

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Proposition A and Proposition C
Special Revenue Funds**

**For the Fiscal Year Ended June 30, 2023
(With Comparative Totals For 2022)**



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Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C
Special Revenue Funds
For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Schedule of Revenues and Expenditures:	
Proposition A Special Revenue Fund Schedule of Revenues and Expenditures	4
Proposition C Special Revenue Fund Schedule of Revenues and Expenditures	5
Notes to the Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds	6
Required Supplementary Information (Unaudited):	
Proposition A Special Revenue Fund Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2023	12
Proposition C Special Revenue Fund Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2023	13
Other Reports:	
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 <i>Government Auditing Standards</i>	14
Independent Auditor's Report on Compliance with Requirements Applicable to Proposition A and Proposition C Revenues and Expenditures in Accordance with the <i>MTA Reform and Accountability Act of 1998</i> , <i>Ordinance No. 16</i> , and <i>Ordinance No. 49</i>	16
Summary of Current Year Audit Findings.....	19
Status of Prior Year Audit Findings	20



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Independent Auditor's Report

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of the Schedules of Proposition A and Proposition C Revenues and Expenditures

Opinion

We have audited the accompanying Schedules of Proposition A ("Ordinance No. 16") and Proposition C ("Ordinance No. 49") Revenues and Expenditures (the Schedules) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedules, which collectively comprise LACMTA's basic Schedules as listed in the table of contents.

In our opinion, the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedules, the accompanying Schedule of Revenues and Expenditures of Proposition A and Proposition C Funds are intended to present the revenues and expenditures attributable to the Proposition A and Proposition C Funds. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2023, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

Responsibility of Management for the Schedules of Proposition A and Proposition C Revenues and Expenditures

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

Auditor's Responsibilities for the Audit of the Schedules of Proposition A and Proposition C Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedules as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedules.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules.
- Obtain an understanding of internal control relevant to the audit 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 LACMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedules. Such information is the responsibility of management and, although not a part of the basic Schedules, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedules 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 Schedules, and other knowledge we obtained during our audit of the basic Schedules. 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.

Prior-Year Comparative Information

We have previously audited the Schedules of Proposition A and Proposition C Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 17, 2022. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for 2022)
(Amounts expressed in thousands)

	2023	2022
Revenues		
Sales tax	\$ 1,111,178	\$ 1,091,206
Investment income	23,625	2,995
Net appreciation (decline) in fair value of investments	4,963	(14,208)
	<hr/>	<hr/>
Total revenues	1,139,766	1,079,993
	<hr/>	<hr/>
Expenditures		
Transportation subsidies	414,284	391,927
	<hr/>	<hr/>
Total expenditures	414,284	391,927
	<hr/>	<hr/>
Excess of revenues over expenditures	725,482	688,066
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers out	(1,187,908)	(83,191)
	<hr/>	<hr/>
Total other financing sources (uses)	(1,187,908)	(83,191)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (462,426)</u>	<u>\$ 604,875</u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for 2022)
(Amounts expressed in thousands)

	2023	2022
Revenues		
Sales tax	\$ 1,111,177	\$ 1,091,203
Intergovernmental	6,399	9,390
Investment income	23,543	3,035
Net decline in fair value of investments	(1,511)	(13,706)
	<hr/>	<hr/>
Total revenues	1,139,608	1,089,922
	<hr/>	<hr/>
Expenditures		
Administration and other	51,591	38,483
Transportation subsidies	618,058	518,937
Debt and interest expenditures		
Principal	1,328	-
Interest and fiscal charges	4	-
	<hr/>	<hr/>
Total expenditures	670,981	557,420
	<hr/>	<hr/>
Excess of revenues over expenditures	468,627	532,502
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	155,615	73,349
Transfers out	(571,414)	(84,799)
Inception of long-term SBITAs	1,319	-
Right to use SBITAs	(1,319)	-
	<hr/>	<hr/>
Total other financing sources (uses)	(415,799)	(11,450)
	<hr/>	<hr/>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 52,828</u>	<u>\$ 521,052</u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2023

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

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

1. Organization

General

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest and most populous counties. More than 10 million people, nearly one-third of California's residents - live, work, and play within its 1,433-square-mile service area. LACMTA employs approximately 10,000 people full-time and part-time in a broad range of technical specialties and services.

