

FISCAL YEARS 2022 AND 2023 MEASURE R 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 R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

MARCH 7, 2024



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Responsibilities

- LACMTA Management Responsibilities:
 - Preparation of the Schedule of Measure R Revenues and Expenditures
 - Design, implementation and maintenance of internal control – free from material misstatement, whether due to fraud or error.
- Auditor's Responsibilities:
 - Express an opinion on the fair presentation on the Schedule of Measure R Revenues and Expenditures based on our audit.
 - Express an opinion on compliance with the *Traffic Relief and Rail Expansion Ordinance 08-01* (Measure R Ordinance).

Summary of Audit Results

- Schedule of Measure R Revenues and Expenditures Audit
 - Unmodified opinion
- No internal control material weaknesses over financial reporting identified.
- No significant internal control deficiencies over compliance identified.
- LACMTA complied with the *Traffic Relief and Rail Expansion Ordinance 08-01 (Measure R Ordinance)*

FY 2022 Financial Highlights

- Sales tax revenue increased by \$178.1 million compared to prior year (19.6% change from prior year). The increase was mainly due to an increase in consumer spending during FY 2021-2022.
- Actual expenditures increased by \$201.2 million compared to prior year (44.3% change from prior year) due primarily to increased spending in administration and capital projects by \$136.4 million; increase in local return subsidies allocation by \$63.4 million; and recognition of principal and interest payments of \$1.4 million related to lease transactions as the result of the implementation of Government Accounting Standards Board Statement No. 87- Leases (GASB 87).
- Transfers out decreased by \$295.8 million compared to prior year (-51.6% change from prior year). Decrease was mainly attributed to lesser transfer to other funds for capital projects since part of the capital projects were funded by COVID-19 grants received in FY 2021-22.
- Actual sales tax revenue was more than budgeted by \$226.2 million.
- Actual expenditures were less than budgeted by \$142.1 million mainly due to actual amounts for professional and technical services for capital projects coming in less than the budgeted amount.
- Actual transfers out were less than budgeted by \$418.0 million mainly due to actual local operating subsidies being lower than budgeted amount.
- Measure R fund at June 30, 2022 had an excess of revenues over expenditures and other financing uses of \$246.2 million, increasing Measure R fund balance from \$277.0 million to \$523.2 million at June 30, 2022.

FY 2023 Financial Highlights

- Sales tax revenue increased by \$19.6 million compared to prior year (1.8% change from prior year). The increase was mainly due to an increase in consumer spending during FY 2022-2023.
- Actual expenditures increased by \$47.3 million compared to prior year (7.2% change from prior year) due primarily to an increase in spending in administration by \$27.5 million and an increase in local return subsidies allocation by \$19.6 million.
- Transfers-in increased by \$327.2 million from the previous year (1,263.8% change), primarily as a result of reimbursements for capital project expenses from the American Rescue Plan Act (ARPA) Capital Infrastructure Grant, which was received in fiscal year 2023.
- Transfers-out increased by \$97.3 million compared to prior year (35% change from prior year). Increase was mainly attributed to higher transfers to other funds for capital projects.
- Actual sales tax revenue was more than budgeted by \$78.9 million.
- Actual expenditures were less than budgeted by \$455.9 million mainly due to actual amounts for professional and technical services for capital projects and transportation subsidies coming in less than the budgeted amount.
- Actual transfers in were less than budgeted by \$75.3 mainly due to the actual amount received from other funds being less than the anticipated amount.
- Actual transfers out were less than budgeted by \$315.1 million mainly due to actual local operating subsidies being lower than the budgeted amount.
- Measure R fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$478.9 million, increasing Measure R fund balance from \$523.2 million to \$1.0 billion at 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 R 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 policies
 - In FY 2022 implemented GASB 87 – Leases
- 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 R 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.

2022 and 2023 Management Letter Comments

There are no management letter comments.

Audited Financial Statements for Measure R Special Revenue Fund

Included in LACMTA's Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

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QUESTIONS AND ANSWERS