail Vehicle Acquisition	20.507	CA-95-X246	120,872,000	8,992,447	(2,456,544)	-	-	(11,428,991)
Exposition Blvd. Right-of-Way Bike Path	20.507	CA-95-X214	11,528,000	2,254,957	1,045,409	-	-	1,209,548
Replacement Buses	20.507	CA-95-X245	1,839,600	3,900	2,847	2,847	-	1,053
Acquisition of Buses	20.507	CA-2016-011-01	46,113,344	55,473,053	46,113,344	-	-	9,359,709
Metro Orange Line Bus Enhancement	20.507	CA-2016-011-02	3,299,729	4,259,099	3,299,729	-	-	959,370
Preventive Maintenance - FY16	20.507	CA-2016-011-03	109,975,245	137,469,057	109,975,245	-	-	27,493,812
Westside Purple Line Extension - Section 1	20.507	CA-95-X264	12,171,000	21,109,533	12,171,000	-	-	8,938,533
Regional Connection Transit Corridor Construction	20.507	CA-95-X251	64,000,000	20,087,042	17,783,059	-	2,285,632	18,352
Crenshaw/Lax Transit Corridor	20.507	CA-95-X286	82,213,840	27,109,454	24,000,000	-	-	3,109,454
Airport Metro Connector and Crenshaw / LAX A accommodation	20.507	CA-2016-062-00	33,200,000	744,764	744,764	-	-	-
LA Metro FY 16 Rail Preventive Maintenance - Growing State Funds	20.507	CA-2016-024-01	8,012,101	10,015,126	8,012,101	-	-	2,003,025
Metro Gold Line Foothill Extension Operating Assistance	20.507	CA-2016-029-01	20,000,000	1,949,498	1,559,598	-	-	389,900
Metro EXPO Line Phase I Operating Assistance	20.507	CA-2016-029-03	20,000,000	544,429	435,543	-	-	108,886

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

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

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

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

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

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

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

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**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in note 1 to the financial statements of LACMTA's basic financial statements.

**NOTE 2 - BASIS OF PRESENTATION**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT**

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed.

**NOTE 4 – FEDERAL FINANCIAL ASSISTANCE**

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**NOTE 5 – MAJOR PROGRAMS**

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

**NOTE 6 – COMMINGLED ASSISTANCE**

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

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

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**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

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

Unmodified

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

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

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

Dollar threshold used to distinguish type A and B programs:

  \$  3,000,000  

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

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

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**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

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

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**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