



Board Report

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Agenda Number: 6

FINANCE, BUDGET AND AUDIT COMMITTEE MAY 18, 2016

SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) **basic financial statements and component financial statement audits completed by Crowe Horwath LLP (Crowe) for the fiscal year ended June 30, 2015.**

ISSUE

We are required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the year ended June 30, 2015:

- Independent Auditors' Report on the Los Angeles County Metropolitan Transportation Authority's basic financial statements which include the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2015;
- Independent auditors' SAS 114 letter covering required communications;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2015 which include:
 - Independent Auditors' 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*; and
 - Independent Auditors' 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 as Required by OMB Circular A-133;
- Independent Accountants' Report on Applying Agreed-Upon Procedures on the Los Angeles County Metropolitan Transportation Authority's Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2015;
- Independent Accountants' Report on Applying Agreed-Upon Procedures on the Los Angeles County Metropolitan Transportation Authority's Federal Funding Allocation Data for the L.A. County Small Operators (ID# 90166) for the fiscal year ended June 30, 2015;

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6667) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on 50% Expenditure Limitation Schedule for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency for the year ended June 30, 2015;
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6640-6662) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2015;
- Independent Auditors' Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2015 and 2014;
- Independent Auditors' Report on the Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements and other supplementary information as of and for the period from March 23, 2012 through June 30, 2015; and
- Independent Auditors' Report on the Service Authority for Freeway Emergencies' (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements and other supplementary information as of and for the years ending June 30, 2015 and 2014.

DISCUSSION

Metro's basic financial statements include our audited financial statements, supplemental information and unqualified opinion from Crowe, the independent auditor. Crowe representatives will provide a presentation on the results of their audit.

Crowe issued unmodified opinions on all audit reports; however, Crowe noted one finding in the Independent Auditors' 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*. The finding was related to lifetime benefits for some of Amalgamated Transit Union (ATU) employees not reflected in the prior period valuations prepared by the former actuarial firm, Mercer. The new actuarial firm, AON, recommended they should have been included and Management agreed. With the addition of the lifetime benefits, the calculation of prior Annual Required Contributions were understated and resulted in the Net OPEB (Other Post Employment Benefits) obligation liability being understated. Management has already resolved the issue.

Due to the considerable size of the document, we have not attached Metro's basic financial statements. Instead, as a savings measure a hard copy of the Basic Financial Statements is on file with the Board Secretary and is also available on the Metro website.

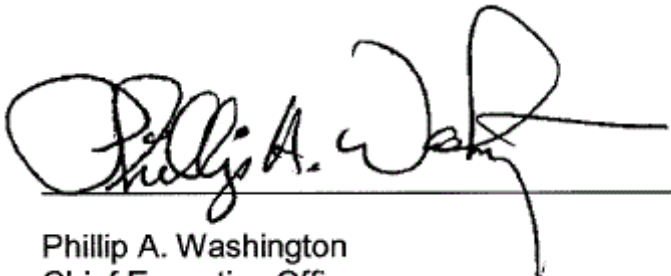
https://d1akjheu06qp1r.cloudfront.net/about_us/finance/images/fy15_cafr.pdf

ATTACHMENT(S)

- A. Independent auditors' SAS 114 letter covering required communications;
- B. Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2015;
- C. Los Angeles County Metropolitan Transportation Federal Funding Allocation Data Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2015 (With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon);
- D. Los Angeles County Metropolitan Transportation Authority Federal Funding Allocation Data L.A. County Small Operators (ID# 90166) for the fiscal year ended June 30, 2015 (With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon);
- E. Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency Year ended June 30, 2015;
- F. Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2015;
- G. Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund Basic Financial Statements June 30, 2015 and 2014 (With Independent Auditors' Report Thereon);
- H. Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements and Other Supplementary Information for the period from March 23, 2012 through June 30, 2015 (With Independent Auditors' Report Thereon); and
- I. Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements and Other Supplementary Information June 30, 2015 and 2014 (With Independent Auditors' Report Thereon).

Prepared by: Lauren Choi, Audit Manager
(213) 922-3926;
Monica Del Toro, Audit Support
(213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer