Metro

Los Angeles County
Metropolitan Transportation Authority

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Los Angeles, CA 90012-2952

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FINANCE, BUDGET AND AUDIT COMMITTEE
APRIL 15, 2015

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 KPMG LLP for the fiscal year ended June 30, 2014.

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, 2014:

- 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, 2014;
- Independent auditors' SAS 114 letter covering required communications;
- Los Angeles County Metropolitan Transportation Authority Single Audit Reports Fiscal year ended June 30, 2014 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 Program; Report on Internal Control over Compliance; and Report on Expenditures of Federal Awards as Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*;
- 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# 9154) for the fiscal year ended June 30, 2014;

- Management letter on the Los Angeles County Metropolitan Transportation Authority's Federal Funding Allocation Data for the Transportation Operating Agency (ID# 9154) for the fiscal year ended June 30, 2014;
- 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# 9166) for the fiscal year ended June 30, 2014;
- Management letters on the Los Angeles County Metropolitan Transportation Authority's Federal Funding Allocation Data, L.A. County Small Operators (ID# 9166) for the fiscal year ended June 30, 2014 (individual jurisdiction reports have been filed with the Board Secretary's office and are available upon request);
- 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* for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency for the year ended June 30, 2014;
- 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* for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2014;
- 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, 2014 and 2013 ; 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, 2014 and 2013.

DISCUSSION

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

KPMG issued unmodified opinions on all audit reports; however, KPMG noted a few control deficiencies. Three internal control matters were noted in the management letter for the Federal Funding Allocation Data Transportation Operating Agency (9154) report. In addition, KPMG noted two significant deficiencies and two related compliance findings in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program. Management is currently working to resolve all these issues. Management Audit will follow-up to ensure they are being addressed.

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.

http://media.metro.net/about_us/finance/images/fy14_cafr.pdf

ATTACHMENT(S)

A. Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2014;
B. Los Angeles County Metropolitan Transportation Federal Funding Allocation Data Transportation Operating Agency (ID# 9154) for the fiscal year ended June 30, 2014 (With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon);
C. Los Angeles County Metropolitan Transportation Authority Federal Funding Allocation Data L.A. County Small Operators (ID# 9166) for the fiscal year ended June 30, 2014 (With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon);
D. Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency Year ended June 30, 2014;
E. Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2014;
F. Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund Basic Financial Statements June 30, 2014 and 2013 (With Independent Auditors' Report Thereon);
G. Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements and Other Supplementary Information June 30, 2014 and 2013 (With Independent Auditors' Report Thereon);
H. Independent auditors' SAS 114 letter covering required communications.

Prepared by: Ruthe Holden, Chief Auditor
(213) 922-1031

Ruthe Holden
Chief Auditor

Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

Single Audit Reports

Fiscal year ended June 30, 2014

(With Independent Auditors' Reports Thereon)

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

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 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 year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 19, 2014. Our report included a reference to other auditors who audited the defined-benefit pension plan financial statements, which are reported in LACMTA's Employee Retirement Trust Funds. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* that are reported on separately by those auditors.

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 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, during our audit, 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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free from 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LACMTA'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 LACMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
December 19, 2014

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular-A 133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Report on Compliance for Each Major Federal Program

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2014. LACMTA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of

findings and questioned costs as items 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

LACMTA's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. LACMTA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133, 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 and 2014-002 that we consider to be significant deficiencies.

LACMTA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. LACMTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2014, 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 OMB Circular A-133 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 basic 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.

KPMG LLP

Los Angeles, California
March 27, 2015

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal and State Awards

Fiscal Year Ended June 30, 2014

Federal grantor/ pass-through grantor/program or cluster tittle/project title	CFDA Number	GRANT #	AWARD	Total	Total Expended under federal/state/local for the fiscal year ended June 30, 2014		
					Federal share	State share	Local share
Federal Grants:							
U.S. Department of Transportation							
Highway Planning and Construction Program Passed through State of California – Department of Transportation:							
ARRA - I-405 CAR Pool Lane	20.205	07-4826	$ 1,047,100,000	203,280,623	—	203,280,623	—
Burbank Airport	20.205	07-4U4524	4,387,000	546,964	—	530,622	16,342
Extension of Transit way on 1-110 to Downtown LA	20.205	EA 07-278008	6,231,000	996,089	796,871	—	199,218
Safe Routes to School	20.205	SRTSNI-6065(178)	500,000	205,446	—	34,458	170,988
CFDA Subtotal			1,058,218,000	205,029,122	796,871	203,845,703	386,548
Federal Transit Cluster:							
Federal Transit Capital Improvement Grants:							
Direct programs:							
Metro Gold Line Eastside Extension New Start	20.500	CA 03-0508	431,900,000	2,650,540	—	—	2,650,540
South Pasadena-Bus Acquisition and San Fernando Valley East/Ventura Park-&-Ride Lots	20.500	CA-03-0725	639,391	(5,407)	—	—	(5,407)
SFV N-S/Reseda BRT Enhancements	20.500	CA-03-0760	242,718	44,458	35,566	—	8,892
Wilshire Blvd. Bus Only Lane	20.500	CA-03-0815	23,317,000	3,019,918	2,234,740	—	785,178
Baldwin Park-Parking improvements & San Ferando buses	20.500	CA 03-0776	533,980	282,482	225,985	—	56,497
Metro Rapid System Gap Closure	20.500	CA-03-0796	16,700,000	2,102,106	1,366,369	—	735,737
Transit Center/Stop Improvements	20.500	CA-04-0037	1,601,429	162,863	130,291	—	32,572
Passenger & Pedestrian Enhancements	20.500	CA-04-0067	2,502,232	2,074	1,659	—	415
Shelters, buses, engineering and tools	20.500	CA-04-0088	5,570,560	517,189	413,751	—	103,438
Planning Engineering of Transit Centers	20.500	CA-04-0094	7,131,578	551,770	442,219	—	109,551
Para transit Vehicles	20.500	CA-04-0109	936,064	670,898	556,845	—	114,053
Burbank Empire Area Transit Center	20.500	CA-03-0805	728,156	802,394	641,915	—	160,479
Crenshaw - Prairie Transit Corridor	20.500	CA-04-0034	8,563,010	670,512	536,410	—	134,102
Transit Centers & Expansion Buses	20.500	CA-04-0161	2,819,500	306,241	244,993	—	61,248
Westside Purple Line Ext - Section 1	20.500	CA-03-0824	65,000,000	49,059,214	44,383,449	—	4,675,765
Construction of Division 13 - Bus Operations and Maintenance Facility	20.500	CA-04-0190	47,750,000	42,164,290	33,731,432	8,432,858	—
Acquisition of Buses (40-foot CNG Buses)	20.500	CA-04-0232	35,000,000	10,292,106	8,542,448	1,749,658	—
Southern California 511/VTCLI	20.500	CA-04-0230	2,000,000	290,996	232,797	—	58,199
Patsaouras Plaza Bus way Station	20.500	CA-04-0233	9,679,000	333,663	266,930	—	66,733
Metro Orange Line Bus Enhancement	20.500	CA-04-0261	10,000,000	1,393,154	1,107,307	—	285,847
Preventive Maintenance-Rail - FY12-13	20.500	CA-05-0273	43,186,444	3,599,434	2,879,547	—	719,887
ARRA - Traction Power Substations	20.500	CA-56-0001	8,185,197	82,302	82,302	—	—
Passed through the California Department of Transportation:							
Congestion Reduction Demonstrations Project	20.500	EA-07-274408	68,429,771	18,525,505	13,713,508	—	4,811,997
CFDA Subtotal			792,416,030	137,518,702	111,770,463	10,182,516	15,565,723

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal and State Awards

Fiscal Year Ended June 30, 2014

Federal grantor/ pass-through grantor/program or cluster tittle/project title	CFDA Number	GRANT #	AWARD	Total	Total Expended under federal/state/local for the fiscal year ended June 30, 2014		
					Federal share	State share	Local share
Federal Transit Formula Grants:							
Metro Red Line Subway Escalator Canopy Project - ARRA	20.507	CA-66-X005	$ 6,494,832	225,983	225,983	—	—
FY03 - Capital Assistance	20.507	CA-90-X970	986,860,419	303	—	—	303
Capital and Operating Assistance	20.507	CA-90-Y307	178,201,401	1,261	—	—	1,261
Metro Rapid Bus Program	20.507	CA-90-Y457	11,081,700	1,216,093	1,216,093	—	—
FY05 Transit Enhancements	20.507	CA-90-Y454	516,210	133,404	106,723	—	26,681
Transit Enhancement FY2005 funds	20.507	CA-90-Y685	854,520	189,245	151,396	—	37,849
El Monte Bus way/Harbor Transit way/Bus Acquisitions	20.507	CA-90-Y716	69,792,000	1,610,110	217,240	—	1,392,870
Preventive Maintenance - Operation - FY 13 PM	20.507	CA-90-Y717	5,111,239	6,389,049	5,111,239	—	1,277,810
Preventive Maintenance - Operation - FY 14 PM	20.507	CA-90-Y717	475,283,906	307	245	—	62
45-Ft Composite Buses and Transit Enhancements	20.507	CA-90-Y717	8,013,440	1,540,632	1,232,507	—	308,125
FY12 Growing States - PM Rail	20.507	CA-90-Y969	7,470,165	—	—	—	—
Preventive Maintenance - Operating FY13 PM	20.507	CA-90-Z054	159,345,881	199,182,351	159,345,881	—	39,836,470
Preventive Maintenance - Operating FY14 PM	20.507	CA-90-Z054	1,682,695	2,065,631	1,652,505	—	413,126
Reg. Grantee - Monterey Park - Transit Center and Buses	20.507	CA-95-X120	887,000	136,188	92,727	—	43,461
Metro Orange Line Extension Operating Assistance - PM	20.507	CA-95-X208	15,000,000	4,200,000	4,200,000	—	—
Exposition Blvd. Right of Way Bike Path	20.507	CA-95-X214	11,528,000	2,878,077	2,590,356	—	287,721
Bus Acquisition and Metro Orange Line & Metro Gold Line Operating Assistance	20.507	CA-95-X042	125,046,000	9,596,262	8,511,946	709,892	374,424
Expo Phase 1 Operating assistance - CMAQ	20.507	CA-95-X176	32,307,000	3,063,817	3,063,817	—	—
Expo Phase 1 Operating assistance - Operation	20.507	CA-95-X176	26,593,000	19,680,946	15,744,757	—	3,936,189
Light Rail Vehicles	20.507	CA-95-X246	45,441,000	19,492,882	16,571,197	1,313,593	1,608,092
LA CRD Operating Assistance - Vanpool	20.507	CA-95-X099	400,000	8,491	8,491	—	—
LA CRD Operating Assistance - Operation	20.507	CA-95-X099	3,801,124	1,291,527	1,291,527	—	—
Bus replacement(141),Overhaul(290), Metro Blue Line Transit Provider - ARRA	20.507	CA-96-X012	225,154,824	8,732,431	8,732,431	—	—
Bus Stations/Stops Transit Enhancement Improvements - ARRA	20.507	CA-96-X057	1,030,644	235,268	235,268	—	—
CFDA Subtotal			2,397,897,000	281,870,258	230,302,329	2,023,485	49,544,444
State of Good Repair Grants Program - FY13 SGR - PM Rail	20.525	CA-54-0011	29,114,279	36,392,849	29,114,279	—	7,278,570
State of Good Repair Grants Program - FY14 SGR - PM Rail	20.525	CA-54-0011	12,900,721	16,125,901	12,900,721	—	3,225,180
CFDA Subtotal			42,015,000	52,518,750	42,015,000	—	10,503,750
Federal Transit Cluster Subtotal			3,232,328,030	471,907,710	384,087,792	12,206,001	75,613,917
Public Transportation Research Program							
Climate Change Adaptation Project	20.600	CA-26-6005	159,325	144,495	100,832	—	43,663
CFDA Subtotal			159,325	144,495	100,832	—	43,663
Transit Service Cluster							
Job Access - Reverse Commute							—
L A County JARC Prog. Adm. FY06-12	20.516	CA-37-X071	5,032,849	181,611	181,611	—	106,545
Job Access and Reverse Commute Program - Los Angeles County JARC projects	20.516	CA-37-X100	10,343,881	409,370	302,825	—	—
Job Access and Reverse Commute - Capital/Operating Assist	20.516	CA-37-X171	7,711,637	614,986	614,986	—	315,514
Job Access and Reverse Commute - Capital/Operating Assist	20.516	CA-37-X123	11,368,008	692,541	377,027	—	
CFDA Subtotal			34,456,375	1,898,508	1,476,449	—	422,059

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal and State Awards

Fiscal Year Ended June 30, 2014

Federal grantor/ pass-through grantor/program or cluster tittle/project title	CFDA Number	GRANT #	AWARD	Total	Total Expended under federal/state/local for the fiscal year ended June 30, 2014		
					Federal share	State share	Local share
New Freedom Programs:							
New Freedom - Program Adm. FY06-12	20.521	CA-57-X003	$ 2,152,346	135,290	135,290	—	—
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X048	1,755,553	250,940	125,470	—	125,470
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X084	8,702,026	226,769	226,769	—	—
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X100	7,332,574	430,730	218,202	—	212,528
CFDA Subtotal			19,942,499	1,043,729	705,731	—	337,998
Clean Fuels - CNG Fueling Facility at Division 13	20.519	CA-58-0006	5,500,000	4,036,720	3,633,048	403,672	—
Alternative Analysis - FY2010 Alternative Analysis	20.522	CA-39-0006	2,000,000	511,226	332,323	—	178,903
ARRA - Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions - Wayside Energy Storage System - ARRA	20.523	CA-77-0002	4,466,000	2,791,732	2,791,732	—	—
National Infrastructure Investments - Crenshaw/Lax Transit Corridor	20.933	CA-79-0001	13,903,535	337,615,177	12,572,865	146,226,258	178,816,054
SCAG FTA Section 5304 Urban Transit Planning Grant Fund	20.unk	SCAG MOU NO. 007-13, FTA Sec. 5304	250,000	635,495	250,000	—	385,495
OTS Bicycle Safety Education Grant	20.600	PS1301	203,100	149,226	139,593	—	9,633
Total US Department of Transportation			4,371,426,864	1,025,763,140	406,887,236	362,681,634	256,194,270
U.S. Department of Homeland Security:							
Transit Security Grant Program	97.075	2008-RL-T8-K018	6,688,209	(17,902)	(16,443)	—	(1,459)
Transit Security Grant Program	97.075	2009-RA-T9-K004	8,458,478	7,141,061	7,124,646	—	16,415
Transit Security Grant Program	97.075	2010-RA-TO-K001	3,584,180	12,237	2,531	—	9,706
Transit Security Grant Program	97.075	EMW-2011-RA-00011-S01	5,744,329	2,745,382	2,745,382	—	—
Transit Security Grant Program	97.075	6361-0002, FIPS#037-91170	16,103,043	221,260	—	221,260	—
Transit Security Grant Program	97.075	6461-0002, FIPS#037-91170	16,103,043	—	—	—	—
Transit Security Grant Program	97.075	EMW-2012-RA-K00030-S01	2,484,254	120,785	120,785		—
Transit Security Grant Program	97.075	EMW-2013-RA-00043-S01	7,050,010	—	—	—	—
Transit Security Grant Program	97.075	6561-0002, FIPS#037-91170	16,103,043	—	—	—	—
Total U.S. Department of Homeland Security			82,318,589	10,222,823	9,976,901	221,260	24,662
Total Federal Grants			4,453,745,453	1,035,985,963	416,864,137	362,902,894	256,218,932
State Grants:							
ITS Implementation Plan for Gateway Cities		EA 07-933748, HPUL-6065 (158)	2,120,000	3,491	—	2,793	698
Orange line High Speed Magnetic Levitation trains		EA 07-4U4454, HPLUL-6065(156)	251,972	114,054	—	92,708	21,346
Gateway Cities Council of Governments Diesel Emission Reduction Program		EA 07-4U4454, HPLUL-6065(153)	2,230,000	(2,000)	—	(1,600)	(400)
Plug-in Vehicle Charge Station		ARV-10-006	180,029	770	—	770	—
Prop 1B Security FY 08/09		6161-002,FIPS#037-91170	16,103,000	5,462,081	—	5,462,081	—
Prop 1B Security FY 09/10		6261-002,FIPS#037-91170	16,103,043	2,324,398	—	2,324,398	—
STIP PPM (State Transportation Improvement Program - Planning, Programming & Monitoring Program)		PPM12-6065(169)	7,500,000	(126,638)	—	(126,638)	—
STIP PPM (State Transportation Improvement Program - Planning, Programming & Monitoring Program)		PPM13-6065(177)	7,763,000	11,072,340	—	4,763,094	6,309,246
LIGHT RAIL VEHICLE PROCUREMENT		07A-0034-14 A1	6,969,000	(7,762,475)	—	1,467,180	(9,229,655)
Raymer to Bernson Double Track PE/NEPA		FR-HSR-0091-11-01.00	1,564,000	1,874,211	—	1,477,022	397,189
Van Nuys North Platform PE/NEPA		FR-HSR-0092-11-01.00	800,000	776,216	—	593,589	182,627
Prop 1B SLPP CNG Bus Procurement		07A0034-12 A1	38,550,000	(7,922)	—	2,540	(10,462)
Prop 1B PTMISEA and SLPP		07A0034-15 A1	46,680,591	94,843,602	—	59,400,701	35,442,901
Prop 1B - SLPP LRT II - State / Local Partnership		07A0034-11-A4	28,259,000	34,281,516	—	17,140,758	17,140,758
Prop 1B PTMISEA, Agreement# 75A0407		ICR1B-A-1314-02 75A0406	6,500,000	149	—	149	—
Prop 1B PTMISEA, Agreement# 75A0407		ICR1B-A-1314-01 75A0407	4,000,000	149	—	149	—
Exposition LRT - II		STIP 07A0034-11	47,800,000	216,655,629	—	36,714,260	179,941,369
Prop 1B PTMISEA		07A0034-16 A2	149,562,779	59,862,634	—	55,304,927	4,557,707
Prop 1B PTMISEA		Division 13	36,622,816	3,455,663	—	(238,138)	3,693,801
Prop 1B PTMISEA		FY12-FY14 Bus Rehabilitation Program	52,976,128	64,081,552	—	16,057,316	48,024,236
Total State Grants			472,535,358	486,909,420	—	200,438,059	286,471,361
Grand Total			$ 4,926,280,811	1,522,895,383	416,864,137	563,340,953	542,690,293

See accompanying notes to schedule of expenditures of federal and state awards and independent auditors' report on compliance for each major program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

(Continued)

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal and State Awards

Fiscal year ended June 30, 2014

(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). 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.

(2) Basis of Presentation

The Schedule includes the federal grant activity of LACMTA and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(3) Subrecipients

Of the federal expenditures presented in the Schedule, LACMTA provided federal awards to subrecipients as follows:

Program title	CFDA number	Amount provided to subrecipients
Federal Transit Capital Improvement Grants	20.500	$ 4,927,965
Federal Transit Formula Grants	20.507	92,727
Job Access and Reverse Commute Program	20.516	1,294,838
New Freedom Program	20.521	570,441

(4) 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.

(Continued)

(5) Federal Financial Assistance

Pursuant to the Single Audit Act and the OMB Circular A-133 *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.

(6) Major Programs

The Single Audit Act and OMB Circular A-133 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 OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

(7) 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. Because 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, 2014

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on the basic financial statements:	Unmodified opinions			
Internal control over financial reporting:				
• Material weakness(es) identified	_____	yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)	_____	yes	X	none reported
Noncompliance material to the financial statements:	_____	yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified	_____	yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses	X	yes	_____	none reported
Type of auditors' report issued on compliance for major programs:	Unmodified opinions			
Any audit findings disclosed that are required to be reported under Section 510(a) of OMB Circular A-133:	X	yes	_____	no

Identification of major programs:

- U.S. Department of Transportation
  - Federal Transit Cluster:
    - Federal Transit Capital Improvement Grants – CFDA No. 20.500
    - Federal Transit Formula Grants – CFDA No. 20.507
    - State of Good Repair Grants Program – CFDA No. 20.525
  - Clean Fuels – CFDA No. 20.519
  - National Infrastructure Investments – CFDA No. 20.933
- U.S. Department of Homeland Security
  - Rail and Transit Security Grant Program – CFDA No. 97.075

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

(Continued)

Auditee qualified as low-risk auditee? __X__ yes _____ no

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

(3) Findings and Questioned Costs Relating to Federal Awards

2014-001 – Davis-Bacon Act – Submission of Certified Payrolls

Federal Program Information

Federal Catalog Numbers:	20.500 and 20.933
Federal Program Names:	Federal Transit Cluster – Federal Transit Formula Grant National Infrastructure Investments
Federal Agency:	U.S. Department of Transportation
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA-04-0190 (2011), CA-79-0001 (2012)

Criteria or Requirement

TITLE 29 – LABOR, PART 5 – LABOR STANDARDS PROVISIONS APPLICABLE TO CONTRACTS COVERING FEDERALLY FINANCED AND ASSISTED CONSTRUCTION, SECTION 5.5 CONTRACT PROVISIONS, AND RELATED MATTERS.

"(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead, the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH–347 is available for this purpose from the Wage and Hour Division Web site at *http://www.dol.gov/esa/whd/forms/wh347instr.htm* or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own

records, without weekly submission to the sponsoring government agency (or the applicant, sponsor, or owner).

Condition Found and Context

Management of the Los Angeles County Metropolitan Transportation Authority (LACMTA) is required to obtain, on a weekly basis, certified payrolls and statements of compliance from each contractor for each week in which contracted work is performed under the Davis-Bacon Act. For all major programs cited below, we noted that management did not have adequate controls in place to ensure that certified payrolls and compliance statements are received on a weekly basis as required by the Davis-Bacon Act (29 CFR Sections 5.5 and 5.6).

In our sample of 40 certified payrolls and compliance statements for the Federal Transit Cluster, we noted all of our samples were not received on a weekly basis. We noted that 27 of the exceptions were received between 2 and 243 days past the due date. For 13 of the samples, we noted that received date stamp on the documentation for the respective samples were either illegible or not present on the weekly certified payroll reports. Although the certified payrolls were not received weekly, the LACMTA ultimately received all of the required certified payrolls for the samples tested.

In our sample of 40 certified payrolls and compliance statements for the National Infrastructure Investments program, we noted 35 of our samples were not received on a weekly basis. We noted that these exceptions were received between 1 and 157 days past the due date. Although the certified payrolls were not received weekly, the LACMTA ultimately received all of the required certified payrolls for the samples tested.

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that management complies with the provisions under the Davis-Bacon Act. As a result, compliance statements and certified payrolls may not be obtained and reviewed for compliance with the Davis-Bacon Act, on a weekly basis, as required.

Questioned Costs

None noted.

Recommendation

We recommend that management strengthen their policies and procedures to obtain and review compliance statements and certified payrolls from each contractor and subcontractor on a weekly basis and ensure compliance with the provisions under the Davis-Bacon Act.

Views of Responsible Officials and Planned Corrective Action

Beginning July 2014, the LACMTA's Diversity & Economic Opportunity Department (DEOD) utilizes an online labor compliance management system, LCP Tracker. The LCP Tracker allows subcontractors to submit their Certified Weekly Payroll Reports electronically to assist DEOD in monitoring the submittal of the payrolls, and other labor compliance prevailing wage required documents. The system has been customized to automatically send notices to the prime/subcontractors if the payroll reports are not submitted within the required timeframe.

The DEOD continues to work on strengthening LACMTA's policies and procedures to ensure the receipt and review of certified payroll reports and the statements of compliance on a weekly basis. LCP Tracker has assisted the unit tremendously on those projects awarded after the system implementation. The Labor compliance unit monitors 85% of the active projects manually; these projects were awarded prior to the online system implementation. DEOD alerts the Prime contractors of their failure to comply, by sending "Notices of Non-Compliance", Phone calls, and emails. As a secondary measure, DEOD will issue task orders to Metro's Labor Compliance Bench, on those trouble projects to ensure compliance with the Davis-Bacon Act provisions.

2014-002 — Procurement, Suspension, and Debarment

Federal Program Information

Federal Catalog Numbers:	20.500, 20.933, and 97.075
Federal Program Names:	Federal Transit Cluster – Federal Capital Improvement Grants National Infrastructure Investments –Crenshaw/LAX Rail and Transit Security Grant Program
Federal Agency:	U.S. Department of Transportation U.S. Department of Homeland Security
Pass-ThroughEntity:	N/A
Federal Award Number and Award Year:	EA-07-274408 (2010); CA-03-0824 (2010); CA-04-0190 (2011); CA-04-0232 (2014); CA-79-0001 (2012); 2009-RA-T9-K004 (2009) and EMW-2011-RA-00011-S01 (2011)

Criteria or Requirement

TITLE 49 – TRANSPORTATION, SUBTITLE A – OFFICE OF THE SECRETARY OF TRANSPORTATION, PART 29 – GOVERNMENT WIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT), SUBPART B – COVERED TRANSACTIONS, Section 29.220.

"(a) Covered transactions under this part:

(1) Do not include any procurement contracts awarded directly by a federal agency; but

(2) Do include some procurement contracts awarded by nonfederal participants in nonprocurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under Section 29.210, and the amount of the contract is expected to equal or exceed $25,000.

(2) The contract requires the consent of a Department of Transportation (DOT) official. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a nonprocurement transaction, as shown in the appendix to this part.

(3) The contract is for federally required audit services.

(c) The contract is awarded by any contractor, subcontractor, supplier, consultant or its agent, or representative in any transaction, regardless of tier, to be funded or provided by the DOT under a nonprocurement transaction that is expected to equal or exceed $25,000."

29 CFR 97 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, SUBPART C-POST-AWARD REQUIREMENTS

97.35 – Subawards to debarred and suspended parties.

Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

2 CFR Part 180, Subpart C – Responsibilities of Participants Regarding Transactions Doing Business with Other Persons

180.300 What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person.

29 CFR 97 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, SUBPART C-POST-AWARD REQUIREMENTS

97.36 – Procurement

(b) *Procurement standards.*

(b) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(c) *Competition.* (1) All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of 97.36. Some of the situations considered to be restrictive of competition include but are not limited to:

(i) Placing unreasonable requirements on firms in order for them to qualify to do business,

(ii) Requiring unnecessary experience and excessive bonding,

(iii) Noncompetitive pricing practices between firms or between affiliated companies,

(iv) Noncompetitive awards to consultants that are on retainer contracts,

(v) Organizational conflicts of interest,

(vi) Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance of other relevant requirements of the procurement, and

(vii) Any arbitrary action in the procurement process.

(d) *Methods of procurement to be followed.*

(4) Procurement by *noncompetitive proposals* is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

(i) Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:

(A) The item is available only from a single source;

(B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.

(C) The awarding agency authorizes noncompetitive proposals; or

(D) After solicitation of a number of sources, competition is determined inadequate.

(ii) Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profit, is required.

(iii) Grantees and subgrantees may be required to submit the proposed procurement to the awarding agency for pre-award review in accordance with paragraph (g) of this section.

49 CFR Part 661 – Buy America Requirements

661.5 – General requirements.

(a) Except as provided in § 661.7 and § 661.11 of this part, no funds may be obligated by FTA for a grantee project unless all iron, steel, and manufactured products used in the project are produced in the United States.

(b) All steel and iron manufacturing processes must take place in the United States, except metallurgical processes involving refinement of steel additives.

(c) The steel and iron requirements apply to all construction materials made primarily of steel or iron and used in infrastructure projects such as transit or maintenance facilities, rail lines, and bridges. These items include, but are not limited to, structural steel or iron, steel or iron beams and columns, running rail and contact rail. These requirements do not apply to steel or iron used as components or subcomponents of other manufactured products or rolling stock, or to bimetallic power rail incorporating steel or iron components.

(d) For a manufactured product to be considered produced in the United States:

(1) All of the manufacturing processes for the product must take place in the United States; and

(2) All of the components of the product must be of U.S. origin. A component is considered of U.S. origin if it is manufactured in the United States, regardless of the origin of its subcomponents.

[61 FR 6302, Feb. 16, 1996, as amended at 74 FR 30239, June 25, 2009]

Condition Found and Context

Management is required to document the significant history of procurements, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract type. Management is also required to perform verification for all covered transactions by checking the Excluded Party List System (EPLS) to ensure covered transactions are not awarded to suspended or debarred parties. For all major programs cited below, we noted that management did not have adequate controls in place to ensure compliance with procurement requirements.

Federal Capital Improvement Grants

In our sample of 40 contracts and purchase orders with values over $25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 10 contract files did not have certification of nonsuspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

There were also 6 contracts which were missing the following information:

- 2 contract files were missing support for the history of the procurement, including the evidence of full and open competition. These contract files were also missing the required and Buy America certification.
- 1 contract file was missing support for the history of the procurement, including the evidence of full and open competition and of the cost or price analysis.
- 2 contract files were missing support for the history of the procurement, including the evidence of full and open competition.
- 1 contract file could not be located.

The federal share of expenditures associated with the 6 contracts and purchase orders that are not in compliance with the procurement requirements amounted to $172,073 of the $384,087,792 of total federal program expenditures for the Federal Transit Cluster.

National Infrastructure Investments

In our sample of 3 contracts and purchase orders with values over $25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 1 contract file did not have certification of nonsuspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

Rail and Transit Security Grant Program

In our sample of 4 contracts and purchase orders with values over $25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 2 contract files did not have certification of nonsuspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

Possible Asserted Cause and Effect

LACMTA has a procurement policy that specifies the requirement guidance for contract above $25,000; however, the procedures were not always followed diligently by the contract administrators. Noncompliance with procurement requirements could result in disbursement of federal funds to suspended or debarred vendors or contracts awarded to vendors that are not the lowest competitive bidder.

Questioned Costs

The amount of questioned costs of $172,023 is comprised of costs related to the corresponding federal expenditures incurred under the contracts where the contract files had missing documentation as noted above.

Recommendation

We recommend LACMTA enforce its current policies and procedures that include periodic reviews of its vendor files to ensure the applicable compliance requirements were met and it is not contracting with suspended or debarred vendors in its federally funded contracts. In addition, LACMTA should consider establishing a central file tracking system to prevent loss of documents and maintenance of contract files.

Views of Responsible Officials and Planned Corrective Action

The LACMTA's Vendor/Contract Management Department (V/CM) has recently completed a reorganization which will provide additional management oversight and ensure that files are reviewed periodically. Also, In September 2014, V/CM implemented Oracle's Contract Lifecycle Management System (CLM). The CLM system also known as LACMTA's Contract Information Management System (CIMS) is an automated on-line tool that provides a central file tracking system for all procurements. The CIMS system creates a central repository for all contract documents, automate the Procurement checklist process so each step will be completed for every contract, eliminate paper files, and improve management oversight.

V/CM and the Third Party Administration Department (TPAD) continues to work on strengthening LACMTA's policies and procedures to ensure all required documents are included in the procurement file. In addition, as of June 30, 2014, V/CM issues regular Compliance Bulletins to ensure procurement staff is informed of changes to the Procurement Policy and Procedures. In January 2015, V/CM began conducting mandatory monthly training and information sessions of various procurement topics. V/CM and TPAD will address the EPLS and other documents as part of the training and Compliance Bulletins to ensure compliance requirements are being met on all contracts. Management will continue to enforce current policies and procedures.

ATTACHMENT B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Management Letter for Federal Funding Allocation Data

Transportation Operating Agency (ID# 9154)

Fiscal Year Ended June 30, 2014

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

January 23, 2015

The Board of Directors
Los Angeles County Metropolitan Transportation Authority

Ladies and Gentlemen:

We have performed agreed-upon procedures for the Los Angeles County Metropolitan Transportation Authority (the Authority) – Transportation Operating Agency (ID# 9154) described in Attachment A to this letter for the year ended June 30, 2014, and have issued our independent accountants' report on applying agreed-upon procedures thereon dated January 23, 2015.

The procedures were applied separately to each of the Authority's and purchased transportation contractor's information systems used to develop the reported actual vehicle revenue miles (VRM), passenger miles traveled (PMT), and operating expenses (OE) for each of the following modes:

- Heavy Rail (Directly Operated)
- Light Rail (Directly Operated)
- Motor Bus (Directly Operated)
- Rapid Bus (Directly Operated)
- Motor Bus (Purchased Transportation)
- Vanpool (Purchased Transportation)

As summarized in Attachment B, the Authority's ridership, operating data, operating expenditures, and farebox revenues were subjected to the procedures performed. These schedules have been included for information purposes only and were not audited by us, and accordingly, we do not express an opinion on it.

In planning and performing our agreed-upon procedures covering the Authority's modes of transportation, which were agreed to and specified by the Federal Transportation Administration (FTA) in the Declarations section of the 2013 Reporting Manual and agreed to by the Authority in accordance with attestation standards established by the American Institute of Certified Public Accountants, we considered the Authority's internal controls in place to ensure the accuracy of the data collection process in conjunction but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

During our agreed-upon procedures project, we noted certain matters involving internal control and other operating matters that are presented in Attachment C for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies.

Our agreed-upon procedures were applied to assist the Authority's Board of Directors in evaluating whether the Authority complied with the standards described in the second paragraph of Attachment A and that the information included in the National Transit Database (NTD) Federal Funding Allocation Data related to total vehicle revenue miles, passenger miles, and operating expenses (herein referred to as Federal Funding Allocation Data or FFAD) for the fiscal year ended June 30, 2014 is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and Reports and Reporting System; Final Rule, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2013 Reporting Manual*. These procedures, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Authority gained during our work to make comments and suggestions that we hope will be useful to you.

The Authority's written response to our comments and recommendations has not been subjected to the procedures applied in the agreed-upon procedures engagement and, accordingly, we express no opinion on it.

* * * * * * *

This communication is intended solely for the information and use of the Los Angeles County Metropolitan Transportation Authority's Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Attachment A

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported for the Federal Funding Allocation Statistics form (FFA-10) of the Los Angeles County Metropolitan Transportation Authority – Transportation Operating Agency (ID# 9154) (the Authority's) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by the FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about transit agency's operations.

We have performed the procedures, as described in Attachment I to this report, to the data in the Authority's FFA-10 form for the fiscal year ended June 30, 2014. Such procedures, which were agreed to and specified by the FTA in the Declarations section of the *2013 Reporting Manual* and agreed to by the Authority, were performed solely to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this report and that the information included in the NTD Report FFA-10 form for the fiscal year ended June 30, 2014 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

The procedures described in Attachment I to this report were applied separately to each of the information systems used to develop the reported actual Vehicle Revenue Miles (VRM), fixed guideway (FG) directional route miles (FG DRM), Passenger Miles Traveled (PMT), and Operating Expenses (OE) of the Authority for the fiscal year ended June 30, 2014 for each of the following modes:

- Motor Buses (Directly Operated)
- Motor Buses (Purchased Transportation)
- Rapid Buses (Directly Operated)
- Heavy Rail (Directly Operated)
- Light Rail (Directly Operated)
- Vanpool (Purchased Transportation)

In performing the procedures, except for the information and findings identified in Attachment I to this report, no matters came to our attention that caused us to believe that the information included in the NTD report on the FFA-10 form for the fiscal year ended June 30, 2014 is not presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*. We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the fairness of the Authority's ID# 9154 information included in the NTD report for the FFA-10 form for the fiscal year ended June 30, 2014. Accordingly, we do not express such an opinion. Also, we do not express an opinion on the Authority's system of internal controls taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the items tested in Attachment I and does not extend to the Authority's annual financial statements or the forms in the Authority's NTD report other than the FFA-10 form for any date or period. This report is intended solely for the information and use of the Authority's Board, management and the FTA, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 23, 2015

Attachment I

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Fiscal year ended June 30, 2014

1. We discussed the procedures related to the system for reporting and maintaining data in accordance with the National Transit Database (NTD) requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as prescribed in the *2013 Reporting Manual*, with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data (*2013 Reporting Manual – Exhibit 83, Procedure a*).

2. We discussed with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data the procedures:

   - The extent to which the Los Angeles County Metropolitan Transportation Authority (the Authority) followed the procedures on a continuous basis and whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as prescribed in the *2013 Reporting Manual.*

   - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 (*2013 Reporting Manual – Exhibit 83, Procedure b*).

3. We inquired from the same personnel noted in procedures 1 and 2 above concerning the retention policy that is followed by the Authority with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics form (FFA-10), (*2013 Reporting Manual – Exhibit 83, Procedure c*).

4. Based on a description of the Authority's procedures obtained in items 1 and 2 above, we were informed of the source documents to be retained by the Authority for a minimum of three years (*2013 Reporting Manual – Exhibit 83, Procedure d*). For each type of source document selected for testing, we observed that the source documents existed for fiscal years 2011, 2012, and 2013.

5. We discussed the system of internal controls, including frequency, with the person responsible for supervising and maintaining the NTD data. We inquired whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness (*2013 Reporting Manual – Exhibit 83, Procedure e*).

6. We haphazardly selected a sample of 264 source documents from fiscal year 2014 that support the NTD data on form FFA-10 to test whether supervisors' signatures were present as dictated by the system of internal controls. If supervisors' signatures were not required, we inquired how the supervisors' reviews were documented. We noted for source documents that are not physically signed by a supervisor, reviews were evidenced by recalculations, notations, or for those that were generated and reviewed electronically, evidenced through e-mail communications (*2013 Reporting Manual – Exhibit 83, Procedure f*). No exceptions were noted as a result of performing this procedure.

(Continued)

7. We obtained the worksheets utilized by the Authority to prepare final data that is transcribed onto the Federal Funding Allocation Statistics form. We compared the periodic data included on the work sheets to periodic summaries prepared by the Authority. We recalculated the arithmetical accuracy of the summarizations (*2013 Reporting Manual – Exhibit 83, Procedure g*).

   - We noted that Purchased Transportation Motor Bus Unlinked Passenger Trips (UPT) transcribed from the annual summaries to the NTD form were incorrect due to a transcription error, which resulted in an understatement of 207,439 in UPT out of a total of 16,409,880 UPT. The Authority personnel subsequently corrected the data reported to the NTD.

8. We discussed the Authority's procedures for accumulating and recording PMT data in accordance with NTD requirements with the Authority's staff. We were informed that for rail reporting, the Authority uses an estimate of passenger miles based on statistical sampling meeting the Federal Transportation Authority's (FTA's) 95% confidence and 10% precision requirements and in accordance with FTA Circular 2710.1A. For Vanpool and Motor Bus reporting, we were informed that the Authority uses a combination of a 100% passenger trip count and an estimate of passenger miles based on statistical sampling, meeting the FTA's 95% confidence and 10% precision requirements, and in accordance with Circular 2710.2A (*2013 Reporting Manual – Exhibit 83, Procedure h*).

9. Due to the size of the Authority, it does not qualify to conduct statistical sampling for passenger mile data every third year. As such, we were informed that the Authority conducts sampling annually. We reviewed NTD documentation for the most recent sampling year (fiscal year 2014), which included the approval of the Authority's sampling procedure by a qualified statistician, to determine that the Authority's sampling procedures meet the requirements stated in FTA Circulars 2710.1A and 2710.2A for Motor Bus and Vanpool, respectively (*2013 Reporting Manual – Exhibit 83, Procedure i*).

10. We obtained from management a description of the sampling procedures utilized for estimation of PMT data used by the Authority. We obtained a copy of the Authority's working papers and observed the methodology used to select the sample of runs for recording passenger mile data. We observed that the methodology used to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, we observed that a replacement sample run was randomly selected. We confirmed that the Authority followed the stated sampling procedure, noting that when a run was missed, a similar route, time and day of the week was selected to replace the missed trip (*2013 Reporting Manual – Exhibit 83, Procedure j*).

11. We haphazardly selected a sample of 200 source documents used for accumulating passenger mile data and observed that they appeared to be complete (i.e., all required data was recorded) and that the PMT computations were mathematically accurate. We then traced the source documents selected into the accumulation period selected and recomputed the accumulations within each of the selected periods and tested the arithmetical accuracy of the summarization (*2013 Reporting Manual – Exhibit 83, Procedure k*).

12. We discussed the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of VRM with the Authority's staff and noted, based on our discussion, that management represented the stated procedures were followed. (*2013 Reporting Manual – Exhibit 83, Procedure l*).

(Continued)

13. For actual VRM data, the Authority uses vehicle logs to compute VRM data. We read the Authority's documented collection and recording methodology and observed that deadhead miles were systematically excluded from the computation as enumerated in the following procedures for nonfixed routes. For fixed route schedules, the Authority uses pink letters, daily loss service reports, and monthly additional service reports to record temporary changes. We haphazardly selected 320 samples of vehicle logs and disruption reports and recalculated VRM for the selected trip, excluding deadhead mileage (*2013 Reporting Manual – Exhibit 83, Procedure m*).

    For 2 of the 40 routes tested for Vieola Transit, we noted that the missed miles reported did not agree to the recomputed amounts, which resulted in an understatement of 0.1 which was the result of a transposition error and formula error. The exceptions were subsequently corrected by the Authority.

    During our testing of 40 routes at MV Transit, a systematic error was identified as MV Transit computed missed miles based on an old running board/stop by stop schedule, which resulted in incorrect missed miles reported. The systematic errors were subsequently corrected by MV Transit and 40 additional samples were selected for testing without further exceptions noted.

14. For rail modes, we observed the recording and accumulation sheets for actual VRMs and observed that locomotive miles were not included in the computation (*2013 Reporting Manual – Exhibit 83, Procedure n*).

15. For fixed guideway directional route miles (FG-DRM) reported, we discussed the operations with the person responsible for maintaining and reporting the NTD data and were informed that operations met FTA's definition of fixed guideway (FG) (*2013 Reporting Manual – Exhibit 83, Procedure o*).

16. We discussed the measurement of FG-DRM with the person reporting the NTD data and were informed, in that interview, that the mileage was computed in accordance with FTA's definitions of FG and DRM. We inquired with the Authority and were informed there were no service changes during the year that resulted in an increase or decrease in DRMs (*2013 Reporting Manual – Exhibit 83, Procedure p*).

17. We inquired with the Authority and were informed there were no service interruptions during the year ended June 30, 2014 (*2013 Reporting Manual – Exhibit 83, Procedure q*).

18. We measured a sample of 55.84 miles of FG-DRM reported in fiscal year 2014 from maps or by retracing route using Google maps and recalculating to within less than one mile of the miles reported as enumerated below (*2013 Reporting Manual – Exhibit 83, Procedure r*). No exceptions greater than one mile were noted.

Route/Line	Mode	Miles reported	Recomputation miles	Difference
Metro Red Line (802)	Heavy Rail	15.95	16.20	(0.25)
Metro Gold Line (804)	Light Rail	13.63	13.20	0.43
Expo Line	Motor Bus	7.57	7.56	0.01
Orange Line	Rapid Bus	19.20	18.88	0.32

(Continued)

19. We discussed with the Authority's person reporting the NTD data whether other public transit agencies operate service over the same FG as the Authority's. We were informed the Authority is the approved operator of the FG standard with other transit agencies operating over the same FG, therefore, all DRM are only reported once under the Authority (*2013 Reporting Manual – Exhibit 83, Procedure s*).

20. We observed the S-20 form and we discussed the commencement date of revenue service for each FG segment with the person reporting the NTD data and were informed that the date reported was when revenue service began (*2013 Reporting Manual – Exhibit 83, Procedure t*).

21. We compared operating expenses on the FFAD with audited financial data. No exceptions were noted (*2013 Reporting Manual – Exhibit 83, Procedure u*).

22. We inquired of Authority personnel responsible for reporting NTD data regarding the amount of purchased transportation generated fare revenues and agreed the total fair revenues (per invoices) to the amount reported on the Contractual Relationship Form (B-30) (*2013 Reporting Manual – Exhibit 83, Procedure v*). No exceptions were noted.

23. We inquired of Authority personnel responsible for reporting NTD data regarding purchased transportation services. Authority personnel stated that the Authority's NTD report contains data for the purchased transportation services and the purchased transportation data was subject to the procedures listed in our report and any exceptions noted have been included in this report. We also agreed the purchased transportation expenditures reported on the Contractual Relationship (B-30) Form by the Authority in the fiscal year ended June 30, 2014 to invoices provided by the transit agencies for purchased transportation services for services without exception (*2013 Reporting Manual – Exhibit 83, Procedure w*).

    During our testing we noted that Purchased Transportation Motor Bus net contracted expenditures reported on Form B-30 were not transcribed correctly, which resulted in an overstatement of $56,458 for Southland Transit, an overstatement of $47,588 for Vieolia Transit and an understatement of $21,546 for MV Transit. We discussed the exceptions with Authority personnel, who subsequently corrected the data reported to NTD.

24. We obtained a copy of the 6 purchased transportation contracts entered into by the Authority to observe whether the contracts (1) specify the specific mass transportation services to be provided; (2) specify the monetary consideration obligated to by the Authority contracting for the service; (3) specify the period covered by the contract and that the period is the same as, or a portion of the period covered by the NTD report; and (4) are signed by a representative of both parties to the contracts. No exceptions were noted. We interviewed the person responsible for maintaining the NTD data regarding the retention of the executed contract and reviewed all executed contracts and observed that copies of the contracts were retained for three years (*2013 Reporting Manual – Exhibit 83, Procedure x*).

25. We were informed by Authority personnel that the Authority provides services mostly in urbanized areas, and accordingly, it is not necessary for the Authority to perform an allocation between urbanized and nonurbanized areas (*2013 Reporting Manual – Exhibit 83, Procedure y*).

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Fiscal year ended June 30, 2014

26. We compared VRM, PMT, and OE data reported on the FFA-10 form to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. We inquired of Authority personnel of changes in VRM, PMT, or OE, as compared to the prior year data, for changes that exceeded +/-10%. We interviewed Authority personnel regarding the specific operations that led to the increases and decreases in the data relative to the prior reporting period (*2013 Reporting Manual – Exhibit 83, Procedure z*).

Attachment B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Ridership, Operating Data, Operating Expenditures, and Farebox Revenues (Unaudited)

Year ended June 30, 2014

Heavy rail (directly operated):		
Operating data:		
Total trains in operation		70
Total train miles		1,492,509
Total train hours		71,929
Total train revenue miles		1,444,892
Total train revenue hours		67,119
Ridership data:		
Total passenger trips		50,364,804
Total passenger miles		254,439,683
Operating expenditures:		
Total operating costs	$	132,141,653
Total farebox revenues		32,499,585

(Continued)

Attachment B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Ridership, Operating Data, Operating Expenditures, and Farebox Revenues (Unaudited)

Year ended June 30, 2014

Light rail (directly operated):		
Operating data:		
Total trains in operation		144
Total train miles		6,286,449
Total train hours		315,255
Total train revenue miles		6,095,560
Total train revenue hours		295,869
Ridership data:		
Total passenger trips		63,704,768
Total passenger miles		412,776,365
Operating expenditures:		
Total operating costs	$	257,979,356
Total farebox revenues		35,032,720

(Continued)

Attachment B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Ridership, Operating Data, Operating Expenditures, and Farebox Revenues (Unaudited)

Year ended June 30, 2014

Motor bus (directly operated):	
Operating data:	
Total vehicles in operation	1,751
Total vehicle miles	81,820,481
Total vehicle hours	6,962,634
Total vehicle revenue miles	68,136,079
Total vehicle revenue hours	6,344,735
Ridership data:	
Total passenger trips	336,042,385
Total passenger miles	1,359,634,195
Operating expenditures:	
Total operating costs	$ 894,655,067
Total farebox revenues	239,957,344

(Continued)

Attachment B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Ridership, Operating Data, Operating Expenditures, and Farebox Revenues (Unaudited)

Year ended June 30, 2014

Motor bus (purchased transportation):		
Operating data:		
Total vehicles in operation		120
Total vehicle miles		6,781,982
Total vehicle hours		517,216
Total vehicle revenue miles		5,511,629
Total vehicle revenue hours		469,696
Ridership data:		
Total passenger trips		16,409,880
Total passenger miles		78,084,372
Operating expenditures:		
Total operating costs	$	40,675,520
Total farebox revenues		8,579,276

(Continued)

Attachment B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Ridership, Operating Data, Operating Expenditures, and Farebox Revenues (Unaudited)

Year ended June 30, 2014

Vanpool (purchased transportation):		
Operating data:		
Total vehicles in operation		1,339
Total vehicle miles		31,054,693
Total vehicle hours		696,534
Total vehicle revenue miles		31,054,693
Total vehicle revenue hours		696,534
Ridership data:		
Total passenger trips		3,983,621
Total passenger miles		177,435,233
Operating expenditures:		
Total operating costs	$	24,624,027
Total farebox revenues		17,275,865

(Continued)

Attachment B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Ridership, Operating Data, Operating Expenditures, and Farebox Revenues (Unaudited)

Year ended June 30, 2014

Rapid bus (directly operated):		
Operating data:		
Total vehicles in operation		33
Total vehicle miles		2,107,340
Total vehicle hours		136,866
Total vehicle revenue miles		2,017,493
Total vehicle revenue hours		130,992
Ridership data:		
Total passenger trips		9,011,954
Total passenger miles		56,806,966
Operating expenditures:		
Total operating costs	$	26,256,530
Total farebox revenues		6,253,855

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Comments and Recommendations

Year ended June 30, 2014

Comment #14-01

Transportation Mode

Motor Bus (Purchased Transportation)

Criteria

CODE OF FEDERAL REGULATIONS - TITLE 49 - TRANSPORTATION, CHAPTER VI - FEDERAL TRANSIT ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, PART 630 - NATIONAL TRANSIT DATABASE, Section 630.8 Questionable data items.

- FTA may enter a zero, or adjust any questionable data item(s), in any reporting entity's NTD submission that is used in computing the Section 5307 apportionment. These adjustments may be made if any data appears to be inaccurate, have not been collected and reported in accordance with FTA reference documents, or if there is not adequate documentation and a reliable recordkeeping system.

2013 National Transit Database Reporting Manual, Declarations Module, Declarations Module, Exhibit 83 – Federal Funding Allocation Data Review – Suggested Procedure g:

Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.

Condition and Context

During the course of the agreed upon procedures, we noted that Unlinked Passenger Trip (UPT) was originally reported as 16,617,319, while the correct amount was 16,409,880. There was an overstatement of 207,439. The error was due to a transcription error and the NTD Form was subsequently corrected to report the correct amount.

Cause and Effect

The exceptions noted appear to have been caused by an insufficient review by individuals independent of those preparing the NTD final reporting form, which resulted in inaccurate computation of UPT.

Recommendation

We recommend the Authority enhance the controls over the review of the NTD data to ensure errors are identified prior to the data being reported.

Management's Response

The Authority will consider increasing its existing review procedures to specifically address any transposition and arithmetical errors in the calculation used for FTA reporting.

Comment #14-02

Transportation Mode

Motor Bus (Purchased Transportation)

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Comments and Recommendations

Year ended June 30, 2014

Criteria

CODE OF FEDERAL REGULATIONS - TITLE 49 - TRANSPORTATION, CHAPTER VI - FEDERAL TRANSIT ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, PART 630 - NATIONAL TRANSIT DATABASE, Section 630.8 Questionable data items.

- FTA may enter a zero, or adjust any questionable data item(s), in any reporting entity's NTD submission that is used in computing the Section 5307 apportionment. These adjustments may be made if any data appears to be inaccurate, have not been collected and reported in accordance with FTA reference documents, or if there is not adequate documentation and a reliable recordkeeping system.

2013 National Transit Database Reporting Manual, Declarations Module, Declarations Module, Exhibit 83 – Federal Funding Allocation Data Review – Suggested Procedure m:

For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summarization.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.

Condition and Context

In accordance with the suggested procedure contained in the *2013 NTD Reporting Manual*, we recalculated the VRM.

Vieola Transit:

- For 2 of the 40 routes tested, we noted that the missed miles reported did not agree to the recomputed amounts, which resulted in an understatement of 0.1. Upon further investigation, we noted the understatement was the result of a transposition error and formula error. The exceptions were subsequently corrected by the Authority.

MV Transit:

- During the course of the agreed upon procedures, a systematic error was identified as MV Transit computed missed miles based on an old running board / stop by stop schedule, which resulted in incorrect missed miles reported. The systematic errors were subsequently corrected by MV Transit and additional samples were selected for testing without further exception noted.

(Continued)

Cause and Effect

The exceptions noted appear to have been caused by an insufficient review by individuals independent of those preparing the NTD final reporting form, which resulted in inaccurate computation of VRM.

Recommendation

We recommend the Authority enhance the controls over the review of the NTD data to ensure transposing errors are identified prior to the data being reported.

Management's Response

The Authority will consider increasing its existing review procedures to specifically address any transposition and arithmetical errors in the calculation used for FTA reporting.

Comment #14-03

Transportation Mode

Motor Bus (Purchased Transportation)

Criteria

CODE OF FEDERAL REGULATIONS - TITLE 49 - TRANSPORTATION, CHAPTER VI - FEDERAL TRANSIT ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, PART 630 - NATIONAL TRANSIT DATABASE, Section 630.8 Questionable data items.

- FTA may enter a zero, or adjust any questionable data item(s), in any reporting entity's NTD submission that is used in computing the Section 5307 apportionment. These adjustments may be made if any data appears to be inaccurate, have not been collected and reported in accordance with FTA reference documents, or if there is not adequate documentation and a reliable recordkeeping system.

2013 National Transit Database Reporting Manual, Declarations Module, Declarations Module, Exhibit 83 – Federal Funding Allocation Data Review – Suggested Procedure w:

- If the transit agency purchases transportation services, interview the personnel reporting the NTD data regarding the amount of PT generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

Attachment C

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Transportation Operating Agency (ID# 9154)

Schedule of Comments and Recommendations

Year ended June 30, 2014

Condition and Context

We noted that Purchased Transportation Motor Bus net contracted expenditures reported on Form B-30 were not transcribed correctly, which resulted in an overstatement of $56,458 for Southland Transit, an overstatement of $47,588 for Veolia Transportation Services, Inc. and an understatement of $21,546 for MV Transportation, Inc.. We discussed the exceptions with Authority personnel, who subsequently corrected the data reported to NTD.

Cause and Effect

The exceptions noted appear to have been caused by an insufficient review by individuals independent of those preparing the NTD final reporting form, which resulted in net contracted expenditures incorrectly reported.

Recommendation

We recommend the Authority enhance the controls over the review of the NTD data to ensure transposing errors are identified prior to the data being reported.

Management's Response

The Authority will consider increasing its existing review procedures to specifically address any transposition and arithmetical errors in the calculation used for FTA reporting.

ATTACHMENT C

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Federal Funding Allocation Data

LA County Small Operators (ID# 9166)

Fiscal year ended June 30, 2014

(With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported for the Federal Funding Allocation Statistics form (FFA-10) of the Los Angeles County Metropolitan Transportation Authority – LA County Small Operators' (ID# 9166) (the Authority's) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by the FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about the transit agency operations.

We have performed the procedures, as described in Attachment I to this report, to the data in the Authority's FFA-10 form for the fiscal year ending for the fiscal year ended June 30, 2014. Such procedures, which were agreed to and specified by the FTA in the Declarations section of the *2013 Reporting Manual* and agreed to by the Authority, were performed solely to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this report and that the information included in the NTD Report FFA-10 form for the fiscal year ended June 30, 2014 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

The procedures described in Attachment I to this report were applied separately to each of the information systems used to develop the reported actual VRM, fixed guideway (FG) directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the Authority for the fiscal year ended June 30, 2014 – for each of the following modes and jurisdictions (collectively referred to as the Authority):

- Modes:
  - Motor Bus (purchased transportation) (MB)
  - Demand Response (purchased transportation) (DR)
  - Demand Response Taxi (purchased transportation) (DT)
- Jurisdictions:
  - Agoura Hills
  - Alhambra
  - Artesia
  - Avalon
  - Azusa
  - Baldwin Park
  - Bell
  - Bell Gardens
  - Bellflower
  - Beverly Hills
  - Burbank
  - Carson
  - Cerritos
  - Compton
  - Covina
  - Cudahy
  - Downey
  - Duarte
  - El Monte
  - Glendale
  - Glendora
  - Huntington Park
  - Inglewood
  - Los Angeles County Department of Public Works (LACDPW) – Avocado Heights

- LACDPW – East Los Angeles (LA)
- LACDPW – East Valinda
- LACDPW – King Medical Center
- LACDPW – South Whittier
- LACDPW – Whittier
- LACDPW – Willowbrook
- LACDPW – Willowbrook Shuttle
- Lawndale
- Lynwood
- Malibu
- Manhattan Beach
- Maywood
- Monrovia
- Monterey Park
- Palos Verdes Peninsula Transit Authority
- Pasadena
- Pico Rivera
- Pomona Valley Transportation Authority
- Rosemead
- Santa Fe Springs
- South Gate
- South Pasadena
- West Covina
- West Hollywood
- Whittier

In performing the procedures, except for the information and findings identified in Attachment I to this report, no matters came to our attention that caused us to believe that the information included in the NTD report on the FFA-10 form for the fiscal year ended June 30, 2014 is not presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*. We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the fairness of the Authority's ID# 9166 information included in the NTD report for the FFA-10 form for the fiscal year ended June 30, 2014. Accordingly, we do not express such an opinion. Also, we do not express an opinion on the Authority's system of internal controls taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the items tested in Attachment I and does not extend to the Authority's annual financial statements or the forms in the Authority's NTD report other than the FFA-10 form for any date or period.

This report is intended solely for the information and use of the Authority's Board, management and the FTA, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 4, 2014

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Federal Funding Allocation Data

LA County Small Operators (ID# 9166)

Fiscal year ended June 30, 2014

1. We discussed procedures related to the system for reporting and maintaining data in accordance with the National Transit Database (NTD) requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as prescribed in the *2013 Reporting Manual*, with the personnel assigned responsibility of supervising the NTD data preparation and maintenance at each jurisdiction *(2013 Reporting Manual – Exhibit 83, Procedure a)*.

2. We discussed with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data the procedures addressing:

   - The extent to which each of the Los Angeles County Metropolitan Transportation Authority's service providers/jurisdictions (collectively referred to as the Authority) listed on pages 2 and 3 of the accompanying independent accountants' report on applying agreed-upon procedures followed the procedures on a continuous basis; and
   - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993, and as prescribed in the 2013 Reporting Manual. *(2013 Reporting Manual - Exhibit 83, Procedure b)*.

3. We inquired from the same personnel concerning the retention policy that is followed by the Authority's service providers/jurisdictions with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics form (FFA-10) *(2013 Reporting Manual – Exhibit 83, Procedure c)*.

4. Based on a description of the Authority's service providers/jurisdictions' procedures obtained in items 1 and 2 above, we identified the source documents to be retained by the service providers for a minimum of three years *(2013 Reporting Manual – Exhibit 83, Procedure d)*. For each type of source document, we observed that the source document exists for 2013, 2012, and 2011, with the exception of the following:

   - LACDPW-Avocado Heights Motor Bus – During our testing, we noted the county was unable to provide trip sheets for April 20, 2011.
   - LACDPW-East Valinda Motor Bus – During our testing, we noted the county was unable to provide trip sheets for April 20, 2011.
   - Maywood Demand Response – During our testing and due to a transition between contractors, the city was unable to provide trip sheets, daily summaries, monthly summaries, annual summaries, monthly invoices and/or NTD reports for the following dates: 9/13/2010, 2/23/2011, 4/20/2011, 10/20/2011, 3/8/2012, 6/27/2012, 8/16/2012, 11/7/2012 and 5/21/2013.
   - Monterey Park Motor Bus – During our testing, the city was unable to provide the trip sheet for April 20, 2011.

5. We discussed the system of internal controls, including frequency, with the personnel responsible for supervising and maintaining the NTD data. We inquired whether the individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents

(Continued)

and data summaries for completeness, accuracy, and reasonableness *(2013 Reporting Manual – Exhibit 83, Procedure e)*.

6. We haphazardly selected a sample of 148 source documents to observe whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, we inquired how the supervisors' reviews are documented *(2013 Reporting Manual – Exhibit 83, Procedure f)*.

   We noted that one of the source documents sampled was not physically signed by a supervisor as that document was either generated electronically, or a signature was not required at the following jurisdiction: Avalon Demand Response Taxi.

7. We obtained the work sheets utilized by the Authority to prepare the final data that is transcribed onto the Federal Funding Allocation Statistics form. We compared the periodic data included on the work sheets to the periodic summaries prepared by the Authority. We tested the arithmetical accuracy of the summarizations *(2013 Reporting Manual – Exhibit 83, Procedure g)*.

   During our testing, we noted the data transcribed was not consistent with the monthly details of vehicle revenue miles (VRM), vehicle revenue hours (VRH), and passenger miles traveled (PMT). We noted data errors for the following jurisdictions, which were subsequently corrected by the respective jurisdiction: Avalon Demand Response Taxi; Azusa Demand Response; Bell Demand Response Taxi; Cudahy Motor Bus; Glendora Motor Bus and Demand Response; LACDPW-King Medical Center Motor Bus; Maywood Demand Response; and South Gate Motor Bus.

8. We discussed the Authority's procedures for accumulating and recording PMT data in accordance with NTD requirements with the Authority's staff. We noted that for Motor Bus reporting, the Authority uses an estimate of PMT based on statistical sampling meeting the FTA's 95% confidence and 10% precision requirements and in accordance with FTA Circular 2710.1A. For Demand Response, we noted that the Authority uses a combination of a 100% count and an estimate of passenger miles based on statistical sampling, meeting the FTA's 95% confidence and 10% precision requirements, and in accordance with FTA Circular 2710.2A *(2013 Reporting Manual – Exhibit 83, Procedure h)*.

9. Due to the size of the Authority, it does not qualify to conduct statistical sampling for passenger mile data every third year. As such, the Authority conducts sampling annually. We reviewed NTD documentation for the most recent sampling year (fiscal year 2014) and determined that it meets the requirements stated in FTA Circulars 2710.1A and 2710.2A for Motor Bus and Demand Response, respectively *(2013 Reporting FTA Manual – Exhibit 83, Procedure i)*.

10. We obtained a description of the sampling procedures utilized for estimation of passenger mile data used by the Authority. We obtained a copy of the Authority's working papers and observed the methodology used to select the sample of runs for recording passenger mile data. We observed that the methodology used to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, we observed that a replacement sample run was randomly selected. We confirmed that the Authority followed the stated sampling procedure, noting that when a run was missed, a similar route,

time, and day of the week are selected to replace the missed trip *(2013 Reporting Manual – Exhibit 83, Procedure j).*

11. We haphazardly selected a sample of 148 source documents used for accumulating PMT data and determined that they were complete (i.e., all required data was recorded) and that the PMT computations were mathematically accurate. PMT data for Motor Bus is computed annually by determining average trip length (ATL) and multiplying the ATL by the total trips reported. We then traced the source documents selected into the accumulation period selected and recomputed the accumulations within each of the selected periods and tested the arithmetical accuracy of the summarization *(2013 Reporting Manual – Exhibit 83, Procedure k).*

    During our testing, we noted that incorrectly Agoura Hills Motor Bus; Carson Motor Bus; Glendale Motor Bus; Glendora Demand Response; Inglewood Demand Response; LACDPW – East LA Motor Bus; LACDPW – Willowbrook Shuttle Motor Bus; Pasadena Demand Response; Pomona Valley Transportation Authority Demand Response Taxi; South Gate Motor Bus; and West Hollywood Motor Bus calculated their PMT. The jurisdictions subsequently corrected the reporting errors.

12. We discussed the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of VRM with the Authority's staff and noted, based on our discussion, that management represented the stated procedures are followed *(2013 Reporting Manual – Exhibit 83, Procedure l).*

13. For actual VRM data, we read the documented collection and recording methodology to determine whether the methodology required that deadhead miles be systematically excluded from the computation. The Authority uses vehicle logs to compute VRM data, and as such, we haphazardly selected a sample of 148 vehicle logs and recalculated VRM for the selected trip, excluding deadhead mileage *(2013 Reporting Manual – Exhibit 83, Procedure m).*

    During our testing, we noted Agoura Hills Motor Bus; Bellflower Motor Bus; Carson Motor Bus; Cudahy Motor Bus; and Monterey Park Motor Bus calculated the VRM incorrectly. The jurisdictions subsequently corrected the errors.

14. We did not compare Operating Expenses (OE) with audited financial data for the individual jurisdictions as they did not have audited financial data available *(2013 Reporting Manual – Exhibit 83, Procedure u).*

15. We inquired with contract service providers' personnel responsible for reporting NTD data regarding the amount of purchased transportation (PT) generated fare revenues and agreed the total fare revenues (per invoices) for each jurisdiction to the amount reported on the Contractual Relationship Form (B-30) *(2013 Reporting Manual – Exhibit 83, Procedure v).*

    During our testing, we noted an overstatement of $1,407 for Agoura Hills Demand Response due to the result of Senior Concern fares not credited for eleven months. The error was subsequently corrected.

(Continued)

During our testing, we noted an understatement of $1,248 for Bell Demand Response Taxi due to the exclusion of collected fare revenue on the monthly invoices. The error was subsequently corrected.

During our testing, we noted an understatement of $3,232 in the net fare revenue for Carson Demand Response Taxi due an exclusion of fare revenues from June 10 to June 30, 2014. The error was subsequently corrected.

During our testing, we noted net fare revenue was understated by $482 for Compton Motor Bus due to a transcription error. The error was subsequently corrected.

During our testing, we noted net fare revenue was understated by $5 for Cudahy Demand Response Taxi due to a transcription error. The error was subsequently corrected.

During our testing, we noted fare revenue was overstated by $1,485 for Downey Motor Bus due to the double counting of fare revenue generated from the Lynk books, a new service added this year. The error was subsequently corrected..

During our testing, we noted net fare revenues were understated by $75 for Glendora Motor Bus and overstated by $76 for Glendora Demand Response due to an incorrect allocation of the percentage of revenue. The error was subsequently corrected.

During our testing, we noted net fare revenue was overstated by $272 for Lawndale Motor Bus due to a mathematical error. The error was subsequently corrected.

During our testing, we noted net fare revenue was understated by $319 for Monterey Park Motor Bus due to an input error. The error was subsequently corrected.

During our testing, we noted net fare revenue was understated by $2 for West Covina Motor Bus due to a mathematical error. The error was subsequently corrected.

During our testing, we noted net fare revenue was understated by $662 for Whittier Demand Response due to an input error. The error was subsequently corrected.

16. We inquired of Authority personnel responsible for reporting NTD data regarding Purchased Transportation (PT) services. Authority personnel stated that the Authority's NTD report contains data for the PT services and that independent auditor statements for PT data were not obtained for PT. We agreed the expenditures reported by the Authority during the fiscal year ended June 30, 2014 to invoices provided by the aforementioned transit agencies for purchased transportation services for services and agreed the PT fare revenues to the amount reported on the Contractual Relationship form (B-30) *(2013 Reporting Manual – Exhibit 83, Procedure w)*.

During our testing, we noted that the net PT expense was understated by $8,544 for Bell Demand Response Taxi due to an exclusion of the June 2014 invoice amount and implementation fees on the July 2013 invoice. The errors were subsequently corrected.

During our testing, we noted that net PT expense was overstated by $74,058 for Carson Demand Response Taxi due to an inclusion of fare revenues within the Net Contract Expenditures total. This error was subsequently corrected.

During our testing, we noted that net PT service expense was overstated by $7,974 and $55,967 for Downey Motor Bus and Demand Response, respectively. Upon discussions with the city, the discrepancy noted was due to the city incorrectly adding the consulting services as part of the net contract expenditures instead of adding them with the other costs incurred by the buyer. These errors were subsequently corrected.

During our testing, we noted that the net PT expenses for fiscal year 2014 were initially overstated by $45,566 for Huntington Park Motor Bus. The discrepancy resulted from the inclusion of DR Contract Expenditures in the MB Contract Expenditures total, and the exclusion of monthly lease payments from the Contract Expenditures. This error was subsequently corrected.

During our testing, we noted that the net PT expenses for fiscal year 2014 were initially overstated by $127,451 for Palos Verdes Transit Authority Motor Bus due to the inclusion of the City contractor's "Other Cost incurred by the Buyer" within the Net Contract Expenditures total. This error was subsequently corrected.

During our testing, we noted that the net PT expenses for fiscal year 2014 were initially understated by $3,318 for Rosemead Demand Response and by $3,476 for Rosemead Motor Bus due to an exclusion of PT service expenses in October 2013. This error was subsequently corrected.

During our testing, we noted that the net PT expenses for fiscal year 2014 were initially overstated by $948 for South Gate Demand Response Taxi due to the exclusion of adjustments made to the June 2014 monthly invoice. This error was subsequently corrected.

During our testing, we noted that the net PT expenses for fiscal year 2014 were initially understated by $5,651 for West Hollywood Motor Bus due to an exclusion of fuel adjustments and other additional fees. This error was subsequently corrected.

During our testing, we noted that the total PT expenses for fiscal year 2014 were initially both overstated and understated due to clerical and transcription errors, but were subsequently corrected, for the following jurisdictions: Alhambra Demand Response; Bell Demand Response; Bellflower Demand Response; Cudahy Demand Response Taxi; Inglewood Demand Response Taxi; Lawndale Motor Bus; and Whittier Demand Response.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Federal Funding Allocation Data

LA County Small Operators (ID# 9166)

Fiscal year ended June 30, 2014

17. We obtained copies of all of the PT contracts to observe whether the contracts 1) specify the specific mass transportation services to be provided; 2) specify the monetary consideration obligated to by the Authority contracting for the service; 3) specify the period covered by the contract and that the period is the same as, or a portion of, the period covered by the NTD report; and 4) are signed by a representative of both parties to the contracts. We interviewed the person responsible for maintaining the NTD data regarding the retention of the executed contract and reviewed executed contracts to observe whether copies of the contracts are retained for three years *(2013 Reporting Manual – Exhibit 83, Procedure x)*.

    During our testing, we noted that there were no executed contracts, for all or part of the fiscal year ended June 30, 2014, between the contractors and the following jurisdictions: Artesia Demand Response; Avalon Demand Response Taxi and Motor Bus; and West Covina Demand Response and Motor Bus.

18. Based on discussions with Authority personnel, we were informed that the Authority provides services in urbanized areas only, and accordingly, it is not necessary for the Authority to perform an allocation between urbanized and nonurbanized areas *(2013 Reporting Manual – Exhibit 83, Procedure y)*.

19. We compared the data reported on Total Modal Operating Expenses data (F-30, line 11, column e), Actual Vehicle Revenue Miles, and Passenger Miles Traveled (S-10, lines 12 and 20, column d) to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. We inquired of Authority personnel of changes in VRM, PMT, or OE data, as compared to the prior year data, for changes that increased or decreased by more than 10%, or FG DRM data that have increased or decreased. We interviewed Authority personnel regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period and documented these explanations in our work papers *(2013 Reporting Manual – Exhibit 83, Procedure z)*.

20. The following *2013 Reporting Manual*, Exhibit 83 procedures were not applicable to the Authority's service providers/jurisdictions and, therefore, were not performed:

    - Procedures "n", "o", "p", "q", "r", "s", and "t".

ATTACHMENT D

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY

Fiscal year ended June 30, 2014

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY

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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*

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

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 the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2014, which collectively comprise LACMTA's basic financial statements and have issued our report thereon dated December 19, 2014.

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 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, during our audit 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Transportation Development Act, including Public Utility Code Section 99245 as enacted and amended by statute through June 30, 2014, and the allocation instructions and resolutions of the Los Angeles County Metropolitan Transportation Authority (as Planning Agency) as required by Section 6667 of the California Government Code,

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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*.

50% Expenditure Limitation Schedule

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2014, 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 50% expenditure limitation schedule is presented for purposes of additional analysis 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 basic 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 50% expenditure limitation schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LACMTA'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 LACMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
December 19, 2014

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY TRANSPORTATION DEVELOPMENT ACT OPERATIONS AGENCY

50% Expenditure Limitation Schedule
Fiscal year ended June 30, 2014

(Amounts expressed in thousands)

1	Total operating cost	$	1,385,598
2	Total capital requirements		1,410,266
3	Total debt service		484,640
4	Total of lines 1, 2, and 3		3,280,504
5	Less federal grant received		397,636
6	Less State Transit Assistance (STA) funds received		114,731
7	Total of lines 5 and 6		512,367
8	Total of line 4 less line 7		2,768,137
	50% of line 8		1,384,069
	Total permissible Local Transportation Fund expenditures	$	1,384,068

See accompanying 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*.

ATTACHMENT E

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2014

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY

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KPMG LLP
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Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Sections 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

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

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 the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and or the year ended June 30, 2014, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 19, 2014. These financial statements include LACMTA's Transportation Development Act Special Revenue Fund (TDA Fund) and the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA Fund), which were audited as major governmental funds.

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 opinion 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's TDA Fund and PTMISEA Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the California Code of Regulations (Sections 6640-6662), 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*.

Report on Schedule of Revenues, Expenditures and Changes in Fund Balances

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LACMTA as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2014, 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 revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis 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 auditing procedures applied in the audit of the basic 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 revenues, expenditures, and changes in fund balances is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LACMTA'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 LACMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
December 19, 2014

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2014

(Amounts expressed in thousands)

	Transportation Development Act			
	Planning	Administration	Total	PTMISEA
Revenues:				
Local grants and contracts	$ 4,839	$ 3,661	$ 8,500	$ —
Intergovernmental	—	—	—	153,636
Investment income	—	—	—	112
Net appreciation in fair value of investment	—	—	—	21
Total revenues	4,839	3,661	8,500	153,769
Expenditures	4,839	3,661	8,500	—
Total expenditures	4,839	3,661	8,500	—
Excess of revenues over expenditures	—	—	—	153,769
Other financing uses:				
Transfer out	—	—	—	(203,808)
Total other financing uses	—	—	—	(203,808)
Net change in fund balances	—	—	—	(50,039)
Fund balances – beginning of year	—	—	—	158,943
Fund balances – end of year	$ —	$ —	$ —	$ 108,904

See notes to schedule of revenues, expenditures, and changes in fund balances, and report on internal control over financial reporting and on compliance with the California Code of Regulations (Sections 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 change in fund balances.

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
AND
PROP 1B PTMISEA PLANNING AGENCY

Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2014

(1) Transportation Planning Agency

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the regional transportation planning agency responsible for long-range transportation planning and designated under the provisions of Section 65080 of the California Government Code (the Code) to prepare and adopt the Regional Transportation Plan and the Regional Transportation Improvement Program directed at the achievement of a coordinated and balanced regional transportation system for the counties in its jurisdiction. LACMTA is also the administrator of the Local Transportation Fund (LTF) under provisions of Section 9532 of the Code.

The LTF was created by the Transportation Development Act (TDA) to fund transit projects in each county within California Revenues for the LTF are derived from retail sales taxes collected statewide by the State Board of Equalization and returned to individual counties according to the amount collected within that county. Los Angeles County receipts are deposited in the Los Angeles County Treasurer's Office. LACMTA, as administrator of the LTF, is authorized to distribute funds from the Treasurer's Office to claimants for transit projects that are in accordance with the Code.

Basis of Accounting

The TDA Fund uses the modified accrual basis of accounting as required by generally accepted accounting principles. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

(2) Prop 1B PTMISEA

The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA Fund) was created by the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the $19.925 billion available to Transportation, $3.6 billion dollars was allocated to PTMISEA to be available to transit operators over a ten-year period. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation or replacement. Funds in this account are appropriated annually by the Legislature to the State Controller's Office (SCO) for allocation in accordance with Public Utilities Code formula distributions: 50% allocated to Local Operators based on fare box revenue and 50% to Regional Entities based on population.

Basis of Accounting

The PTMISEA Fund uses the modified accrual basis of accounting as required by generally accepted accounting principles. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

ATTACHMENT F

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Financial Statements

June 30, 2014 and 2013

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the STA Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund as of June 30, 2014 and 2013, and the changes in its financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Emphasis of Matter

As discussed in note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2014 and 2013, or the changes in financial position, or where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and budgetary comparison information on pages 3–5 and 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the STA Fund's financial statements that collectively comprise the STA Fund's basic financial statements. The accompanying supplementary schedules on pages 11–12 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the STA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the STA Fund's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 19, 2014

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Management's Discussion and Analysis

Fiscal year ended June 30, 2014 and 2013

(Amounts expressed in thousands)

(Unaudited)

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of sales tax on gasoline and diesel fuel collected by the State Board of Equalization in the State of California. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

Our discussion and analysis of STA Fund's financial performance presents an overview of the STA Fund's financial activities during the fiscal year ended June 30, 2014. We encourage readers to consider information present here in conjunction with the financial statements (beginning on page 7). The basic financial statements, notes to the basic financial statements, and this discussion and analysis were prepared by management and are the responsibility of the management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

2014 Financial Highlights

- Revenues exceeded expenditures by $100,256.
- Sales tax collected for the year increased by $574 or 0.49% compared with prior year. The increase was due to a higher sales tax allocation received from the State of California. Similarly, investment income decreased by $26 or 13% due to lower amounts of funds available for investments.
- Total expenditures and other financing sources (uses) of funds decreased by $3,728 or 3% compared with prior year. The decrease was primarily due to transfers in of funds from Prop A Discretionary Bus (95%x40%) subsidy allocations.

2013 Financial Highlights

- Expenditures exceeded revenues by $92,211.
- Sales tax collected for the year decreased by $514 or 0.44% compared with prior year. The decrease was due to lower allocation received from the State of California. Similarly, investment income increased by $76 or 64% due to favorable market conditions.
- Total expenditures and other financing sources (uses) of funds decreased by $9,455 or 7% compared with prior year. The decrease was due to lower subsidy allocations.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the basic financial statements. The STA Fund's basic financial statements comprised two components: (1) the fund financial statements and (2) the notes to

(Continued)

the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements.

The condensed balance sheets shows STA's assets and liabilities as of June 30, 2014, 2013, and 2012. The difference between the assets and liabilities are reported as fund balance. The fund balance may serve as a useful indicator of the STA Fund's financial health.

The comparative statements of revenues, expenditures, and changes in fund balances for the fiscal years showed the underlying events of activities of the fund that impacted the fund balances.

Condensed Balance Sheets

	2014	2013	2012
Total assets	$ 49,955	$ 46,215	$ 49,049
Total liabilities	46,235	33,020	22,103
Fund balances	3,720	13,195	26,946
Total liabilities and fund balances	49,955	46,215	49,049

As of June 30, 2014, STA's fund balance of $3,720 represents funds available for future payments.

Total assets increased $3,740 or 8% as of June 30, 2014 compared to June 30, 2013 primarily due from other funds in fiscal year 2014. Total liabilities increased $13,215 or 40% as of June 30, 2014 compared to June 30, 2013 were primarily due to $13,926 or 50% increase in due to other funds as a result of undrawn billings from the Enterprise fund for fiscal year 2014 operating subsidy.

Total assets decreased $2,834 or 6% as of June 30, 2013 compared to June 30, 2012 primarily due to decrease in sales tax receivables as a result of lower allocation received in fiscal year 2013. Total liabilities increased $10,917 or 49% as of June 30, 2013 compared to June 30, 2012 were primarily due to a $5,177 increase in accounts payable and accrued liabilities as a result of accrual of transportation subsidies and a $5,740 or 26% increase in due to other funds as a result of undrawn billings from the Enterprise fund for fiscal year 2013 operating subsidy.

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Management's Discussion and Analysis

Fiscal year ended June 30, 2014 and 2013

(Amounts expressed in thousands)

(Unaudited)

Condensed Statement of Revenues and Expenditures and Changes in Fund Balances

	2014	2013	2012
Revenues	$ 117,290	$ 116,742	$ 117,180
Expenditures and other financing sources (uses) of funds	(126,765)	(130,493)	(139,948)
Excess of revenues over expenditures	(9,475)	(13,751)	(22,768)
Fund balances – beginning of year	13,195	26,946	49,714
Fund balances – end of year	$ 3,720	$ 13,195	$ 26,946

Total revenues decreased $548 or 0.47% during fiscal year 2014 were primarily due to higher sales tax allocations received from the State of California. Investment income decreased by $26 or 13% was primarily due to lesser temporary funds available for investments during fiscal year 2014. Expenditures and other financing uses decreased $3,728 or 3% during fiscal 2014 were primarily due to the transfer of funds from Prop A Discretionary Bus (95%x40%).

Total revenues decreased $438 or 0.4% during fiscal 2013 were primarily due to lower sales tax allocations received from the State of California. Investment income increased by $76 or 64% due to favorable market conditions during fiscal 2013. Expenditures and other financing uses decreased $9,455 or 7% during fiscal 2013 were primarily due to lower subsidy allocations.

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Balance Sheets

June 30, 2014 and 2013

(Amounts expressed in thousands)

Assets	**2014**	**2013**
Cash and cash equivalents	$ 12,130	$ 19,953
Interest receivable	36	35
Sales tax receivables	32,268	26,227
Due from other funds	5,521	—
Total assets	$ 49,955	$ 46,215
Liabilities		
Accounts payable and accrued liabilities	$ 4,466	$ 5,177
Due to other funds	41,769	27,843
Total liabilities	46,235	33,020
Fund balances:		
Restricted	3,720	13,195
Total fund balances	3,720	13,195
Total liabilities and fund balances	$ 49,955	$ 46,215

See accompanying notes to the financial statements

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances

Years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013
Revenues:		
Sales tax	$ 117,122	$ 116,548
Investment income	168	194
Total revenues	117,290	116,742
Expenditures:		
Transportation subsidies	17,034	24,531
Excess of revenues over expenditures	100,256	92,211
Other financing sources (uses):		
Transfers in	5,000	—
Transfers out	(114,731)	(105,962)
Total net other financing uses	(109,731)	(105,962)
Net change in fund balances	(9,475)	(13,751)
Fund balances – beginning of year	13,195	26,946
Fund balances – end of year	$ 3,720	$ 13,195

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) General Description

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of retail sales tax on gasoline and diesel fuel collected by the State Board of Equalization in the State of California. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

(b) Basis of Accounting

The STA Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met.

(c) Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The STA Fund is considered a governmental fund. The measurement focus is the determination of changes in financial position, rather than net income determination. Additionally, the STA Fund is considered a special revenue governmental fund. Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes.

(d) Financial Statement Presentation

The accompanying financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the Los Angeles County Metropolitan Transportation Authority as of June 30, 2014 and 2013, the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

(e) Cash and Cash Equivalents

The STA Fund's cash and cash equivalents include investments in the Los Angeles County Investment Pool (LACIP) and are reported at fair value, which is the quoted market price. The STA Fund is an involuntary participant in the LACIP.

(f) Sales Tax Receivable

Sales tax receivables represent uncollected amounts from the allocation of retail sales tax on gasoline and diesel fuel collected by the State Board of Equalization in the State of California.

(2) Cash and Investments

Cash balances of the STA Fund are pooled with other County funds and invested by the Los Angeles County Treasurer (the Treasurer). These funds are available for withdrawal from the Treasurer's pool upon demand.

STA Fund's pooled cash and investments with the Treasurer amounted to $12,130 at June 30, 2014 and $19,953 at June 30, 2013. The County Board of Supervisors provides regulatory oversight for the Treasurer. The fair value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2014 and 2013.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be obtained by writing to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

(3) Sales Tax Receivable

As of June 30, 2014 and 2013, the STA Fund has a receivable of $32,268 and $26,227, respectively, due from the State for the fourth quarter allocation.

(4) Due to/from Other Funds

Due to or from other funds represent payables owed to or receivables from a particular LACMTA fund for temporary loans, advances, goods delivered, or services rendered. As of June 30, 2014 and 2013, the STA Fund had a payable to the LACMTA's Enterprise Fund in the net amount of $41,769 and $27,843, respectively. As of June 30, 2014, the STA Fund had receivables from Prop A Discretionary Bus Fund (95%x40%) and Enterprise Fund of $5,000 and $521, respectively, for a total of $5,521. There was no related receivable at June 30, 2013.

(5) Interfund Transfers

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund. For the years ended June 30, 2014 and 2013, the STA Fund transferred $114,731 and $105,962, respectively, to LACMTA's Enterprise Fund and during 2014, received $5,000 from Prop A Fund.

(6) Sales Tax Revenue

Sales tax revenue represents amounts from the allocation of retail sales tax on gasoline and diesel fuel collected by the California State Board of Equalization. For the years ended June 30, 2014 and 2013, the STA Fund received an allocation of $117,122 and $116,548, respectively.

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Year ended June 30, 2014

(Amounts expressed in thousands)

	Original and final budget	Actual	Variance with final budget
Revenues:			
Sales tax	$ 115,528	$ 117,122	$ 1,594
Investment income	—	168	168
Total revenues	115,528	117,290	1,762
Expenditures:			
Transportation subsidies	16,502	17,034	(532)
Total expenditures	16,502	17,034	(532)
Excess of revenues over expenditures	99,026	100,256	1,230
Other financing sources (uses):			
Transfers in	—	5,000	5,000
Transfers out	(115,263)	(114,731)	532
Total net financing (uses)	(115,263)	(109,731)	5,532
Net change in fund balances	(16,237)	(9,475)	6,762
Fund balances – beginning of year	13,195	13,195	—
Fund balances – end of year	$ (3,042)	$ 3,720	$ 6,762

See accompanying independent auditors' report

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Supplemental Schedule of Allocations

Years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

(Unaudited)

PUC Code	Operating 6730 (a)	Capital 6730 (b)	Rail 6730 (c)	2014 Total	2013 Total
Jurisdiction:					
Arcadia	$ 50	$ —	$ —	$ 50	$ 62
Claremont	39	—	—	39	43
Commerce	48	—	—	48	58
Culver City	886	—	—	886	1,098
Foothill Transit	3,913	—	—	3,913	4,890
Gardena	915	—	—	915	1,114
La Mirada	20	—	—	20	27
Montebello	1,444	—	—	1,444	1,771
Long Beach	3,940	—	—	3,940	4,913
LACMTA	47,644	—	51,464	99,108	115,854
Norwalk	546	—	—	546	700
Redondo Beach	119	—	—	119	154
Santa Monica	3,479	—	—	3,479	4,318
Torrance	1,102	—	—	1,102	1,369
Total STA fund allocations	$ 64,145	$ —	$ 51,464	$ 115,609	$ 136,371

See accompanying independent auditors' report.

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND

Supplemental Schedule of Expenditures and Transfers

Years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

(Unaudited)

	FY2014				FY2013			
PUC Code	Operating 6730 (a)	Capital 6730 (b)	Rail 6730 (c)	Total	Operating 6730 (a)	Capital 6730 (b)	Rail 6730 (c)	Total
Jurisdiction:								
Arcadia	$ 66	$ —	$ —	$ 66	$ 56	$ 144	$ —	$ 200
Claremont	50	—	—	50	38	—	—	38
Commerce	63	—	—	63	53	—	—	53
Culver City	886	310	—	1,196	1,275	—	—	1,275
Foothill Transit	3,913	—	—	3,913	5,715	—	—	5,715
Gardena	915	111	—	1,026	1,290	—	—	1,290
La Mirada	27	—	—	27	38	—	—	38
Long Beach	3,940	—	—	3,940	5,715	—	—	5,715
LACMTA	57,457	(10)	57,284	114,731	50,466	11	55,485	105,962
Montebello	1,444	—	—	1,444	1,379	1,119	—	2,498
Norwalk	546	—	—	546	816	—	—	816
Redondo Beach	158	9	—	167	140	—	—	140
Santa Monica	3,479	15	—	3,494	5,016	47	—	5,063
Torrance	1,102	—	—	1,102	1,590	100	—	1,690
Total STA fund expenditures and transfers	$ 74,046	$ 435	$ 57,284	$ 131,765	$ 73,587	$ 1,421	$ 55,485	$ 130,493

See accompanying independent auditors' report.

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report on Compliance

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

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 State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statement of revenues, expenditures and changes in fund balances for the years then ended, and have issued our report thereon dated December 19, 2014.

In connection with our audits, nothing came to our attention that caused us to believe that LACMTA failed to comply with the terms, covenants, provisions, or conditions of Section 6751 of the California Code of Regulations. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding LACMTA's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management, LACMTA's board of directors, others within the Authority, and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Los Angeles, California
December 19, 2014

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

ATTACHMENT G

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Service Authority for Freeway Emergencies (SAFE), as of and for the years ended June 30, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the SAFE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the SAFE, as of June 30, 2014 and 2013, and the respective changes in financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Emphasis of Matter

As discussed in note 1, the basic financial statements present only SAFE and do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2014 and 2013, or the changes in its financial position for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and budgetary comparison information on pages 3–5 and 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Los Angeles, California
February 11, 2015

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Amounts expressed in thousands)

Management's discussion and analysis of the financial performance of the Service Authority for Freeway Emergencies (SAFE) presents an overview of SAFE's financial activities during the fiscal years ended June 30, 2014 and 2013. Management encourages readers to consider information presented here in conjunction with the financial statements (beginning on page 6). The financial statements, notes to the basic financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

Financial Highlights

- Fiscal year 2014 net assets decreased by $2,732 or 8.42% compared to fiscal year 2013 primarily due to higher expenses over revenues.
- Total revenues comprise licenses, intergovernmental revenue and fines, and investment earnings. The increase in investment earnings in fiscal years 2014 and 2013 was primarily due to favorable investment returns.
- Expenses increased by $2,594 in fiscal year 2014 while it decreased by $950 in fiscal year 2013. The increase in costs for fiscal year 2014 was mainly due to a capital subsidy for the acquisition of the transponders for Metro ExpressLanes. The decrease in 2013 expenses was primarily due to lower expenses incurred after the 511 system went live in the later part of fiscal year 2011.

Overview of Financial Statements

This management's discussion and analysis serves as an introduction to SAFE's basic financial statements. SAFE's basic financial statements comprise three components: (1) the agency-wide financial statements; (2) the fund financial statements; and (3) the notes to the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Agency-wide financial statements provide a broad overview of SAFE's finances in a manner similar to private sector entities. The agency-wide statements consist of: (1) the statements of net position, which present information on all of SAFE's assets and liabilities with the difference between the two being reported as net position and (2) the statements of activities, which depict the changes in net position during the year. Trends of increasing or decreasing net position may serve as a useful indicator of financial health.

Fund financial statements represent the near-term inflows, outflows, and balances of spendable resources. The basic fund financial statements consist of: (1) the balance sheets, which present SAFE's assets and liabilities, the difference between the assets and liabilities being reported as fund balance and (2) the statements of revenues, expenditures, and changes in fund balances for the fiscal years. This report presents the underlying events or activities of the fund that affected the balance sheets.

The notes to the basic financial statements are various disclosures that accompany the agency-wide and fund financial statements in order to provide a full understanding of SAFE's finances.

Analytical Overview

The table below shows the condensed schedule of net position for fiscal years 2014, 2013, and 2012:

		Schedule of net position governmental activities		
		2014	**2013**	**2012**
Total assets	$	30,624	33,903	35,885
Total liabilities		901	1,448	2,802
Total net position	$	29,723	32,455	33,083

Total assets decreased by $3,279 or 9.67% in fiscal year 2014 mainly due to an increase in capital and operating subsidies reported as transfer to the Los Angeles County Metropolitan Transportation Authority in the accompanying financial statements. In fiscal year 2013, the decrease by $1,982 or 5.9% was attributed to the increase in the capital and operating expenses incurred in implementing the 511 traveler information system.

The total liabilities in fiscal year 2014 decreased by $547 or 37.78% over fiscal year 2013 due to decrease in accruals related to program expenditures at year-end and lower unpaid Freeway Service Patrol (FSP) program expenditures reimbursement to the LACMTA for FY14.

The following table is a condensed schedule of activities for the years ended June 30, 2014, 2013, and 2012:

		Summary schedule of activities governmental activities		
		2014	**2013**	**2012**
Program expenses, net of revenue:				
Congestion relief operations net of revenue	$	6,353	7,355	7,998
Capital and operating subsidies to the Los Angeles County Metropolitan Transportation Authority		4,529	933	1,240
Program expenses net of revenue		10,882	8,288	9,238
General revenue:				
Licenses and fines		7,842	7,607	7,553
Investment and earnings		308	53	325
Total general revenues		8,150	7,660	7,878
Change in net position	$	(2,732)	(628)	(1,360)

Factors Impacting Future Periods

For the foreseeable future, SAFE is expected to continue to operate and manage the call box system (fixed roadside units and mobile #399) and the Southern California 511 traveler information system. In FY15, SAFE will be conducting an evaluation of the fixed roadside call box system and is anticipating changes to the overall size of the system and the cost in maintaining the system. The #399 mobile call box system will be integrated into 511. This integration will allow SAFE to streamline certain operations, while at the same time provide improved services to the public. The integration of #399 into 511 may increase costs to SAFE as 511 is a more publicized and recognized service. SAFE will also be conducting a comprehensive review of the 511 program as more regional partners are becoming interested in joining the service. The increased use of 511 by partner agencies and the public will increase both developmental and operating costs for 511. Potential opportunities to offset costs through new revenue streams will be explored. SAFE will continue providing financial support to the Metro Freeway Service Patrol program. Fiscal year 2013 represents the completion of the two-year $4 million grant provided by SAFE in support of the Metro Express Lanes project. In addition, during fiscal year 2013, SAFE in partnership with the Los Angeles County Metropolitan Transportation Authority began a strategic evaluation/review of current operations to provide an updated roadmap to assist SAFE in future operations. For example, there may be a need for SAFE to be a partner in the development of a new comprehensive traffic incident management program, which will require resources to evaluate, implement, and/or operate.

Further Information

This report has been designed to provide all interested parties with a general overview of SAFE'S financial condition and related issues. Inquiries should be directed to the Accounting Department, One Gateway Plaza, Mail Stop 99-20-7, Los Angeles, CA 90012.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Statements of Net Position

June 30, 2014 and 2013

(Amounts expressed in thousands)

		Governmental activities	
		2014	**2013**
Assets:			
Cash and cash equivalents	$	30,501	33,688
Intergovernmental receivable		123	144
Interest receivable		—	71
Total assets		30,624	33,903
Liabilities:			
Accounts payable and accrued expenses		901	474
Due to other funds		—	974
Total liabilities		901	1,448
Net position:			
Restricted		29,723	32,455
Total net position	$	29,723	32,455

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Statements of Activities

For the years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	Governmental activities	
	2014	**2013**
Program expenses, net of revenue:		
Transit operations:		
Congestion relief operations	$ 6,358	7,416
Less operating grants and contributions	(5)	(61)
Net congestion relief operations	6,353	7,355
Operating subsidies to the Los Angeles County Metropolitan Transportation Authority	4,529	933
Total program expenses	10,882	8,288
General revenue:		
Licenses and fines	7,842	7,607
Investment and other earning	308	53
Total general revenue	8,150	7,660
Change in net position	(2,732)	(628)
Net position – beginning of year	32,455	33,083
Net position – end of year	$ 29,723	32,455

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Balance Sheets

June 30, 2014 and 2013

(Amounts expressed in thousands)

		Governmental fund	
		2014	**2013**
Assets:			
Cash and cash equivalent	$	30,501	33,688
Intergovernmental receivable		123	144
Interest receivable		—	71
Total assets	$	30,624	33,903
Liabilities:			
Accounts payable	$	901	474
Due to other funds		—	974
Total liabilities		901	1,448
Fund balances:			
Restricted		29,723	32,455
Total fund balances		29,723	32,455
Total liabilities and fund balances	$	30,624	33,903

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Statements of Revenues, Expenditures, and Changes in Fund Balances

For the years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	Governmental fund	
	2014	**2013**
Revenues:		
Licenses and fines	$ 7,842	7,607
Intergovernmental	5	61
Investment income	308	53
Total general revenue	8,155	7,721
Expenditures:		
Current:		
Administration and other transportation projects	6,358	7,416
Total expenditures	6,358	7,416
Excess of revenues over expenditures	1,797	305
Other financing uses:		
Transfer to the Los Angeles County Metropolitan Transportation Authority	(4,529)	(933)
Net change in fund balances	(2,732)	(628)
Fund balances – beginning of year	32,455	33,083
Fund balances – end of year	$ 29,723	32,455

See accompanying notes to the basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

(b) Operations

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 2,700 call boxes along 436 miles of freeways, state highways, and selected county roads in Los Angeles County. Counties in California place a $1 per vehicle registration surcharge on each vehicle registered within the County. This provided funding for the management, installation, operation and maintenance of the SAFE program. SAFE also funds, operates, and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit, and other related traveler information to the public via the phone, web, and mobile application.

(c) Agency-wide Financial Statements

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of agency-wide statements, including a statement of net position and a statement of activities, and fund financial statements.

The agency-wide financial statements report information on all of the nonfiduciary activities of the agency.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Licenses and fines and investment earnings not considered program revenues are reported as general revenues.

(d) Fund Accounting

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate

accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The measurement focus is a determination of changes in financial position, rather than net income determination. Additionally, SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies transferred from one fund to another fund.

(e) Financial Statement Presentation

The accompanying financial statements present only the SAFE fund and do not purport to, and do not, present fairly the financial position of the Los Angeles County Metropolitan Transportation Authority as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

(f) Fund Balances

Restricted fund balances include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balances were classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et seq by which the fund was created.

(g) Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By policy, the Board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash deposited with Los Angeles County Treasurer's external investment pool.

(i) Effects of New GASB Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In March 2012, GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limits the use of the term deferred in the financial statement presentations. SAFE implemented the new reporting requirements of GASB 65 for the fiscal year ended June 30, 2014. The adoption of GASB 65 did not have a material impact on SAFE's basic financial statements.

In March 2012, GASB issued Statement No. 66, "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.*" This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. It amends Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,*" by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* by modifying the specific guidance for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The implementation of GASB 66 for the fiscal year ended June 30, 2014 did not have an impact on SAFE's basic financial statements.

In June 2012, GASB issued Statement No. 67, "*Financial Reporting for Pension Plans*". This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and* GASB 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of GASB 25 and GASB 50 remain applicable to pension plans that are not administered through trusts

covered by this Statement and to the defined-contribution plans that provide postemployment benefits other than pensions. SAFE is not required to implement the new reporting requirements of GASB 67 for the fiscal year ended June 30, 2014 since the pension plans are recorded in the LACMTA's books.

In June 2012, GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions*". This Statement replaces the requirements of Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of GASB 50, *Pension Disclosures,*" as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This statement establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through pension plans that are within the scope of this statement. It also establishes requirements for reporting information about pension-related financial support provided by entities that make contributions to pension plans that are used to provide pensions to the employees of other entities. The requirement of this Statement is effective for fiscal years beginning after June 15, 2014. SAFE is not required to implement the new reporting requirements of GASB 68 for the fiscal year ended June 30, 2015 since the pension plans are recorded in the LACMTA's books.

In January 2013, GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Government mergers include combinations of legally separate entities without the exchange of significant considerations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. SAFE plans to implement the new reporting requirements of GASB 69 for the fiscal year ending June 30, 2015, if applicable.

In April 2013, GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in nonexchange transactions. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that the government will be required to make payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a

nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This Statement specifies the information required to be disclosed by governments that extend non exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non exchange financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2013. SAFE plans to implement the new reporting requirements of GASB 70 for fiscal year ending June 30, 2015, if applicable.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement 68 which requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition, only if it is practical to determine all such amounts. At transition to Statement 68, Statement 71 states that if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2014. SAFE is not required to implement the new reporting requirements of GASB 71 for fiscal year ending June 30, 2015 since the pension plans are recorded in LACMTA's books.

(2) Cash and Cash Equivalent

The following is a breakdown of SAFE's cash and cash equivalent as of June 30, 2014 and 2013:

		2014	2013
Cash deposits	$	29,752	32,979
Los Angeles County investment pool		749	709
Total	$	30,501	33,688

In accordance with GASB Statement No. 40, "*Deposit and Risk Disclosure – an Amendment of GASB Statement No. 3*", certain required disclosures regarding investment policies and practices with respect to the risk associated with their credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

(a) Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above for short-term investments and bond proceeds and debt service investments summarize the market value of investment and the related credit ratings. SAFE maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

(b) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels.

As of June 30, 2014, SAFE does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

(c) Custodial Credit Risk

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110% of the deposit or by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. SAFE may waive collateral requirements for deposits that are fully insured up to $250,000 (amount not in thousands) by the FDIC. All investment securities purchased were held and registered in SAFE's name and maintained for the benefit of the LACMTA in the trust department or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between SAFE and the financial institution.

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments of proceeds related to bond financings. SAFE measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2014, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

(3) Significant Commitments

SAFE has entered into a MOU with Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had $2,402 of contractual commitments as of June 30, 2014 that had not been claimed or disbursed.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)

Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Unaudited)

For the years ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014				2013		
	Original budget	Final budget	Acutal	Variance with final budget	Original and final budget	Actual	Variance with final budget
Revenues:							
Licenses and fines	$ 8,325	8,325	7,842	(483)	8,063	7,607	(456)
Intergovernmental	—	—	5	5	—	61	61
Investment income	500	500	308	(192)	500	53	(447)
Total revenue	8,825	8,825	8,155	(670)	8,563	7,721	(842)
Expenditures:							
Current:							
Administration and other transportation projects	11,760	11,705	6,358	(5,347)	12,494	7,416	5,078
Total expenditures	11,760	11,705	6,358	(5,347)	12,494	7,416	5,078
Excess (deficiency) of revenue over expenditures	(2,935)	(2,880)	1,797	4,677	(3,931)	305	4,236
Other financing sources (uses):							
Transfer to the Los Angeles County Metropolitan Transportation Authority	(1,500)	(1,500)	(4,529)	(3,029)	—	(933)	(933)
Net change in fund balances	(4,435)	(4,380)	(2,732)	1,648	(3,931)	(628)	3,303
Fund balances – beginning of the year	32,455	32,455	32,455	—	33,083	33,083	—
Fund balance – end of year	$ 28,020	28,075	29,723	1,648	29,152	32,455	3,303

See accompanying independent auditors' report.

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

February 4, 2015

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (the Authority), which collectively comprise the basic financial statements of the Authority as of and for the year ended June 30, 2014 and issued our report thereon dated December 19, 2014. Our report included a reference to other auditors who audited the defined benefit pension plan financial statements included in the Authority's basic financial statements. We also audited the following entities (collectively referred to herein as the Ancillary Entities) and issued separate reports for each entity as part of the Authority's annual audit:

- State Transit Assistance (STA)
- Service Authority for Freeway Emergencies (SAFE)

Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the Board of Directors (the Board), are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of their responsibilities.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Authority's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the Authority's basic financial statements, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Authority are described in note I(B) through I(E) to the Authority's basic financial statements. As described in note I(E), in order to comply with the requirements of U.S. generally accepted accounting principles, the Authority will be adopting Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. The Authority's pension plans also adopted GASB No. 67, Financial Reporting for Pension Plans*, in the fiscal year ending June 30, 2014. The Authority will also be adopting GASB No. 68, *Accounting and Financial Reporting for Pensions,* GASB No. 69, *Government Combinations and Disposals of Government Operations*, and GASB No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, in the fiscal year ending June 30, 2015.

Qualitative Aspects of Accounting Practices

We have discussed with the Board and management our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. The

discussions generally included such matters as the consistency of the Authority's accounting policies and their application, and the understandability and completeness of the Authority's basic financial statements and the financial statements of the Ancillary Entities, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the Authority's basic financial statements and the financial statements of the Ancillary Entities requires management of the Authority to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period, including the following:

- Management's estimate of the allowance for doubtful accounts is based on an analysis of past-due accounts and includes an analysis of the credit rating of the customer, the Authority's historical experience with the customer, and other relevant factors to arrive at an overall assessment of whether past-due accounts will be collected.

- Management's estimates for workers' compensation, pension obligation, other postemployment obligations, and general liability are based on historical data and other relevant factors to arrive at the actuarial determined estimated liabilities.

- Management's estimate of pollution remediation obligations is based on historical data over the cost of remediation activities.

- Management's estimate of transportation subsidy accruals for claims incurred but not yet reported to the Authority.

- Management's estimate of derivative liabilities is based on expected payments and changes in future interest rates.

- Management's estimates for potential exposure related to lease-leaseback obligations are based on potential contractual penalties and the likelihood of whether they will be incurred.

- Management's estimates for the discount rates used in the actuarial studies for the Other Postemployment Benefits and Pension Plans are based on assumed availability of funding to meet estimated obligations.

We evaluated the key factors and assumptions used to develop the estimates, including possible management bias in developing the estimates, in determining that the estimates are reasonable in relation to the basic financial statements taken as a whole.

Uncorrected and Corrected Misstatements

In connection with our audit of the Authority's basic financial statements and the financial statements of the Ancillary Entities, we have discussed with management certain financial statement misstatements that have not been corrected in the Authority's and the Ancillary Entities' books and records as of and for the year ended June 30, 2014. We have reported such misstatements to management on a Summary of Audit Differences and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit or Ancillary Entity. Attached is a copy of the summary that has been provided to, and discussed with, management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' reports on the Authority's basic financial statements or the financial statements of the Ancillary Entities.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2014.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with you and management each year prior to our retention by you as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Management representation letter

2. Summary of uncorrected audit differences

Separate management representation letters were also obtained in conjunction with the audits of the Ancillary Entities, which were consistent with the representations included in the management representation letter attached. A copy of the engagement contract was also provided to management prior to inception of the audit.

* * * * * * *

This letter to the Board is intended solely for the information and use of the Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

Arthur T. Leahy
Chief Executive Officer
213.922.6888 Tel
213.922.7447 Fax
metro.net

December 19, 2014

KPMG LLP
Attention: Kristen Olko
550 South Hope Street
Suite 1500
Los Angeles, CA 90071

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the business-type activities, , each major fund, the aggregate remaining fund information, and the related notes to the financial statements, of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2014, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of December 19, 2014, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of Contract No. PS51102130 for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

    a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

d. All minutes of the meetings of the Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. Except as disclosed to you in writing, there have been no:

a. Circumstances that have resulted in communications from the LACMTA's external legal counsel to the LACMTA reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the LACMTA or any agent thereof.

b. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

c. False statements affecting the LACMTA's financial statements made to the LACMTA's internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

4. There are no:

a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.

d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.

e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the financial statements.

5. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.

6. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedules are immaterial, both individually and in the aggregate, to the

financial statements for each respective opinion unit.

7. We acknowledge our responsibility for the design, implementation and maintenance of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

8. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the LACMTA's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit.

9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

10. We have no knowledge of any fraud or suspected fraud affecting the LACMTA's financial statements involving:

    a. Management, or

    b. Employees who have significant roles in internal control over financial reporting, or

    c. Others where the fraud could have a material effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the LACMTA's financial statements received in communications from employees, former employees, analysts, regulators, or others.

12. LACMTA has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

13. We have no knowledge of any officer or Board member of LACMTA, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

14. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting

principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.

b. Guarantees, whether written or oral, under which LACMTA is contingently liable.

c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.

d. Changes in accounting principle affecting consistency.

e. The existence of and transactions with joint ventures and other related organizations.

15. LACMTA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements or notes to the financial statements.

16. LACMTA has complied with all aspects of laws, regulations, contractual agreements, and grants that may affect the financial statements, including noncompliance.

17. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the LACMTA. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

18. LACMTA's reporting entity includes all entities that are component units of the LACMTA. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which LACMTA holds an equity interest have been properly recorded on the statement of net position. The financial statements disclose all other joint ventures and other related organizations.

19. The financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

20. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

21. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

22. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

23. Deposits and investment securities are properly classified and reported.

24. LACMTA is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended. The amounts reported represent LACMTA's best estimate of fair value of investments required to be reported under the Statement. LACMTA also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

25. LACMTA has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The LACMTA complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the LACMTA has disclosed all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.

26. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, LACMTA has disclosed the methods and significant assumptions used to estimate those fair values.

27. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

28. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

29. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.

30. LACMTA has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

31. LACMTA has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

    c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

32. For variable-rate demand bond obligations that are reported as general long-term debt or excluded from current liabilities of proprietary funds, we believe all of the conditions described in GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities,* have been met.

33. LACMTA has complied with all tax and debt limits and with all debt related covenants.

34. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

35. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with pension and other post-employment benefits and to determine information related to LACMTA's funding progress related to such benefits for financial reporting purposes are appropriate in LACMTA's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

36. There were no omissions from the participants' data provided to the actuary for the purpose of determining the pension liability, other post-employment benefit obligation and other actuarially determined amounts in the financial statements.

37. Provision has been made in the financial statements for the LACMTA's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.

38. The LACMTA has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.

39. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (nonspendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.

40. Revenues are appropriately classified in the statement of activities within program revenues, or general revenues.

41. LACMTA has identified and properly accounted for all nonexchange transactions.

42. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

43. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on LACMTA's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

44. We agree with the findings of specialists in evaluating the pension liabilities, self-insurance liabilities, other post-employment benefit liabilities, cash and investment balances, debt covenants, workers' compensation claims, property liability / property damage claims, and pollution remediation liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

45. We acknowledge our responsibility for the presentation of the required supplementary information which includes, which includes management's discussion and analysis, the schedules of funding progress for pension plans and other postemployment benefits and budgetary comparison information, in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

    a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

    b. The methods of measurement or presentation of the required supplementary

information have not changed from those used in the prior period.

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

46. LACMTA has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

47. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

48. KPMG assisted management in drafting the financial statements and notes. In accordance with *Government Auditing Standards*, we confirm that we have reviewed, approved, and accept responsibility for the financial statements and notes.

Further, we confirm that we are responsible for the fair presentation in the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of LACMTA, and the related notes to the financial statements, in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Very truly yours,

Los Angeles County Metropolitan Transportation Authority

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

Nalini Ahuja

Nalini Ahuja
Executive Director, Finance and Budget

Jesse Soto

Jesse Soto
Interim Controller

KPMG

LACMTA - BTA
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets and Deferred Outflows	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
(Enterprise) B-5-11		Capital Assets Interest Expense, Net Net Position To record the estimated capitalized interest related to construction activities	233,191	(36,169) (197,022)	MLD	(15,507)	(36,169)	(20,662)	(36,169) (197,022)	233,191				
(Enterprise) (updated)		Federal Revenues Net Position Grant Receivable To record impact of PERPA revenues recorded incorrectly in FY14 and the rollforward impact from the prior year as the grants were not finalized prior to the fiscal year end.	1,758 193,369	(195,127)	KD	193,369	195,127	1,758	1,758 193,369	(195,127)				
(Enterprise)		Bond Issuance Cost Net Position To record the impact of GASB 65 bond issuance cost incorrectly reported as current year expenditures	17,877	(17,877)	KD		17,877	17,877	17,877 (17,877)					
		Aggregate of uncorrected audit differences (before tax)				177,862	176,835	(1,027)	(38,064)	38,064	-	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						(1,027)	(38,064)	38,064	-	-	-	-
		Financial statement amounts (per final financial statements)						(944,014)	(6,002,848)	11,535,964	(5,533,116)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						0.1%	0.6%	0.3%	0.0%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	1,758
Financial statement amounts (as per final financial statements)- revenues and transfers	(2,905,102)
Uncorrected audit differences as a percentage of financial statement amounts	-0.1%
Aggregate of uncorrected audit differences- total impact on expenses	(2,785)
Financial statement amounts (as per final financial statements)- expenses and transfers	1,961,088
Uncorrected audit differences as a percentage of financial statement amounts	-0.1%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - Enterprise Fund
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions									
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)			
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets and Deferred Outflows	Total Liabilities	Operating Activities	Non-Capital Financing Activities	Capital and Related Financing Activities	Investing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B							
(Enterprise)		Capital Assets Interest Expense, Net Net Position To record the estimated capitalized interest related to construction activities	233,191	(36,169) (197,022)	MLD	(15,507)	(36,169)	(20,662)	(36,169) (197,022)	233,191				233,191 (36,169) (197,022)	
(Enterprise) (updated)		Federal Revenues Net Position Grant Receivable To record impact of PERPA revenues recorded incorrectly in FY14 and the rollforward impact from the prior year as the grants were not finalized prior to the fiscal year end.	1,758 193,369	(195,127)	KD	193,369	195,127	1,758	1,758 193,369	(195,127)		1,758 193,369 (195,127)			
(Enterprise)		Bond Issuance Cost Net Position To record the impact of GASB 65 bond issuance cost incorrectly reported as current year expenditures	17,877	(17,877)	KD		17,877	17,877	17,877 (17,877)					17,877 (17,877)	
		Aggregate of uncorrected audit differences (before tax)				177,862	176,835	(1,027)	(38,064)	38,064	-	-	-	-	-
		Tax effect of uncorrected audit differences													
		Aggregate of uncorrected audit differences (after tax)						(1,027)	(38,064)	38,064	-	-	-	-	-
		Financial statement amounts (per final financial statements)						(944,014)	(6,002,848)	11,536,964	(5,534,116)	(817,613)	679,386	(22,934)	202,250
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						0.1%	0.6%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
								Note 1							

Aggregate of uncorrected audit differences-total impact on revenues	1,758
Financial statement amounts (as per final financial statements)- revenues and transfers	(3,050,599)
Uncorrected audit differences as a percentage of financial statement amounts	-0.1%
Aggregate of uncorrected audit differences- total impact on expenses	(2,785)
Financial statement amounts (as per final financial statements)- expenses and transfers	2,106,585
Uncorrected audit differences as a percentage of financial statement amounts	-0.1%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - Govt Activities
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) method	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
Prop A		To record impact of recording net sales tax receivables and related accrued liabilities related to the prior year in the current year (end of period net position amounts are correctly stated) Impact to revenue Impact to expenses			KD	(61,239) 14,545		61,239 (14,545)						
TDA		To record impact of recording net sales tax receivables related to the prior year in the current year (end of period net position amounts are correctly stated)			KD	(31,771)		31,771						
Prop C		To record impact of recording net sales tax receivables and related accrued liabilities related to the prior year in the current year (end of period net position amounts are correctly stated) Impact to revenue Impact to expenses			KD	(61,274) 12,071		61,274 (12,071)						
Various		To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	108,558		(108,558)						
GF		Transportation subsidy expenditure/expense Susbidies accrual To record estimated under accrual of transportation subsidies IBNR at 6/30/14	636	(636)	MLD		636	636	636		(636)			
Prop A		Susbidies accrual Transportation subsidy expenditure/expense To reverse estimated over accrual of transportation subsidies IBNR at 6/30/14	4,760	(4,760)	MLD		(4,760)	(4,760)	(4,760)		4,760			
Prop C		Susbidies accrual Transportation subsidy expenditure/expense To reverse estimated over accrual of transportation subsidies IBNR at 6/30/14	5,577	(5,577)	MLD		(5,577)	(5,577)	(5,577)		5,577			
Measure R		Susbidies accrual Transportation subsidy expenditure/expense To reverse estimated over accrual of transportation subsidies IBNR at 6/30/14	17,189	(17,189)	MLD		(17,189)	(17,189)	(17,189)		17,189			
		Aggregate of uncorrected audit differences (before tax)				(19,111)	(26,890)	(7,779)	(26,890)	-	26,890	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						(7,779)	(26,890)	-	26,890	-	-	-
		Financial statement amounts (per final financial statements)						428,939	(2,855,149)	3,256,454	(401,305)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						-1.8%	0.9%	0.0%	-6.7%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	154,284
Financial statement amounts (as per final financial statements)- revenues and transfers	(2,825,643)
Uncorrected audit differences as a percentage of financial statement amounts	-5.5%
Aggregate of uncorrected audit differences- total impact on expenses	(162,063)
Financial statement amounts (as per final financial statements)- expenses and transfers	3,254,582
Uncorrected audit differences as a percentage of financial statement amounts	5.0%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - General Fund
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
GF		To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			KD	7,478		(7,478)						
GF		Intergovernmental revenue Inter-governmental receivable To write-off the intergovernmental receivable	2,186	(2,186)	MLD		2,186	2,186	2,186	(2,186)				
GF		Transportation subsidy expenditure/expense Susbidies accrual To record estimated under accrual of transportation subsidies IBNR at 6/30/14	636	(636)	MLD		636	636	636		(636)			
		Aggregate of uncorrected audit differences (before tax)				7,478	2,822	(4,656)	2,822	(2,186)	(636)	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						(4,656)	2,822	(2,186)	(636)	-	-	-
		Financial statement amounts (per final financial statements)						(37,568)	(512,591)	576,795	(64,204)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						12.4%	-0.6%	-0.4%	1.0%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	2,186
Financial statement amounts (as per final financial statements)- revenues and transfers	(138,901)
Uncorrected audit differences as a percentage of financial statement amounts	-1.6%
Aggregate of uncorrected audit differences- total impact on expenses	(6,842)
Financial statement amounts (as per final financial statements)- expenses and transfers	101,333
Uncorrected audit differences as a percentage of financial statement amounts	-6.8%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - Prop A
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
Prop A (C.3.0020)	1	To record net impact of recording net sales tax receivables and related accrued liabilities related to the prior year in the current year (end of period net position amounts are correctly stated) Impact to revenue Impact to expenses			KD	(61,239) 14,545		61,239 (14,545)						
Prop A	2	To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	10,146		(10,146)						
Prop A		Susbidies accrual Transportation subsidy expenditure/expense To reverse estimated over accrual of transportation subsidies IBNR at 6/30/14	4,760	(4,760)	MLD		(4,760)	(4,760)	(4,760)		4,760			
		Aggregate of uncorrected audit differences (before tax)				(36,548)	(4,760)	31,788	(4,760)	-	4,760	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						31,788	(4,760)	-	4,760	-	-	-
		Financial statement amounts (per final financial statements)						(151,454)	(342,565)	390,362	(47,797)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						-21.0%	1.4%	0.0%	-10.0%			
								Note 1						

Aggregate of uncorrected audit differences-total impact on revenues	61,239
Financial statement amounts (as per final financial statements)- revenues and transfers	(779,904)
Uncorrected audit differences as a percentage of financial statement amounts	-7.9%
Aggregate of uncorrected audit differences- total impact on expenses	(29,451)
Financial statement amounts (as per final financial statements)- expenses and transfers	628,450
Uncorrected audit differences as a percentage of financial statement amounts	-4.7%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - Prop C
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
Prop C (C.3.0030)	1	To record impact of recording net sales tax receivables and related accrued liabilities related to the prior year in the current year (end of period net position amounts are correctly stated) Impact to revenue Impact to expenses			KD	(61,274) 12,071		61,274 (12,071)						
Prop C	2	To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	74,816		(74,816)						
Prop C	3	To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	3,904		(3,904)						
Prop C		Susbidies accrual Transportation subsidy expenditure/expense To reverse estimated over accrual of transportation subsidies IBNR at 6/30/14	5,577	(5,577)	MLD		(5,577)	(5,577)	(5,577)		5,577			
		Aggregate of uncorrected audit differences (before tax)				29,517	(5,577)	(35,094)	(5,577)	-	5,577	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						(35,094)	(5,577)	-	5,577	-	-	-
		Financial statement amounts (per final financial statements)						638	(39,419)	431,744	(392,325)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						-5500.6%	14.1%	0.0%	-1.4%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	61,274
Financial statement amounts (as per final financial statements)- revenues and transfers	(1,091,004)
Uncorrected audit differences as a percentage of financial statement amounts	-5.6%
Aggregate of uncorrected audit differences- total impact on expenses	(96,368)
Financial statement amounts (as per final financial statements)- expenses and transfers	1,091,642
Uncorrected audit differences as a percentage of financial statement amounts	-8.8%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - Measure R
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
Measure R		To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	3,198		(3,198)						
Measure R		Susbidies accrual Transportation subsidy expenditure/expense To reverse estimated over accrual of transportation subsidies IBNR at 6/30/14	17,189	(17,189)	MLD		(17,189)	(17,189)	(17,189)		17,189			
		Aggregate of uncorrected audit differences (before tax)				3,198	(17,189)	(20,387)	(17,189)	-	17,189	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						(20,387)	(17,189)	-	17,189	-	-	-
		Financial statement amounts (per final financial statements)						524,827	(664,954)	825,472	(160,518)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						-3.9%	2.6%	0.0%	-10.7%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	-
Financial statement amounts (as per final financial statements)- revenues and transfers	(776,475)
Uncorrected audit differences as a percentage of financial statement amounts	0.0%
Aggregate of uncorrected audit differences- total impact on expenses	(20,387)
Financial statement amounts (as per final financial statements)- expenses and transfers	1,301,302
Uncorrected audit differences as a percentage of financial statement amounts	-1.6%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - PTMISEA
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
		None.												
		Aggregate of uncorrected audit differences (before tax)				-	-	-	-	-	-	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						-	-	-	-	-	-	-
		Financial statement amounts (per final financial statements)						50,039	(108,904)	209,770	(100,866)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						0.0%	0.0%	0.0%	0.0%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	#REF!
Financial statement amounts (as per final financial statements)- revenues and transfers	(153,769)
Uncorrected audit differences as a percentage of financial statement amounts	#REF!
Aggregate of uncorrected audit differences- total impact on expenses	-
Financial statement amounts (as per final financial statements)- expenses and transfers	203,808
Uncorrected audit differences as a percentage of financial statement amounts	0.0%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - TDA
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
TDA (C.3.0050)		To record impact of recording net sales tax receivables related to the prior year in the current year (end of period net position amounts are correctly stated)			KD	(31,771)		31,771						
TDA		To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	6,322		(6,322)						
		Aggregate of uncorrected audit differences (before tax)				(25,449)	-	25,449	-	-	-	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						25,449	-	-	-	-	-	-
		Financial statement amounts (per final financial statements)						124,644	(199,743)	249,010	(49,267)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						20.4%	0.0%	0.0%	0.0%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	31,771
Financial statement amounts (as per final financial statements)- revenues and transfers	(391,995)
Uncorrected audit differences as a percentage of financial statement amounts	-8.1%
Aggregate of uncorrected audit differences- total impact on expenses	(6,322)
Financial statement amounts (as per final financial statements)- expenses and transfers	516,639
Uncorrected audit differences as a percentage of financial statement amounts	-1.2%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - STA
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
STA		To record impact of recording transportation subsidy accrual related to the prior year in the current year (end of period net position amounts are correctly stated)			MLD	2,694		(2,694)						
		Aggregate of uncorrected audit differences (before tax)				2,694	-	(2,694)	-	-	-	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						(2,694)	-	-	-	-	-	-
		Financial statement amounts (per final financial statements)						9,475	(3,720)	49,955	(46,235)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						-28.4%	0.0%	0.0%	0.0%			
								Note 1						

Aggregate of uncorrected audit differences-total impact on revenues	-
Financial statement amounts (as per final financial statements)- revenues and transfers	(122,290)
Uncorrected audit differences as a percentage of financial statement amounts	0.0%
Aggregate of uncorrected audit differences- total impact on expenses	(2,694)
Financial statement amounts (as per final financial statements)- expenses and transfers	131,765
Uncorrected audit differences as a percentage of financial statement amounts	-2.0%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.

LACMTA - Aggregate Remaining
Summary of Uncorrected Audit Differences
For year ended 6/30/14
Amounts shown in thousands

Method used to quantify audit differences: **Rollover (Income Statement)**

When audit test results identify misstatements in the financial statements, we consider whether such misstatements may be indicative of fraud. That determination affects our evaluation of materiality and the related responses necessary as a result of that evaluation. [KAM 7198US1]

		Correcting Entry Required at Current Period End (Note - If there is an end-of-period statement of net position error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening net position). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period statement of net position, include only a description in this section.)				Impact of audit differences on financial statement captions								
						Income Statement Effect Debit/(Credit)			Balance Sheet Effect Debit/(Credit)			Cash Flow Effect Increase/(Decrease)		
W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Difference (KD) or Most Likely Audit Difference (MLD)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the **Rollover** (Income Statement) **method**	Net Position	Total Assets	Total Liabilities	Operating Activities	Investing Activities	Financing Activities
			---------- A ----------			B	C = A (Only Inc Stmt accounts)	C - B						
Other SF		Expenditure Intergovernmental revenue Advance payable To properly record amounts received in advance, revenue related to qualifying expenditures incurred as well as payables where expenditures have not yet been incurred.	1,570	(190) (1,380)	KD		1,570 (190)	1,570 (190)	1,570 (190)		(1,380)			
		Aggregate of uncorrected audit differences (before tax)				-	1,380	1,380	1,380	-	(1,380)	-	-	-
		Tax effect of uncorrected audit differences												
		Aggregate of uncorrected audit differences (after tax)						1,380	1,380	-	(1,380)	-	-	-
		Financial statement amounts (per final financial statements)						(228,182)	(1,579,039)	1,676,585	(97,546)			
		Uncorrected audit differences after tax effect as a percentage of financial statement amounts						-0.6%	-0.1%	0.0%	1.4%			

Note 1

Aggregate of uncorrected audit differences-total impact on revenues	(190)
Financial statement amounts (as per final financial statements)- revenues and transfers	(356,698)
Uncorrected audit differences as a percentage of financial statement amounts	0.1%
Aggregate of uncorrected audit differences- total impact on expenses	1,570
Financial statement amounts (as per final financial statements)- expenses and transfers	128,516
Uncorrected audit differences as a percentage of financial statement amounts	1.2%

Note 1 As the MTA is a governmental entity, the comparison of the passed audit adjustments as a a percentage of the change in net assets or fund balances is not a reasonable basis for materiality. As such, the an additional analysis was added to measure the audit adjustments to total revenue and expenses instead.