

FISCAL YEAR 2022 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 13, 2023



2355 Crenshaw Blvd., Suite 150
Torrance, CA 90501
PH 310.792.4640

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 \$179.9 million compared to prior year (19.7% change from prior year). The increase is mainly due to higher consumer spending during FY 2021-22.
- Actual expenditures increased by \$42.3 million compared to prior year (12.1% change from prior year) due primarily to higher local return subsidies allocation.
- Transfers out decreased by \$146.2 million compared to prior year (-63.7% change from prior year). Decrease was mainly due to lower allocation of operating subsidies to Enterprise Fund for bus and rail operations.
- Actual sales tax revenue was more than budgeted by \$226.2 million.
- Actual expenditures was more than budgeted by \$52.4 million mainly due to higher allocations requested by cities/agencies on local return subsidies.
- Actual transfers out was less than budgeted by \$308.7 million mainly due to lesser transfer to Enterprise Fund for bus and rail operations.
- Proposition A fund at June 30, 2022 had an excess of revenues and other financing sources over expenditures and other financing uses of \$604.9 million, increasing Proposition A fund balance from \$474.6 million to \$1.1 billion at June 30, 2022.

Financial Highlights (Continued)

Proposition C

- Sales tax revenue increased by \$179.9 million compared to prior year (19.7% change from prior year). The increase is mainly due to higher consumer spending during FY 2021-22.
- Expenditures increased by \$67.4 million compared to prior year (13.8% change from prior year). Increase was mainly due to increase in local transportation subsidies.
- Transfers out decreased by \$192.4 million compared to prior year (-69.4% change from prior year) mainly due to lower operating subsidies transferred to the Enterprise Fund for bus and rail operations.
- Actual sales tax revenue was \$226.2 million more than budgeted.
- Actual expenditures came under budget by \$34.7 million mainly due to lesser expenditures incurred for professional & technical service fees related to Freeway Service Patrol and no expenses for the Transit Learning Center planning project.
- Actual transfers out came under budget by \$428.4 million mainly due to lesser transfer to Enterprise Fund for bus and rail operating subsidies.
- Proposition C fund at June 30, 2022 had an excess of revenues and other financing sources over expenditures and other financing uses of \$521.1 million, increasing Proposition C fund balance from \$472.0 million to \$993.1 million at June 30, 2022.

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.

2022 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

- Rustico Cabilin, Engagement Partner (racabilin@bcawr.com)
- Helen Chu, Quality Control (hchu@bcawr.com)
- Lisa Reason, Senior Auditor (lreason@bcawr.com)
- Kristen Reyes, Staff Auditor (kreyes@bcawr.com)

QUESTIONS AND ANSWERS