



METROLINK®

Southern California Regional Rail Authority (SCRRRA)

**Report on Compliance with the Requirements of the
Metrolink Program by SCRRRA
*For the Year Ended June 30, 2021***

**under Memorandum of Understanding (MOU) No. SCRA2021
with the Los Angeles County Metropolitan Transportation Authority
(Metro)**

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FINANCIAL SECTION

Independent Accountant's Report

To the Board of Directors of the Los Angeles County Metropolitan Transportation Authority (Metro)

Report on the Examination of Metrolink Program by SCRRA

We have examined Southern California Regional Rail Authority's (SCRRA) compliance with the following requirements identified in the Memorandum of Understanding (MOU) No. 9400000000SCRA2021 (SCRA2021) between SCRRA and the Los Angeles County Metropolitan Transportation Authority (Metro), the SCRRA Adopted Budget for the year ended June 30, 2021 and other guidelines issued related to the SCRRA Program (collectively, the Guidelines). The following requirements are applicable to SCRRA's allocation of revenues and expenditures to Metro for the year ended June 30, 2021:

1. Metro's share in the Schedule of Subsidy Allocation by County is free of material discrepancies.
2. The total revenues and expenditures shown in the Schedule of Subsidy Allocation by County provided by SCRRA are in agreement, in all material respects, with the SCRRA's Annual Comprehensive Financial Report (ACFR). (See Exhibit I)
3. The allocation methods used by SCRRA to allocate revenues and expenditures are in conformance with the allocation methods adopted by the joint authorities and are applied consistently to allocate revenues and expenditures. (See Exhibit II)
4. The Proposition C 10% and Measure R 3% funds received from Metro are recorded in SCRRA's books and are in agreement with Metro's disbursement records. (See Exhibit III)
5. The Proposition C 10% and Measure R 3% funds received are expended for purposes identified in the SCRRA's Annual Work Program, capital grants, other operating assistance, adopted language MOU(s) and the SCRRA adopted budget.
6. Metro's contribution to the Self Insurance Reserve (SIR) was made in accordance with the appropriate member agency allocation formula, and that claims against the SIR were appropriate uses of funds. (See Exhibit VI)
7. SCRRA's third party participation contracts do not materially impact Metro's share of revenues and expenditures. (See Exhibit I)



8. SCRRA complied with all applicable ordinances.
9. The following requirements are not applicable to SCRRA's allocation of revenues and expenditures to Metro for the year ended June 30, 2021 because there were no transactions that have occurred relating to these requirements. Accordingly, no procedures were performed on these requirements.
 - a. Metro's contribution to the annual capital replacement program is properly accounted for, is bearing interest, and is solely allocated for this purpose.

Management's Responsibility

Management of SCRRA is responsible for its compliance with the specified requirements, as well as the compliance requirements shown in the Compliance Matrix.

Accountant's Responsibility

Our responsibility is to express an opinion on SCRRA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether SCRRA complied in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether SCRRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of SCRRA's compliance with the specified requirements.

Opinion

In our opinion, SCRRA complied, in all material respects, with the aforementioned requirements established in the Guidelines, for the year ended June 30, 2021.

Supplementary Information

The Schedule of Subsidy Allocation by County and the related Notes to the Schedule were presented as required by the MOU and the Guidelines. We have applied certain limited procedures to the required supplementary information in accordance with attestation 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 examination of compliance. 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.



This report is intended solely for the information and use of SCRRRA and Metro and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez & Company LLP

**Glendale, California
February 24, 2022**

Southern California Regional Rail Authority (SCRR)
MOU No. SCRA2021
Schedule of Subsidy Allocation by County
Year ended June 30, 2021

	<u>TOTAL</u>	<u>METRO</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>
OPERATING REVENUES						
Fares	\$ 16,256,412	\$ 9,494,949	\$ 3,282,146	\$ 1,237,939	\$ 1,944,011	\$ 297,367
Dispatching	2,078,719	1,075,511	655,176	13,831	93,766	240,435
Maintenance-of-Way	11,545,117	6,113,212	2,582,453	731,190	1,670,259	448,003
Miscellaneous	344,882	169,607	89,267	32,044	41,760	12,204
Total Operating Revenues	<u>30,225,130</u>	<u>16,853,279</u>	<u>6,609,042</u>	<u>2,015,004</u>	<u>3,749,796</u>	<u>998,009</u>
OPERATING EXPENSES						
Train operations and services	133,620,789	66,937,117	30,494,203	14,884,995	15,719,003	5,585,471
Maintenance-of-Way	44,355,336	23,596,525	9,125,798	2,954,284	5,779,600	2,899,129
Personal liability/property damage	13,129,453	6,816,327	3,091,849	1,279,760	1,525,977	415,540
Administration and services	42,917,128	20,439,213	7,873,127	6,120,610	4,605,621	3,878,557
Total Operating Expenses	<u>234,022,706</u>	<u>117,789,182</u>	<u>50,584,977</u>	<u>25,239,649</u>	<u>27,630,201</u>	<u>12,778,697</u>
OPERATING LOSS BEFORE NON-RECURRING EXPENSES						
	(203,797,576)	(100,935,903)	(43,975,935)	(23,224,645)	(23,880,405)	(11,780,688)
NON-RECURRING SETTLEMENT EXPENSES						
	(5,603,971)	(4,324,103)	(402,812)	(229,337)	(328,755)	(318,964)
LOSS BEFORE SUBSIDIES						
	(209,401,547)	(105,260,006)	(44,378,747)	(23,453,982)	(24,209,160)	(12,099,652)
MEMBER SUBSIDIES						
FY2020/2021 MEMBER SUBSIDY INVOICED	132,004,275	74,088,751	23,773,477	8,650,376	16,298,334	9,193,337
METRO CARES ACT SUBSIDY	31,171,255	31,171,255	-	-	-	-
CARES ACT FUNDING UTILIZED	46,226,017	-	20,605,270	14,803,606	7,910,826	2,906,315
TOTAL MEMBER SUBSIDIES AND CARES ACT FUNDING	<u>209,401,547</u>	<u>105,260,006</u>	<u>44,378,747</u>	<u>23,453,982</u>	<u>24,209,160</u>	<u>12,099,652</u>
NET INCOME	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Accountant's Report and Notes to Schedule of Subsidy Allocation by County.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

