



**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT**

Fiscal year ended June 30, 2017

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
Los Angeles, California

SINGLE AUDIT REPORT  
Fiscal year ended June 30, 2017

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**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**

Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 19, 2017. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements 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, 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LACMTA's financial statements 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 determination of financial statement amounts. 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 over financial reporting 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.

Sherman Oaks, California  
March 29, 2018

*Crowe Horwath LLP*  
Crowe Horwath LLP

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for Each Major Federal Program**

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the fiscal year ended June 30, 2017. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of LACMTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LACMTA's compliance.

***Opinion on Each Major Federal Program***

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.

## Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

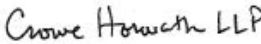
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
Crowe Horwath LLP

Sherman Oaks, California  
March 29, 2018

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017**

Federal Grants	CFDA Number	Award Identification Number	Total Award	Total expended under federal/state/local for the fiscal year ended June 30, 2017			
				Total	Federal Share	Federal share passed through to subrecipients	State Share
U.S. Department of Transportation							
Passed through the State of California Department of Transportation:							
Highway Planning and Construction Cluster							
Highway Planning and Construction	20.205	07-4826	\$ 1,143,347,625	\$ 3,428,679	\$ -	\$ -	\$ 302,348,781
I-405 CAR Pool Lane	20.205	FHWA 07-278008	6,272,631	1,079,041	863,233	-	215,808
Extension of Transit way on I-110 to Downtown LA	20.205	SRTSNH5065(178)	500,000	194,868	70,084	-	124,784
Safe Routes to School	20.205	CMLNI6065 (190)	4,000,000	1,909,753	1,753,125	-	156,627
Active Transportation Education Program	20.205	CA-15-X005	800,000	150,757	150,757	-	-
Direct Programs:			1,154,920,256	308,111,878	6,285,878	150,757	302,846,000
Pedestrian and Pedestrian Mobility							
Highway Planning and Construction Cluster Total							
Direct Programs:							
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Crenshaw	20.223	2011-1005A	545,900,000	65,835,390	-	-	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Regional Connector	20.223	2013-1008A	160,000,000	36,655,109	-	-	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Westline Purple Line Extension	20.223	2013-1009A	866,000,000	82,222,279	-	-	-
TIFIA Program Total			1,561,900,000	184,712,778	-	-	-
Direct Programs:							
