

**FISCAL YEAR 2023
MEASURE M
REVENUES AND EXPENDITURES AUDIT
WITH
INTERNAL CONTROLS AND COMPLIANCE REPORT**

P R E S E N T A T I O N T O

MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

MARCH 6, 2024



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Responsibilities

☐ LACMTA Management Responsibilities

- Preparation of the Schedule of Measure M Revenues and Expenditures.
- Design, implementation and maintenance of internal control – free from material misstatement, whether due to fraud or error.

☐ Auditor's Responsibilities

- To express an opinion on the fair presentation on the Schedule of Measure M Revenues and Expenditures based on our audit.
- To express an opinion on compliance with the *Los Angeles County Traffic Improvement Plan* (Measure M Ordinance).

Summary of Audit Results

- Schedule of Measure M Revenues and Expenditures Audit
 - Unmodified opinion or clean opinion.
- No internal control material weaknesses over financial reporting identified.
- No significant internal control deficiencies over compliance identified.
- LACMTA complied with the *Los Angeles County Traffic Improvement Plan (Measure M Ordinance)*

Financial Highlights

- Sales tax revenue increased by \$16.2 million compared to prior year (1.5% change from prior year).
- Actual expenditures increased by \$26.4 million compared to prior year (6.9% change from prior year) due primarily to an increase in administration expenditures and bus transportation subsidies.
- Total other financing uses increased by \$428.3 million compared to prior year (167.3% change from prior year). Increase was mainly attributed to higher operating subsidy transfers to Enterprise Fund for bus and rail operations and increase in expenditures related to transit and highway constructions projects. Additionally, in fiscal year 2023 the operating subsidy for bus and rail operations was no longer offset by Covid-related grants.
- Actual sales tax revenue was more than budgeted by \$74.4 million.
- Actual expenditures was less than budgeted by \$91.2 mainly due to administration and transportation subsidies coming in less than budgeted amounts.
- Actual transfers out was less than budgeted by \$94.5 million mainly due to capital project costs coming in less than budgeted amounts.
- During fiscal year 2022-2023, the Measure M fund reported a surplus, with revenues exceeding expenditures and other financial uses by \$39.5 million. This resulted in an increase in the Measure M fund balance, growing from \$1.11 billion to \$1.15 billion as of June 30, 2023.

Required Communications

Items to be Communicated

Auditor's Responsibilities Under Generally Accepted Auditing Standards

- To express an opinion on the Schedule of Measure M Revenues and Expenditures.
- To provide reasonable, not absolute, assurance of detecting material misstatements.
- To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.
- To inform LACMTA of any illegal acts that we become aware of.
 - None

Required Communications (Continued)

- Adoption/Change in accounting
 - None
- Significant or unusual transactions
 - None
- Alternative treatments discussed with management
 - None
- Significant issues discussed with management
 - None
- Difficulties encountered in performing the audit
 - We encountered no difficulties in dealing with management in performing or conducting the audit.

Required Communications (Continued)

- Consultations with other accountants
 - To our knowledge, no such consultation has occurred.
- Discussions held prior to retention
 - No major issues were discussed as a condition to our retention.
- Disagreements with management
 - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedule of Measure M Revenues and Expenditures or the auditor's report.
 - No such disagreements occurred.
- Management representation
 - We requested certain representations from management which are included in the management representation letter.

2023 Management Letter Comments

- There are no management letter comments.

Audited Financial Statements for Measure M Special Revenue Fund

- Included in LACMTA's June 30, 2023 Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

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QUESTIONS AND ANSWERS