SCRRA is an independent entity created in August 1991 through a joint exercise of powers agreement (JPA). SCRRA began operating the “Metrolink” regional commuter rail system in October 1992. The member agencies of the JPA are (1) Los Angeles County Metropolitan Transportation Authority (Metro), (2) Orange County Transportation Authority (OCTA), (3) Riverside County Transportation Commission (RCTC), San Bernardino Associated Governments (SANBAG), and (4) Ventura County Transportation Commission (VCTC). The member agencies acquired the rail network in existence at the time the JPA was established for use in Metrolink’s commuter rail operations. This railroad network is not included as part of SCRRA’s railroad network capital assets. The member agencies retain title to and ownership of those assets. As part of the JPA, SCRRA is responsible for the related maintenance and operation of members’ assets and rail right-of-way used in operations.

In addition, certain members retain responsibility to maintain segments of their railroad network. The Metrolink railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects. Currently, there are 538 route miles with 62 stations in the Metrolink system throughout Los Angeles, Orange, Riverside, San Bernardino, Ventura, and San Diego counties.

SCRRA is governed by a Board of Directors comprised of 11 members appointed by the voting members of the JPA. The member agencies with their respective number of votes are as follows:

Los Angeles County Metropolitan Transportation Authority (Metro)	4
Orange County Transportation Authority (OCTA)	2
Riverside County Transportation Commission (RCTC)	2
San Bernardino Associated Governments (SANBAG)	2
Ventura County Transportation Commission (VCTC)	1

SCRRA is not considered to be a component unit of any other reporting entity.

Basis of Accounting

Revenues and expenditures are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Revenue Recognition

SCRRA receives approximately half of its funding from fares and other operating revenues, and the balance of its funding comes from its member agencies. The majority of sources for transportation funds in these counties are local sales taxes (with the exception of Ventura County), State Rail Bond funds, State Transit Assistance funds, State Highway Account funds, State Transit Capital Improvement funds, and Federal Transit Administration Capital funds.

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRA2021
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2021

NOTE 2 MEMORANDUM OF UNDERSTANDING (MOU)

SCRRA (grantee) and Metro (grantor) entered into MOU No. 9400000000SCRA2021, which is effective beginning July 1, 2020 through June 30, 2025, for the purpose of providing funding to SCRRA during the fiscal year (FY) 2020/2021 for Metro’s financial commitments to the FY 2020/2021 budget as required by the JPA. Metro’s Board of Directors approved its financial commitments at its May 28, 2020 and September 24, 2020 board meetings.

In accordance with the MOU, Metro will make available to SCRRA the following allocation of funds (Funds) for the Metro’s share of the FY 2020/2021 budget in the amounts of:

- a. \$74,089,000 for commuter rail operations, using new Proposition C 10%. SCRRA will be paid according to the following schedule, unless altered by mutual written agreement;

July 15, 2020	\$ 24,117,730 *
October 1, 2020	16,505,990
January 1, 2021	16,732,640
April 1, 2021	<u>16,732,640</u>
Total \$	<u><u>74,089,000</u></u>

* 1st quarter FY21 \$24,117,730 payment was paid on SCRA2020 as part of the FY2019/20 continuing resolution and was not paid on SCRA2021.

- b. \$35,000,000 in one time supplement to cover SCRRA's fare revenue losses in FY20 and FY21 resulting from the COVID-19 pandemic pursuant to the May 28, 2020 Metro Board action and SCRRA CARES allocation letter of support utilizing new Proposition C 10% funds;
- c. \$500,000 to supplement funding provided pursuant to the Facilities Maintenance MOU dated July 1, 1997 and as amended on July 1, 2000, between Metro and SCRRA (the "Maintenance MOU"), which Maintenance MOU provides for enhanced L.A. County ROW maintenance outside of 20 feet using deferred revenue already in SCRRA’s possession. These funds will be expended only in the event SCRRA exceeds the \$1,059,267 annual funding provided by the Maintenance MOU;
- d. \$19,124,456 for new rehabilitation and renovation projects and new capital projects using \$17,981,984 of new Measure R 3% funds and reprogramming \$2,018,016 of FY14, FY15, FY16 Proposition C 10%, Measure R 3% and PTMISEA surplus funds previously approved for the multiple fiscal years’ programs; and

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRA2021
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2021

NOTE 2 MEMORANDUM OF UNDERSTANDING (MOU) (CONTINUED)

- e. Up to \$7,000,000 of any future identified cost savings from FY 2019 and FY 2020 Metro Line specific state of good repair and capital projects shall be applied towards FY21 rehabilitation projects on the Antelope Valley and Ventura Lines.