Federal Transit Cluster							
Federal Transit Capital Improvement Grants							
Metro Rapid System Gap Closure	20.500	CA-03-0796	16,700,000	1,257,983	817,689	-	440,294
Metro Gold Line Eastside Extension	20.500	CA-03-0508	431,900,000	1,582,577	(4,840,073)	-	6,422,650
Ped./pass enhan & 22' alt. Fuel bus	20.500	CA-03-0783	1,214,721	20,070	16,056	-	4,014
Trans. Cr. / Bus Park & Shelters	20.500	CA-04-0088	5,570,560	3,365	2,708	-	677
Wilshire Blvd. Bus Only Lane	20.500	CA-03-0815	23,317,000	2,095,088	1,566,392	-	528,696
Regional Connection Transit Corridor Construction	20.500	CA-2016-048	100,000,000	166,958,128	82,442,363	-	74,091,033
Passenger and Pedestrian Enhancements	20.500	CA-04-0067	2,502,232	401,384	321,107	-	80,277
Eng Engineering of Transit Centers	20.500	CA-04-0094	7,131,578	121,937	97,550	-	24,387
Westside Purple Line Ext. - Section 1	20.500	CA-2016-017	200,000,000	140,824,223	22,237,032	-	118,587,191
Paisaurus Plaza Busway Station	20.500	CA-04-0233	9,679,000	6,539,149	2,661,423	-	3,877,726
Westside Purple Line Extension 2 -FFGA	20.500	CA-2016-047	100,000,000	144,148,915	100,000,000	-	44,148,915
Los Angeles Union Station/Cesar Chavez Bus Stop	20.500	CA-2016-123-00	1,668,557	86,002	68,802	-	17,200
Federal Transit Capital Improvement Grants Total			899,883,648	466,038,641	205,391,049	437,421	248,223,060
Federal Transit Formula Grants							
Subgrantee Vehicles/Transit facilities	20.507	CA-90-Y114	5,985,469	628,475	502,780	-	125,695
Transit Enhancement Improvements	20.507	CA-90-Z054	30,190	37,737	30,190	-	7,547
Metro Rapid Bus Stations/Signal Priority	20.507	CA-90-Y261	28,919,529	147,959	147,959	-	-
Metro Rapid Bus Program	20.507	CA-90-Y457	11,081,700	226,063	226,063	-	-
45-Ft Composite Buses and Transit Enhancements - Capital	20.507	CA-90-Y717	8,032,805	488,601	380,293	-	108,308
Light Rail Vehicle Acquisition	20.507	CA-95-X127	41,786,160	5,284,178	5,190,596	-	93,582
Light Rail Vehicle Acquisition	20.507	CA-95-X246-01	120,872,000	69,236,440	61,295,021	-	7,849,982
Westside Purple Line Ext. - Section 2 CMAQ	20.507	CA-2016-045	43,000,000	24,784,397	22,702,520	-	2,081,877
Pass / Ped. Enhancements and Improvements	20.507	CA-95-X227	2,996,000	982,532	786,025	-	196,506
Subrecipient Bus Procurement	20.507	CA-95-X329	6,952,873	5,012,299	4,009,839	-	1,002,460
Regional Connection Transit Corridor Construction	20.507	CA-95-X251	64,000,000	4,866,871	4,308,641	-	557,898
Purchase Buses, Amenities	20.507	CA-95-X255	3,953,000	320,000	160,000	-	160,000
Airport Metro Connector and Crenshaw / LAX Accommodation	20.507	CA-2016-062-00	33,200,000	18,095,300	18,095,300	-	-
Metro Gold Line Foothill Extension Operating Assistance	20.507	CA-2016-029-01	20,000,000	13,283,271	10,626,616	-	1,970,010
Replacement 40-ft Buses	20.507	CA-2016-029-02	2,013,141	2,273,965	2,013,141	-	260,824
Metro EXPO Line Phase I Operating Assistance	20.507	CA-2016-029-03	20,000,000	6,587,048	5,269,638	-	-
Azusa Intermodal Center Parking Structure	20.507	CA-2016-076-01.00	3,520,190	4,400,238	3,520,190	-	880,048
Preventive Maintenance - FY 17	20.507	CA-2017-049-01	121,053,386	151,316,733	121,053,386	-	30,263,347

See accompanying notes to the schedule of expenditures of federal and state awards.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017**

Federal grantor/cluster title/pass-through grantor/project title	CFDA Number	Award Identification Number	Total Award	Total	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
<b>Acquisition of Buses</b>								
LA Metro FY17 Rail Preventive Maintenance - Air Quality Improvement (CMAQ) program	20.507	CA-2017-043-02	33,714,517	40,639,501	33,714,517	-	-	6,924,984
LA Metro FY17 Rail Preventive Maintenance - Growing States Funds	20.507	CA-2017-042	2,206,000	1,797,627	1,150,481	1,150,481	-	647,146
Federal Transit Formula Grants Total		CA-2017-064-01	12,964,743	16,205,929	12,964,743	-	-	3,241,186
			586,281,703	366,615,164	308,147,939	10,129,315	3,379,189	55,088,034
<b>State of Good Repair Grants Program</b>								
LA Metro FY17 Rail Preventive Maintenance - High Intensity Motorbus Funds	20.525	CA-2017-064-02	7,500,797	9,375,996	7,500,797	-	-	1,875,199
LA Metro FY17 Rail Preventive Maintenance - Fixed Guideway Funds	20.525	CA-2017-064-03	99,534,460	119,776,955	95,821,564	-	-	23,955,391
State of Good Repair Grants Program Total			107,035,257	129,152,951	103,322,361	-	-	25,830,590
<b>Federal Transit Cluster Total</b>			1,593,000,608	961,806,956	616,861,349	10,566,736	15,803,921	329,141,684
<b>Transit Services Cluster</b>								
Enhanced Mobility of Seniors and Individuals with Disabilities Program								
Enhance Mobility of Seniors and Disabilities	20.513	CA-16-0063	693,120	366,159	366,159	366,159	-	-
30-ft Bus Procurement	20.513	CA-16-X067-01	7,072,604	6,838,652	6,760,207	6,760,207	-	78,445
Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	CA-16-X066	6,092,451	2,556,290	2,247,429	2,247,429	-	308,861
Enhanced Mobility of Seniors and Individuals with Disabilities Program Total			13,858,175	9,761,101	9,373,795	9,373,795	-	387,306
<b>Job Access and Reverse Commute Program</b>								
LA County Job Access and Reverse Commute Program, Administration, FY 06-12	20.516	CA-37-X071	5,032,849	133,349	133,349	-	-	-
Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	682,727	519,689	519,689	-	163,038
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	1,324,443	1,310,842	1,310,842	-	13,601
LA County Job Access and Program Project - Capital/Operating Assist. Job Access and Reverse Commute Program Total	20.516	CA-37-X171	7,711,637	2,182,481	2,182,481	2,182,481	-	-
			36,966,391	4,323,000	4,146,361	4,013,012	-	176,639
<b>New Freedom Program</b>								
New Freedom - Program Adm, FY06-12	20.521	CA-57-X003	2,152,346	137,995	137,995	-	-	-
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X048	1,755,553	985,414	477,707	477,707	-	477,707
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X084-01	8,702,026	879,003	828,785	829,785	-	49,218
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X100	7,354,678	802,218	401,109	401,109	-	401,109
New Freedom Program Total			19,964,603	2,774,630	1,846,596	1,708,601	-	928,034
<b>Transit Services Cluster Total</b>			70,789,169	16,858,731	15,366,752	15,095,408	-	1,491,979
<b>Public Transportation Research</b>								
National Infrastructure Investments	20.514	CA-26-7015	1,722,400	1,342,038	1,303,972	-	-	38,066
Passed through the California High-Speed Rail Authority	20.319	HSR 15-170 SCRP	15,000,000	17,891,851	13,657,068	-	-	4,234,784
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants - ARRA								
Passed through the State of California Office of Traffic Safety	20.600	PS1624	550,000	96,474	96,474	-	-	-
Highway Safety Cluster								
State and Community Highway Safety								
			4,409,682,433	1,492,738,556	838,908,717	25,812,901	15,803,921	638,025,917
<b>U.S. Department of Homeland Security</b>								
Direct Programs:								
Rail and Transit Security Program	97.075	EMW-2014-RA-00003	6,285,096	4,689,897	4,682,170	-	-	7,728
Transit Security Grant Program	97.075	EMW-2015-RA-00001	6,521,328	22,559	22,559	-	-	-
Transit Security Grant Program			12,806,424	4,712,456	4,704,729	-	-	7,728
U.S. Department of Homeland Security Total			\$4,422,488,857	\$1,497,451,012	\$ 843,613,446	\$ 25,812,901	\$ 15,803,921	\$ 638,033,645
<b>Total Federal Grants</b>								

See accompanying notes to the schedule of expenditures of federal and state awards.



**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017**

State Grants	Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Award Identification Number	Total Award	Total	Federal Share	Federal share		Local Share
							passed through to subrecipients	State Share	
Prop 1B Security - FY 08-09			6161-002-FPS#037-91170	\$ 16,103,000	\$ 62,573	\$ -	\$ -	\$ 57,485	\$ 5,088
Prop 1B Security - FY 09-10			6261-002-FPS#037-91170	16,103,043	158,212	-	-	158,212	-
Crenshaw/Lax Transit Corridor			State - Prop 1B PTMSEA	13,903,535	281,114,270	-	-	313,907	280,800,363
Prop 1B Security - FY 10-11			6361-002-FPS#037-91170	16,103,043	5,054,636	-	-	5,054,636	-
Construction of Division 13 - Bus Operations and Maintenance Facility			Prop 1B PTMSEA	47,772,000	754,500	-	-	134,731	619,769
Conservation for Regional Climate Action and Sustainability			3012-568	1,000,000	265,726	-	-	246,558	19,169
Proposition 1B Intercity Rail (ICR) Raymer to Berrison Double Track Project			ICRB-A 1314-02 75A.0406	6,500,000	275,453	-	-	242,652	32,801
Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project			ICRB-A 1314-01 75A.0407	4,000,000	776,111	-	-	687,244	88,867
Alternative & Renewable Fuel & Vehicle Technology Program			ARV-13-054	492,000	154,779	-	-	77,389	77,389
STIP PPM (State Transportation Improvement Program - Planning, Programming & Monitoring Program			STIP-PPM15-6065(192)	3,098,000	2,528,747	-	-	1,076,152	1,452,595
Sustainable South Bay Transportation and Land Use Implementation Framework			3014-616	885,048	422,156	-	-	379,307	42,849
Metro Blue Line First / Last Mile Plan			ATPLNI-6065(200)	280,000	147,698	-	-	147,698	-
Regional Transportation Planning and Program Development			STIP-PPM16-6065(204)	3,098,000	2,972,668	-	-	1,486,326	1,486,343
				<b>\$ 129,337,669</b>	<b>\$ 294,687,529</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,062,297</b>	<b>\$ 284,625,233</b>

Total State Grants

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017

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**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in Note 1 to the financial statements of LACMTA's basic financial statements.

**NOTE 2 – BASIS OF PRESENTATION**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT**

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed. The Schedule includes all federal and state grant and loan expenditures, however, the Schedule only includes local expenditures as they relate to the federal and state funded projects.

**NOTE 4 – FEDERAL FINANCIAL ASSISTANCE**

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance. For CFDA #20.233, \$90,700,940 included in the Schedule represents current year loan proceeds that were originally incurred in prior years.

**NOTE 5 – MAJOR PROGRAMS**

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for LACMTA are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

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(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017

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**NOTE 6 – COMMINGLED ASSISTANCE**

The LACMTA receives federal and state funding as a subrecipient through the State of California's Department of Transportation (Caltrans). The expenditures reported in the accompanying Schedule for CFDA 20.205, U.S. Department of Transportation – Highway Planning and Construction (grant #07-4826), represent commingled federal and state funding received from Caltrans. The sources of funding passed through Caltrans include state funding from the Traffic Congestion Relief Program (TCRP) and the State Transportation Program - Local (STPL) and Federal funding from the Federal Regional Surface Transportation Program (RSTP) and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU). The program also includes Local Proposition C-25% funding provided by LACMTA. When the sources of funding from Caltrans are not separately identifiable, LACMTA's policy is to report amounts expended under the program first as federal expenditures up to the approved budgeted amount and then the remaining expenditures will be reported as state expenditures.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Fiscal year ended June 30, 2017

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

Identification of major federal programs:

CFDA 20.500 / 20.507 / 20.525

Federal Transit Cluster

CFDA 20.319

High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants - ARRA

Dollar threshold used to distinguish type A and B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

Yes  No

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(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2017

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**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

None

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Fiscal year ended June 30, 2017

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**Finding 2016-001 – Preparation of Schedule of Expenditures of Federal and State Awards (Material Weakness)**

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not presented by management as federal expenditures and instead was reported in the Local Share expenditures column of the schedule of expenditures of federal and state awards.

Status: This matter is considered resolved as of March 29, 2018.