Proposition A

The Proposition A Fund is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 20, 1980. Revenues collected are required to be allocated in the following manner: 25% to local jurisdictions for local transit; 35% for transit-related construction projects, debt service payments, and operation of rail rapid transit systems; and 40% for public transit purposes at the discretion of LACMTA.

Proposition C

The official name of this special revenue fund is the "Los Angeles Anti-Gridlock Transit Improvement Fund". This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 8, 1990. Revenues collected are required to be allocated in the following manner: 5% to improve and expand rail and bus security; 10% for Commuter Rail and construction of Transit Centers, Park-and-Ride lots, and Freeway Bus Stops; 20% to local jurisdictions for public transit and related services; 25% for essential County-wide transit-related improvements to freeways and state highways; and 40% to improve and expand rail and bus transit County-wide.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2023

2. Summary of Significant Accounting Policies

The Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

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. 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 most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Funds to account for Proposition A and Proposition C sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues (primarily from sales tax) are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

Budgetary Accounting

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedules.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and the net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2023, Proposition A and Proposition C Special Revenue Funds had investment income of \$23,625 and \$23,543, respectively, and a net appreciation in fair value of investments of \$4,963 for Proposition A and a net decline in fair value of investments of \$1,511 for Proposition C. The net appreciation/decline in the fair value of investments were mainly due to an increase/decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedules in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subscription Based Information Technology Arrangement (SBITA)

Effective July 1, 2022, LACMTA implemented GASB Statement No. 96, the new accounting standard on subscription-based information technology arrangements (SBITA). GASB 96 is a set of accounting standards that governs the accounting and financial disclosure of cloud-based software subscription payments. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, Leases, with the underlying foundation that SBITAs are financing, with the exceptions for short-term SBITAs, contracts that only provide support or maintenance services, licensing arrangements that provide a perpetual license, and SBITAs that are considered exclusions from scope under the new standard.

With the implementation of GASB 96, LACMTA has recorded an intangible right-to-use subscription asset in the government-wide financial statements, equal to the initial amount of subscription liability, payments made to a SBITA vendor before the commencement of the subscription term, and the capitalizable of any implementation costs. It is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. An amortization expense is recognized representing the decrease in the useful life of the right-to-use subscription-based information technology arrangement assets and is being reported as an outflow of resources. Subscription assets are reported with other capital assets and subscription liabilities are reported separately on the Statement of Net Position in the government-wide financial statements.

The subscription liability is measured at the present value of future payments expected to be made at the commencement of the contract term. The future payments are discounted using the interest rate the SBITA vendor charges or implicit in the contract, or the government's estimated incremental borrowing rate. When the interest rate is not provided by the SBITA, LACMTA uses its estimated incremental borrowing rate of 2.31% as the discount rate given an average contract

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangement (SBITA)

term of 2 to 5 years. The subscription liability is reduced as payments are made and interest expense is recognized as an outflow of resources in governmental funds.

A SBITA modification is accounted as a separate SBITA if the SBITA modification gives the government additional subscription assets and if the increase in subscription payments for those additional subscription assets are not unreasonable. If SBITA modifications are not accounted for separately, then there will be a remeasurement of the subscription liability. The subscription asset is adjusted by the difference between the remeasured liability and the liability immediately before the SBITA modification. However, if the change reduces the carrying value of the subscription asset to zero, any remaining amount should be reported as an inflow of resources. Changes in exercised options, discount rates, or events resulting in the extension or termination of the SBITA are subject to a remeasurement of the subscription liability.

Comparative Financial Data

The amounts shown for 2022 in the accompanying Schedules are included only to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds

The Schedules are intended to reflect the revenues and expenditures of Proposition A and Proposition C funds only. Accordingly, the Schedules do not purport to, and do not, present fairly the financial position of the LACMTA or changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4. Intergovernmental Transactions

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of Proposition A and Proposition C Special Revenue Funds have been made in accordance with all expenditure requirements of both Proposition A and Proposition C Ordinances.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2023

6. Subscription-based Information Technology Arrangement (SBITA)

LACMTA, as a subscriber, has entered into SBITAs for the use of software, access to vendors' databases, and use of vendors' computing power and storage. In fiscal year 2023, principal and interest payments of \$1,328 and \$4, respectively, represent the total amount of SBITA payments per executed contract.