The FY 2020/2021 member subsidy invoiced to Metro of \$74,089,000 reported in the Schedule of Subsidy Allocation by County is part of the above funds allocated to SCRRA.

Details of the receipts and uses of funds for the year ended June 30, 2021 are as follows:

Fund	Description	[a] Approved Funding	[b] Receipts	[c] Reprogrammed **	[a - b - c] Funding Balance	[d] Expenditures	[=(b + c) - d] Surplus/ (Deficit)
Prop C 10%	Operations	\$ 74,089,000	\$ 74,088,751	\$ -	\$ 249	\$ 105,260,006	\$ (31,171,255)
Prop C 10%	Fare Revenue Loss	35,000,000	-	-	35,000,000	-	-
Measure R 3%	Rehabilitation and Renovation	20,000,000	-	2,018,016	17,981,984	256	2,017,760
		<u>\$ 129,589,000</u>	<u>\$ 74,088,751</u>	<u>\$ 2,018,016</u>	<u>\$ 53,482,233</u>	<u>\$ 105,260,262</u>	<u>\$ (29,153,495)</u>

** Reprogrammed from the deferred revenue already in SCRRA's possession.

NOTE 3 STATUS OF PRIOR YEARS MEMORANDUM OF UNDERSTANDING

Details of the receipts and uses of funds of prior years' open MOUs are as follows:

MOU# P0SCRA2020			[a] Approved Funding	[b] Receipts	[c] Reprogrammed	[a - b - c] Funding Balance	[d] Expenditures	[=(b + c) - d] Surplus/ (Deficit)
Fund	Description	Year						
Prop C 10%	Operations	2020	\$ 80,077,793	\$ 74,751,474	\$ 3,237,526	\$ 2,088,793	\$ 82,659,304	\$ (4,670,304)
		2021	-	-	-	-	-	-
						<u>2,088,793</u>		<u>(4,670,304)</u>
Prop C 10%	Right of Way	2020	2,522,962	-	-	2,522,962	2,522,962	(2,522,962)
		2021	-	2,522,962	-	(2,522,962)	-	2,522,962
						<u>-</u>		<u>-</u>
Measure R 3%	Rehabilitation and Renovation	2020	38,352,440	21,323	3,900,000	34,431,117	964,830	2,956,493
		2021	-	527,342	-	(527,342)	3,555,607	(3,028,265)
						<u>33,903,775</u>		<u>(71,772)</u>
Prop C 10%	Special Event	2020	125,000	-	-	125,000	-	-
		2021	-	-	-	-	-	-
						<u>125,000</u>		<u>-</u>
			<u>\$ 121,078,195</u>	<u>\$ 77,823,101</u>	<u>\$ 7,137,526</u>	<u>\$ 36,117,568</u>	<u>\$ 89,702,703</u>	<u>\$ (4,742,076)</u>

Southern California Regional Rail Authority (SCRR)
MOU No. P0SCRA2021
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2021

NOTE 3 STATUS OF PRIOR YEARS' MEMORANDUM OF UNDERSTANDING (CONTINUED)

MOU# P0SCRRRA29			[a]	[b]	[c]	[=a - b - c]	[d]	[=(b + c) - d]	
Fund	Description	Year	Approved Funding	Receipts	Reprogrammed	Funding Balance	Expenditures	Surplus/ (Deficit)	
Prop C 10%	Operations	2019	\$ 75,119,645	\$ 71,643,540	\$ 1,910,855	\$ 1,565,250	\$ 72,256,826	\$ 1,297,569	
		2020	-	1,216,782	-	(1,216,782)	-	1,216,782	
		2021	-	-	-	-	-	-	-
							<u>348,468</u>		<u>2,514,351</u>
Prop C 10%	Right of Way Homeless Outreach Maintenance MOU	2019	2,449,478	-	2,449,478	-	2,449,478	-	
		2019	500,000	-	-	500,000	-	-	
		2019	500,000	-	-	500,000	-	-	
		2020	-	-	-	-	-	-	
		2021	-	-	-	-	-	-	
					<u>1,000,000</u>		<u>-</u>		
Measure R 3%	Rehabilitation and Renovation Tunnel 25 Urgent Track, Ties and Drainage Rehab	2019	40,031,193	-	-	40,031,193	513,567	(513,567)	
		2019	750,000	-	750,000	-	135,467	614,533	
		2020	-	2,194,768	-	(2,194,768)	4,678,181	(2,483,413)	
		2021	-	6,208,505	-	(6,208,505)	6,028,818	179,687	
							<u>31,627,920</u>		<u>(2,202,760)</u>
Prop C 10%	Capital Projects PSRs	2019	950,000	-	950,000	-	214,965	735,035	
		2020	-	-	-	-	629,462	(629,462)	
		2021	-	-	-	-	153,682	(153,682)	
							<u>-</u>		<u>(48,109)</u>
Prop C 10%	Special Event	2019	250,000	84,155	-	165,845	199,952	(115,797)	
		2020	-	32,723	-	(32,723)	-	32,723	
		2021	-	-	-	-	-	-	
							<u>133,122</u>		<u>(83,074)</u>
			<u>\$ 120,550,316</u>	<u>\$ 81,380,473</u>	<u>\$ 6,060,333</u>	<u>\$ 33,109,510</u>	<u>\$ 87,260,398</u>	<u>\$ 180,408</u>	

MOU# P0SCRRRA28			[a]	[b]	[c]	[=a - b - c]	[d]	[=(b + c) - d]
Fund	Description	Year	Approved Funding	Receipts	Reprogrammed	Funding Balance	Expenditures	Surplus/ (Deficit)
Prop C 10%	Operations	2018	\$ 71,658,558	\$ 71,658,558	\$ -	\$ -	\$ 68,830,412	\$ 2,828,146
		2019	-	-	-	-	-	-
		2020	-	-	(1,150,059)	1,150,059	-	(1,150,059)
		2021	-	-	-	-	-	-
							<u>1,150,059</u>	
Prop C 10%	Right of Way	2018	2,360,550	1,733,121	-	627,429	2,310,789	(577,668)
		2019	-	577,707	-	(577,707)	-	577,707
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
							<u>49,722</u>	
Measure R 3%	Rehabilitation and Renovation	2018	6,819,000	-	206	6,818,794	2,127	(1,921)
		2019	-	37,710	-	(37,710)	50,890	(13,180)
		2020	-	3,334,741	-	(3,334,741)	3,629,305	(294,564)
		2021	-	501,536	-	(501,536)	710,451	(208,915)
							<u>2,944,807</u>	
Prop C 10%	Special Event	2018	250,000	-	-	250,000	128,259	(128,259)
		2019	-	155,299	-	(155,299)	66,289	89,010
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
							<u>94,701</u>	
			<u>\$ 81,088,108</u>	<u>\$ 77,998,672</u>	<u>\$ (1,149,853)</u>	<u>\$ 4,239,289</u>	<u>\$ 75,728,522</u>	<u>\$ 1,120,297</u>

Southern California Regional Rail Authority (SCRRRA)
MOU No. P0SCRA2021
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2021

NOTE 3 STATUS OF PRIOR YEARS' MEMORANDUM OF UNDERSTANDING (CONTINUED)

MOU# P0SCRRRA27			[a]	[b]	[c]	[=a - b - c]	[d]	[=(b + c) - d]
Fund	Description	Year	Approved Funding	Receipts	Reprogrammed	Funding Balance	Expenditures	Surplus/ (Deficit)
Prop C 10%	Operations	2017	\$ 71,795,000	\$ 71,792,203	\$ 206,000	\$ (203,203)	\$ 66,497,200	\$ 5,501,003
		2018	-	-	-	-	-	-
		2019	-	-	-	-	-	-
		2020	-	-	(5,501,003)	-	-	(5,501,003)
		2021	-	-	-	-	-	-
						<u>(203,203)</u>	<u>-</u>	
Prop C 10%	Right of Way	2017	2,360,551	2,360,551	-	-	2,358,526	2,025
		2018	-	-	-	-	-	-
		2019	-	-	-	-	-	-
		2020	-	-	(2,025)	-	-	(2,025)
		2021	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	
Measure R 3%	Rehabilitation and renovation	2017	41,678,525	-	-	41,678,525	4,028,759	(4,028,759)
		2018	-	10,902,866	-	(10,902,866)	16,058,677	(5,155,811)
		2019	-	10,741,842	-	(10,741,842)	9,278,385	1,463,457
		2020	(3,900,000)	8,852,998	(3,900,000)	(8,852,998)	7,555,847	(2,602,849)
		2021	-	4,259,061	-	(4,259,061)	321,596	3,937,465
						<u>6,921,758</u>	<u>(6,386,497)</u>	
Measure R 3%	Capital Project PSRs	2017	618,000	-	-	618,000	-	-
		2018	-	-	-	-	-	-
		2019	-	-	-	-	-	-
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
					<u>618,000</u>	<u>-</u>	<u>-</u>	
Prop C 10%	Special Event	2017	100,000	-	-	100,000	55,394	(55,394)
		2018	-	8,322	-	(8,322)	72,747	(64,425)
		2019	-	76,995	-	(76,995)	-	76,995
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
					<u>14,683</u>	<u>(42,824)</u>	<u>-</u>	
			\$ 112,652,076	\$ 108,994,838	\$ (9,197,028)	\$ 7,351,238	\$ 106,227,131	\$ (6,429,321)
MOU# P0SCRRRA26			[a]	[b]	[c]	[=a - b - c]	[d]	[=(b + c) - d]
Fund	Description	Year	Approved Funding	Receipts	Reprogrammed	Funding Balance	Expenditures	Surplus/ (Deficit)
Prop C 10%	Operations	2016	\$ 71,795,790	\$ 68,781,851	\$ 3,013,939	\$ -	\$ 66,468,865	\$ 5,326,925
		2017	-	-	(206,000)	206,000	-	(206,000)
		2018	-	-	-	-	-	-
		2019	-	-	(4,174,012)	4,174,012	-	(4,174,012)
		2020	-	-	(946,913)	946,913	-	(946,913)
		2021	-	-	-	-	-	-
						<u>5,326,925</u>	<u>-</u>	
Prop C 10%	Right of Way	2016	2,578,128	2,578,128	-	-	2,237,060	341,068
		2017	-	-	-	-	-	-
		2018	-	-	-	-	-	-
		2019	-	-	(341,068)	341,068	-	(341,068)
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
						<u>341,068</u>	<u>-</u>	
Prop C 10%	Capital Project PSRs	2016	475,000	-	-	475,000	-	-
		2017	-	189,619	-	(189,619)	210,505	(20,886)
		2018	-	20,886	-	(20,886)	3,436	17,450
		2019	-	3,904	-	(3,904)	468	3,436
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
						<u>260,591</u>	<u>-</u>	
Prop C 10%	Special Event	2016	100,000	-	-	100,000	19,953	(19,953)
		2017	-	19,953	-	(19,953)	15,790	4,163
		2018	-	15,790	-	(15,790)	-	15,790
		2019	-	-	-	-	-	-
		2020	-	-	-	-	-	-
		2021	-	-	-	-	-	-
						<u>64,257</u>	<u>-</u>	
			\$ 74,948,918	\$ 71,610,131	\$ (2,654,054)	\$ 5,992,841	\$ 68,956,077	\$ -

There were no activities for MOU #P0SCRRRA26 during the fiscal year 2021. The table above has been restated to correct the actual receipts and use of the funds. Consequently, the MOU has been terminated as of June 30, 2021.

