

FISCAL YEAR 2023 PROPOSITION A AND C REVENUES AND EXPENDITURES AUDIT WITH INTERNAL CONTROLS AND COMPLIANCE REPORT

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

PROPOSITION A AND C INDEPENDENT CITIZEN'S ADVISORY AND
OVERSIGHT COMMITTEE

MARCH 6, 2024



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Contents

- Auditor and LACMTA Management Responsibilities
- Summary of Audit Results
- Financial Highlights
- Required Communications
- Management Letter Comments

Responsibilities

- LACMTA Management Responsibilities:
 - Preparation of the Schedules of Proposition A and C 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 Schedules of Proposition A and C Revenues and Expenditures based on our audit.
 - Express an opinion on compliance with the *MTA Reform Act of 1998, Ordinance No. 16 (Proposition A) and Ordinance No. 49 (Proposition C)*.

Summary of Audit Results

- Schedules of Proposition A and C 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 *MTA Reform and Accountability Act of 1998, Ordinance No. 16 (Proposition A) and Ordinance No. 49 (Proposition C)*

Financial Highlights

Proposition A

- Sales tax revenue increased by \$20.0 million compared to prior year (1.8% change from prior year). The increase is mainly due to higher consumer spending during FY 2022-23.
- Actual expenditures increased by \$22.4 million compared to prior year (5.7% change from prior year) due primarily to higher local return subsidies allocation.
- Transfers out increased by \$1.1 billion, a 1,328.0% increase from the previous year, due to the prior year's one-time COVID-19 stimulus that offset costs for operating and capital projects, whereas in FY 2023 these costs were internally funded.
- Actual sales tax revenue was more than budgeted by \$79.4 million.
- Actual expenditures were more than budgeted by \$20.2 million mainly due to higher allocations to cities/agencies on local return subsidies.
- Actual transfers out were more than budgeted by \$904.2 million mainly due to higher transfers to Enterprise Fund for bus and rail operations; and for capital projects.
- Proposition A fund at June 30, 2023 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$462.4 million, decreasing Proposition A fund balance from \$1.1 billion to \$617.0 million at June 30, 2023.

Financial Highlights (Continued)

Proposition C

- Sales tax revenue increased by \$20.0 million compared to prior year (1.8% change from prior year). The increase is mainly due to higher consumer spending during FY 2022-23.
- Expenditures increased by \$113.6 million compared to prior year (20.4% change from prior year). Increase was mainly due to an increase in administration and other expenses and an increase in local transportation subsidies.
- Transfers in increased by \$82.3 million compared to prior year (112.1% change from prior year) due to higher transfers received from other funds.
- Transfers out increased by \$486.7 million, a 573.8% increase from the previous year, due to the prior year's one-time COVID-19 stimulus that offset costs for operating and capital projects, whereas in FY 2023 these costs were internally funded.
- Actual sales tax revenue was \$79.4 million more than budgeted.
- Actual expenditures came under budget by \$45.9 million mainly due to lesser expenditures incurred for administration and other expenses and lower transportation subsidies than anticipated.
- Transfers in came under budget by 62.2 million due to fewer transfers received from other funds than anticipated.
- Transfers out were more than budget by \$4.7 million mainly due to higher allocation for operating subsidies.
- Proposition C fund at June 30, 2023 had an excess of revenues and other financing sources over expenditures and other financing uses of \$52.8 million, increasing Proposition C fund balance from \$993.1 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 Schedules of Proposition A and C 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
 - 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 Schedules of Proposition A and C Revenues and Expenditures or the auditor's report.
 - No such disagreement 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 Proposition A and Proposition C Special Revenue Funds

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

BCA Watson Rice LLP

Audit Engagement Team

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QUESTIONS AND ANSWERS