

**FISCAL YEAR 2024
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 5, 2025



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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 or significant deficiencies over financial reporting were identified.
- No significant internal control deficiencies over compliance were identified.
- LACMTA complied with the *Traffic Relief and Rail Expansion Ordinance 08-01 (Measure R Ordinance)*

Financial Highlights

- Sales tax revenue decreased by \$17.8 million compared to prior year (1.6% change from prior year). The decrease was mainly due to a decrease in consumer spending during FY 2023-2024.
- Actual expenditures increased by \$32.5 million compared to prior year (4.6% change from prior year) due primarily to an increase in spending in administration by \$40.7 million and offset by a decrease in local return subsidies allocation by \$7.4 million.
- Transfers-in decreased by \$232.9 million from the previous year (66.0% change), primarily due to American Rescue Plan Act (ARPA) Capital Infrastructure Grant reimbursements for capital project expenditures received in FY 2023.
- Transfers-out increased by \$242.8 million compared to prior year (64.8% change from prior year). Increase was mainly attributed to higher transfers to other funds for transit capital projects.
- Actual sales tax revenue was less than budgeted by \$107.1 million.
- Actual expenditures were less than budgeted by \$387.4 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 \$119.9 mainly due to the actual amount received from other funds being less than the anticipated amount for the South Bay Transit Invest Program and the Sepulveda Transit Corridor.
- Actual transfers out were more than budgeted by \$123.4 million mainly due to transit capital projects spending being more than the budgeted amount during FY 2024.
- Measure R fund at June 30, 2024 had an excess of expenditures over revenues and other financing uses of \$24.2 million, decreasing Measure R fund balance from \$1.0 billion to \$977.9 million.

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
 - 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 significant difficulties in dealing with management in performing and completing conducting our audit.

Required Communications (Continued)

- Management consultations with other independent accountants
 - To our knowledge, there were no such consultation with other accountant.
- 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 during the audit.
- Management representation
 - We requested certain representations from management, which are included in the management representation letter dated December 2, 2024.

Management Letter Comments

- There are no management letter comments.

Audited Financial Statements for Measure R Special Revenue Fund

- Included in LACMTA's June 30, 2024
Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

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QUESTIONS AND ANSWERS