EXHIBITS

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Reconciliation of the Schedule of Subsidy Allocation to ACFR
Year ended June 30, 2021

	<u>Revenues</u>	<u>Expenses</u>
Per Schedule of Subsidy Allocation	\$ 30,225,130	\$ 234,022,706
<u>Reconciling items:</u>		
OPERATING:		
Fare revenues	(32,009)	-
Maintenance-of-Way	-	8,631,558
Third party agreements ^{1}	17,435,890	17,686,858
Rehabilitation and renovation - capital ^{1}	(52,438)	49,891,956
Public liability and property damage	817,088	817,088
Depreciation ^{1}	-	40,872,633
Total reconciling items	<u>18,168,531</u>	<u>117,900,093</u>
Per ACFR - Operating Revenues and Expenses	<u>\$ 48,393,661</u>	<u>\$ 351,922,799</u>

Notes:

^{1}Not allocated to the members

Revenues and expenses in the Schedule of Subsidy Allocation by County do not include revenues and expenses relating to Third-party participation agreements.

Third-party participation agreements (TPA) are items such as charter train services, construction of major capital facilities on behalf of third parties, and flagging personnel provided by SCRRA for the safety of non-SCRRA personnel accessing the rail right-of-way. SCRRA's policy regarding third-party agreements is that they should be self-supporting. Projects are billed up-front to third parties and a reconciliation of actual costs against payments are reconciled at project completion. The excess of expenses over revenue is attributed by unbilled project costs at year-end.

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Methods of Allocation Used and the Types of Revenues and Expenses
Year ended June 30, 2021

Budget Item	FY20-21 Agreed Allocation
Train Mile Allocation	
Train Operations	Train Miles - Current
Fuel	Train Miles - Current
Operating Contingency	Train Miles - Current
Direct to Line Segments/Territories	
Rail Agreements	Direct to Lines/Then to Members
MOW - Line Segments	Train Miles of Service on Territory
MOW - Extra-Ordinary maintenance	Train Miles of Service on Territory
Holiday Trains	Direct to Lines/Then to Members
Amtrak Transfers	Direct to Lines/Then to Members
Route Miles Dispatched	
Dispatching	Route Miles Dispatched
Ridership/Revenue Distributions	
Transfers to other Operators	Ridership/Revenue Distribution
Supplemental Additional Security	Ridership/Revenue Distribution
Base Allocation	
Equipment Maintenance	75% Train Miles - Lagged/25% Unduplicated Stations
Operating Contingency (Bombardier)	Train Miles - Lagged
Non-Scheduled Rolling Stock Repairs	Train Miles - Lagged
Operating Facilities Maintenance	Train Miles - Lagged
Other Operating Train Services	Unduplicated Route Miles (excl SD Co)
Security - Sheriff	Train Miles - Lagged
Security - Guards	Unduplicated Route Miles (excl SD Co)
Public Safety Program	Unduplicated Route Miles (excl SD Co)
Utilities/Leases	Unduplicated Route Miles (excl SD Co)
Passenger Relations - Call Boxes	Unduplicated Stations
Contingency (Non-Train Operating)	Unduplicated Route Miles (excl SD Co)
TVM Maintenance/Revenue Collection	TVMs
Station Maintenance - Non-Union Station	Unduplicated Stations
Station Maintenance - Union Station	Revenue Moves thru LAUS
Passenger Service Representatives	Unduplicated Route Miles (excl SD Co)
Passenger Relations - Call Center/Other	Ridership Distribution Lagged
Marketing/Market Research	Ridership Distribution Lagged
Media and External Communications	Unduplicated Route Miles (excl SD Co)
Liability/Property/Auto	Train Miles - Lagged
Claims	Train Miles - Lagged
Claims Administration	Train Miles - Lagged
Salaries and Fringe Benefits	Unduplicated Route Miles (excl SD Co)
Non-Labor Costs	Unduplicated Route Miles (excl SD Co)
Allocated Overhead	Unduplicated Route Miles (excl SD Co)
Services	Unduplicated Route Miles (excl SD Co)

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Schedule of Funds Received for Proposition C 10% and Measure R 3%
Year ended June 30, 2021

Proposition C 10% Fund	
P0SCRRA25	\$ 76,347
AVLFARERED	1,342,095
SCRA2020	2,522,962
SCRA2021	93,028,898
SBLFARER	613,629
SECFENCE	65,000
Total	<u>97,648,931</u>
Measure R 3% Fund	
P0SCRRA27	4,259,061
P0SCRRA28	501,536
P0SCRRA29	6,208,505
SCRA2020	527,342
MRSCCRA12	60,287
MRROTEMSET	1,352,703
MRBRIGHTRX	22,764
DORANSCRRA	50,733
SCRRAMRLUS	47,414
MRTVMLACTY	3,908,762
MOU.MRLOCOS	482,000
MRSCRRAI-5	59,930
Total	<u>17,481,037</u>
Total funds received	<u>\$ 115,129,968</u>