The amount of \$1,319 was allocated to Proposition C, which was treated as other financing sources (uses) in the Proposition C schedule of revenues and expenditures for the fiscal year ended June 30, 2023. The amount was measured based on the present value of future SBITA payments expected to be made during the contract period.

As of June 30, 2023, the future payments under the SBITAs are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 27	\$ 1	\$ 28
Total	<u>\$ 27</u>	<u>\$ 1</u>	<u>\$ 28</u>

7. Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Proposition A Fund at June 30, 2023 had a deficit of revenues and other financing sources over expenditures and other financing uses of \$462,426 due to higher transfers out for operating and capital projects, and higher expenditures due to an increase in subsidy claims. The foregoing factors contributed to the decrease in fund balance in Proposition A Fund balance from \$1,079,459 to \$617,033 as of June 30, 2023.

The Proposition C Fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$52,828 primarily due to transfers in from other local funds. The foregoing factors contributed to the increase in the Proposition C Fund balance from \$993,075 to \$1,045,903 as of June 30, 2023.

8. Audited Financial Statements

The audited financial statements for Proposition A and Proposition C Special Revenue Funds for the fiscal year ended June 30, 2023 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2023

9. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

10. Subsequent Events

In preparing the Schedules of Proposition A and Proposition C Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the schedules were available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the schedules.

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,111,178	\$ 79,378
Investment income	-	-	23,625	23,625
Net decline in fair value of investments	-	-	4,963	4,963
Total revenues	1,031,800	1,031,800	1,139,766	107,966
Expenditures				
Transportation subsidies	394,125	394,125	414,284	(20,159)
Total expenditures	394,125	394,125	414,284	(20,159)
Excess of revenues over expenditures	637,675	637,675	725,482	87,807
Other financing sources (uses)				
Transfers out	(283,744)	(283,744)	(1,187,908)	(904,164)
Total other financing sources (uses)	(283,744)	(283,744)	(1,187,908)	(904,164)
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 353,931</u>	<u>\$ 353,931</u>	<u>\$ (462,426)</u>	<u>\$ (816,357)</u>

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,111,177	\$ 79,377
Intergovernmental	15,003	15,003	6,399	(8,604)
Investment income	-	-	23,543	23,543
Net decline in fair value of investments	-	-	(1,511)	(1,511)
Total revenues	1,046,803	1,046,803	1,139,608	92,805
Expenditures				
Administration and other	82,791	78,150	51,591	26,559
Transportation subsidies	638,739	638,739	618,058	20,681
Debt and interest expenditures				
Principal	-	-	1,328	(1,328)
Interest and fiscal charges	-	-	4	(4)
Total expenditures	721,530	716,889	670,981	45,908
Excess of revenues over expenditures	325,273	329,914	468,627	138,713
Other financing sources (uses)				
Transfers in	217,865	217,865	155,615	(62,250)
Transfers out	(566,727)	(566,727)	(571,414)	(4,687)
Inception of long-term SBITAs	-	-	1,319	1,319
Right to use SBITAs	-	-	(1,319)	(1,319)
Total other financing sources (uses)	(348,862)	(348,862)	(415,799)	(66,937)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (23,589)	\$ (18,948)	\$ 52,828	\$ 71,776

**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***

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Revenues and Expenditures (the Schedules) for Proposition A and Proposition C Special Revenue Funds of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedules, which collectively comprised LACMTA's basic Schedules, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedules 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 amounts on the Schedules. 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 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 "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, California
November 28, 2023



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**Independent Auditor's Report on Compliance with Requirements
Applicable to Proposition A and Proposition C Revenues and Expenditures in
Accordance with the MTA Reform and Accountability Act of 1998,
Ordinance No. 16 and Ordinance No. 49**

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Proposition A and Proposition C Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *MTA Reform and Accountability Act of 1998* (the Act), *Ordinance No. 16 (Proposition A)* and *Ordinance No. 49 (Proposition C)* applicable to LACMTA's Proposition A and Proposition C revenues and expenditures for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that are applicable to Proposition A and Proposition C revenues and expenditures for the fiscal year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Proposition A and Proposition C revenues and expenditures.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on LACMTA's compliance with Proposition A and Proposition C revenues and expenditures based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of Proposition A and Proposition C revenues and expenditures as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.
- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Proposition A and Proposition C revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 compliance requirement 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 compliance requirement 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 “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 compliance requirements of Proposition A and Proposition C revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, California
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2023

None noted.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Status of Prior Year Audit Findings

None noted.