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Comparative Analysis of Unearned Revenue
(Dollar Amounts in Thousands)
Years ended June 30, 2021 and 2020

	<u>METRO</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>	<u>OTHER</u>	<u>TOTAL</u>
Unearned revenue at June 30, 2020	\$ 8,794	\$ 10,881	\$ 2,523	\$ 9,175	\$ 3,964	\$ 34,181	\$ 69,518
2021 Activities							
Operating surplus (deficit)	(813)	3,770	6,935	(2,396)	-	-	7,496
CARES Act funding	-	33,202	6,110	26,127	24,492	147	90,078
Preventive maintenance surplus (deficit)	-	(1,030)	-	644	(973)	-	(1,359)
Unearned fare revenue	-	-	-	-	-	38	38
Capital projects surplus (deficit)	(2,974)	(148)	(100)	160	(596)	(41)	(3,699)
Restricted Prop1B	(118)	-	-	-	(2)	(3,662)	(3,782)
Unearned revenue at June 30, 2021	\$ 4,889	\$ 46,675	\$ 15,468	\$ 33,710	\$ 26,885	\$ 30,663	\$ 158,290

* Breakdown per activity

	<u>METRO</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>	<u>OTHER</u>	<u>TOTAL</u>
Unearned revenue components:							
Operating surplus	\$ 1,667	\$ 5,002	\$ 8,670	\$ 1	\$ 410	\$ -	\$ 15,750
Preventive maintenance surplus	-	6,918	-	3,235	(388)	-	9,765
CARES Act funding	-	33,202	6,110	26,127	24,492	147	90,078
Unearned fare revenue	-	-	-	-	-	116	116
Capital projects surplus	2,441 **	1,553	688	4,347	2,248	928	12,205
Restricted Prop1B	781	-	-	-	123	29,472	30,376
Unearned revenue, June 30, 2021	\$ 4,889	\$ 46,675	\$ 15,468	\$ 33,710	\$ 26,885	\$ 30,663	\$ 158,290

** See Exhibit VI.

	<u>METRO</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>	<u>OTHER</u>	<u>TOTAL</u>
Unearned revenue at June 30, 2019	\$ 15,876	\$ 15,295	\$ 3,078	\$ 12,040	\$ 4,386	\$ 37,385	\$ 88,060
2020 Activities							
Operating surplus (deficit)	(8,895)	(3,445)	(1,266)	(1,237)	(422)	-	(15,265)
Preventive maintenance surplus (deficit)	-	(427)	-	(1,768)	(201)	-	(2,396)
Unearned fare revenue	-	-	-	-	-	78	78
Capital projects surplus (deficit)	1,736	(542)	711	140	201	(239)	2,007
Restricted Prop1B	77	-	-	-	-	(3,043)	(2,966)
Unearned revenue at June 30, 2020	\$ 8,794	\$ 10,881	\$ 2,523	\$ 9,175	\$ 3,964	\$ 34,181	\$ 69,518

* Breakdown per activity

	<u>METRO</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>	<u>OTHER</u>	<u>TOTAL</u>
Unearned revenue components:							
Operating surplus	\$ 2,479	\$ 1,232	\$ 1,735	\$ 2,397	\$ 410	\$ -	\$ 8,253
Preventive maintenance surplus	-	7,947	-	2,590	585	-	11,122
Unearned fare revenue	-	-	-	-	-	78	78
Capital projects surplus	5,415 **	1,702	788	4,188	2,845	971	15,909
Restricted Prop1B	900	-	-	-	124	33,132	34,156
Unearned revenue, June 30, 2020	\$ 8,794	\$ 10,881	\$ 2,523	\$ 9,175	\$ 3,964	\$ 34,181	\$ 69,518

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Capital Surplus per MOU and per Project Breakdown
Year ended June 30, 2021

Unearned revenue - Capital projects surplus, June 30, 2020	\$ 5,415,320
2021 Activities	<u>(2,974,400)</u>
Unearned revenue - Capital projects surplus, June 30, 2021	2,440,920
Earmarked for active/closing projects (see details below)	<u>3,242,176</u>
Currently available for reprogramming	<u>\$ (801,256)</u>

List of active/closing projects:

<u>Project Number</u>	<u>Project Name</u>	<u>Award Short Name</u>	<u>Held for Projects</u>
402003	EASTERN AREA MAINT FAC	MOU.POSCRRA12	\$ 43,226
402007	AV CHANGES @ SANTA CLARITA	MOU.POSCRRA16	(19,089)
402011	POMONA STATION IMPROVEMENTS	PRE 2002 CARRY-FORWARD	151,075
405009	HAND-THROW XOVER AT LANCASTER	MOU.POSCRRA15	37
406001	KELLER YARD	MOU.POSCRRA16	175,936
418005	CMF N END CONNECT DES	9400000000SCRRA29	166,389
503014	TURNOUTS-VN LINE	MOU.POSCRRA12	4,387
503019	TURNOUTS-RIV CORR (E BK)	MOU.POSCRRA12	4,218
503056	FIXED ASSET SYSTEM IMPLMNT	MOU.POSCRRA12	152,291
504006	WOOD TIE PGM-VEN CO LINE (LA)	MOU.POSCRRA13	8,328
504007	WOOD TIE PGM-S.B. LINE	MOU.POSCRRA13	180,629
504024	S&C PGM-SYSTEM	MOU.POSCRRA13	408
505003	RAIL PGM - AV LINE	MOU.POSCRRA15	13,935
505006	WOOD TIE PGM - VC LINE (LA)	MOU.POSCRRA15	35,539
505025	SIG&COM PGM - RIVER	MOU.POSCRRA15	51
505043	ALARMS IN SIGNAL HOUSES	MOU.POSCRRA15	6,732
505047	TUNNEL 26 PHASE 3	MOU.POSCRRA15	162,154
506021	VC LINE TRACK (LA)	MOU.POSCRRA16	54,743
506071	RIVER TRACK	MOU.POSCRRA16	(2,296)
506083	SYSTEM SIG	MOU.POSCRRA16	28,032
507022	FY07 VENTURA CO LINE BRIDGE (LA CO)	MOU.POSCRRA17	155
507073	FY07 RIVER SIGNAL	MOU.POSCRRA17	(3,145)
507084	MOW FACILITY PHASE 1	MOU.POSCRRA16	701,215
507086	FY07 VEHICLES - FED	MOU.POSCRRA17	45
519310	VALLEY TNNL 25 TRACK REHAB	9400000000SCRRA29	540,727
520740	RIVER ATCS/PTC/CIS/BACKHAUL	MOU.9400000000SCRA2020 A1	118,085
603002	PURCHASE/REBUILD USED LOCOS	MOU P0008231	63,362
604001	ROLLING STOCK PROCUREMENT	MOU.POSCRRA16	206,234
606001	50 VALIDATORS	MOU.POSCRRA16	(58,212)
611002	LOCO CAMERA SPARE PARTS	MOU.POSCRRA16	836
616003	TIER 4 #21-37	MOU.POSCRRA11	500,508
698001	18 NEW TICKET VENDING MACHINES	PRE 2002 CARRY-FORWARD	5,641
			\$ <u>3,242,176</u>

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Schedule of Metro's Contribution to the Self Insurance Reserve
Year ended June 30, 2021

	<u>TOTAL</u>	<u>METRO</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>
Member insurance subsidy	\$ 14,842,051	\$ 7,705,445	\$ 3,495,148	\$ 1,446,691	\$ 1,725,024	\$ 469,743
Insurance expense						
Liability/Property/Auto	12,446,961	6,462,002	2,931,129	1,213,236	1,446,654	393,940
Claims/SI	526	273	124	51	61	17
Claims administration	681,966	354,052	160,596	66,473	79,262	21,583
Total insurance expense	<u>13,129,453</u>	<u>6,816,327</u>	<u>3,091,849</u>	<u>1,279,760</u>	<u>1,525,977</u>	<u>415,540</u>
Surplus	<u>\$ 1,712,598</u>	<u>\$ 889,118</u>	<u>\$ 403,299</u>	<u>\$ 166,931</u>	<u>\$ 199,047</u>	<u>\$ 54,203</u>

COMPLIANCE MATRIX

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Compliance Matrix
Year ended June 30, 2021

	Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
1	SCRRA submitted its FY 2020-21 Budget on July 24, 2020 to Metro and the other JPA member agencies of SCRRA.	X				
2	Rehabilitation, renovation, and new capital funds in the amount of \$19,124,456 in Measure R 3% funds were paid for new projects approved and programmed for FY2020-21, as specified in Attachment B of the MOU. SCRRA also submitted Expenditure Plan consistent with Attachment D of the MOU.	X				
3(a)	SCRRA submitted invoice with Quarterly Progress/Expenditure Report to Metro with sufficient back up documentation.	X				
3(b)	Aggregate SCRRA invoice does not exceed the FY2020-21 approved program amount of \$19,124,456 unless additional funding authority has been provided by Metro.	X				
3(d)	SCRRA and Metro staff conducted a quarterly rehabilitation / renovation and new capital review meeting. SCRRA submitted quarterly expenditure and reconciliation report of the FY2020-21 rehabilitation / renovation and new capital program with the percentage of completion of each project and project numbers.	X				
4	No FY 2020-21 Metro funds were used for previously funded projects except as provided in Article 5 of MOU No. SCRA2021.	X				
5	SCRRA provided Metro with a Quarterly Project Budget Reallocation (PBR) report detailing all PBR fund transfers by fiscal year MOU budget to include the project the funds were transferred from, the project the funds were transferred to, the status of the project after the PBR, what the revised budget is for each PBR project, expenditures to budget, and reason for the PBR transfer.	X				

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Compliance Matrix
Year ended June 30, 2021

	Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
6	SCRRA loaned or exchanged Metro funds: a. SCRRA and Metro agreed the exchange in writing. b. SCRRA ensured that traded funds were utilized for the designated purpose.			X		
7	SCRRA only utilized funding for the specific line items of the approved Operating Budget.	X				
8	SCRRA provided detailed schedule of all funds included in the Deferred Revenue account. The detailed schedule included a beginning balance by MOU and fund type, activities during the fiscal year by project, MOU and fund type (e.g., Proposition C, Measure R, Measure M, PTMSEA, etc.) and an ending balance.	X				
9	SCRRA established and maintained proper accounting procedures, controls, and documentations. SCRRA shall make records available in such a manner that Metro auditors can complete the draft FY 2020-21 audit by February 28, 2022.	X				
10	SCRRA complied with provisions of the JPA as amended.	X				
11	SCRRA indemnified, defended with counsel approved by Metro, and held harmless Metro, its directors, officers, employees and agents from all loss, expense, fines, claims, damages, actions, and liability of any nature whatsoever, without payment thereof by Metro, arising out of anything done or omitted to be done by SCRRA or SCRRA's presence on property owned by Metro, except where the indemnification relationship between the parties is governed by another agreement between the parties, excluding the JPA.	X				

Southern California Regional Rail Authority (SCRRA)
MOU No. SCRA2021
Compliance Matrix
Year ended June 30, 2021

	Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
12	SCRRA has submitted evidence of insurance to the satisfaction of Metro. SCRRA shall maintain, for the duration of this MOU, and/or shall require that SCRRA contractors maintain, levels of insurance coverage equivalent to existing coverage against claims for injuries to persons, or damages to property, which may arise from or in connection with SCRRA rail operations or construction by the SCRRA, its agents, representatives, employees, or subcontractors on Metro property.	X				
13	Invoices referencing MOU No. SCRA2021 shall be sent to the locations provided on the MOU.	X				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Southern California Regional Rail Authority (SCRRRA)
MOU No. SCRA2021
Status of Findings and Questioned Costs
Year ended June 30, 2021

There were no findings noted.

STATUS OF PRIOR YEAR FINDINGS

Finding #2020-001: ROW Security Full Time Equivalent Level

Criteria

Article 1(b)(i) of MOU No. SCRA2020 states that, "ROW Security Patrol is to be staffed at the full time equivalent (FTE) level of 9.5 Los Angeles County Sheriff Department (LASD) deputy sheriffs."

Condition

SCRRA did not meet the required FTE Level of 9.5. Average FTE level reported between February 2020 to June 2020 is 8.84.

Cause

The SCRRA ROW Security Plan provided 9.5 FTE's, however due to the State of Emergency declared throughout the nation, SCRRA was unable to adhere to that plan in its entirety.

Effect

SCRRA is not in compliance with the requirements of article 1(b)(i) of MOU No. SCRA2020.

Recommendation

We recommend that SCRRA should implement a policy to strictly monitor the adherence of the responsible parties to the compliance requirements of the Memorandum of Understanding.

Management's Response

Management will work with finance to return the excess funds related to the 9.5 FTE requested versus the 8.84 FTE provided.

Follow-up During FY 2020-21:

The excess funds amounting to \$80,541 has been returned to Metro through a transfer to Metro's deferred revenue account. There was no ROW security funding by Metro during FY 2020-21.

Finding #2020-002: ROW Security – LA County Mitigation Plan

Criteria

Article 1(b)(iii) of MOU No. SCRA2020 states that, “SCRRA, LASD and Metro staff shall conduct a ROW Security review meeting each quarter. At each quarterly meeting, SCRRA and LASD shall provide Metro with a summary of incident reports, deployment schedules and a Los Angeles County mitigation plan to improve ROW security. SCRRA shall provide report outlining LASD performance and adherence to the SCRRA/LASD contract requirements.”

Condition

SCRRA did not have a specific mitigation plan for Los Angeles (LA) County as part of the additional funds provided by Metro during the fiscal year 2019/2020.

Cause

The requirement for a specific mitigation plan for LA County only is not outlined in the Memorandum of Understanding.

Effect

SCRRA is not in compliance with the requirements of article 1(b)(iii) of MOU No. SCRA2020.

Recommendation

We recommend that SCRRA should implement a policy to strictly monitor the adherence of the responsible parties to the compliance requirements of the Memorandum of Understanding.

Management’s Response

Management does not concur with the finding. SCRRA provided all the required information as outlined by the MOU.

1. SCRRA’s ROW Mitigation Plan (Plan) outlines SCRRA’s efforts to secure the right-of-way to ensure our employees, contractors, and passengers’ safety. Each line is critical to our service and the mitigation efforts used on one section of the system could have substantial impacts to another. The concerns in LA County and the mitigations used to address these concerns are discussed throughout the document, specifically on pages 3-27 of the Plan.
2. Metro discontinued the Security MOU No. SCRA2020 on July 2020 and Metro has not developed a new MOU for FY2021. Therefore, any recommendations herein cannot be implemented by SCRRA moving forward.

Auditor Rejoinder

We understand that SCRRA has a Right-of-Way Security Mitigation Plan (Plan) that was provided to Metro Program Manager. However, the Plan is a systemwide plan and not an LA County specific plan. The requirement to submit the LA County specific mitigation plan was communicated by Metro to SCRRA in May 2019.

Follow-up During FY 2020-21:

There was no ROW security funding by Metro during FY 2020-21. Thus, LA County specific mitigation plan was no longer required.

EXIT CONFERENCE

An exit conference was held on February 24, 2022 with SCRRA's representatives. Those in attendance were:

Vasquez & Company LLP representatives:

Cristy Canieda – Partner
Marialyn Labastilla – Audit Senior Manager
Erica Ong – Audit Senior

Metro representatives:

Lauren Choi – Audit Senior Director
Channing Wong – Senior Auditor
Yvette Reeves – Planning Manager

SCRRA representatives:

Arnold Hackett – Chief Financial Officer
Alex Barber – Senior Manager, Finance
Thelma Bloes – Senior Manager, Finance
Elisabeth Lazuardi – Senior Manager, Internal Audit
Andrew Hong – Senior Auditor, Internal Audit

Matters discussed:

Results of our examination did not disclose an instance of noncompliance with the Guidelines.

A copy of this report was forwarded to the following SCRRA representatives for comments prior to the issuance of the final report.

Arnold Hackett – Chief Financial Officer
Alex Barber – Senior Manager, Finance
Elisabeth Lazuardi – Senior Manager, Internal Audit
Andrew Hong – Senior Auditor, Internal Audit
Thelma Bloes – Senior Manager, Finance



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