



# Measure R FY10 Audit Report

April 18, 2011

## Measure R Independent Taxpayers Oversight Committee of Metro

On November 4, 2008, Los Angeles County voters approved Measure R, a 1/2 of one percent transactions and use tax to fund transportation improvements in the County. An Independent Taxpayers Oversight Committee and an oversight process was also established to ensure that Metro is in compliance with Measure R requirements. The oversight process requires an annual audit be conducted and requires the Committee produce an annual report on the audit(s).

# Measure R

Independent  
Taxpayers  
Oversight  
Committee of  
Metro

June 6, 2011

To: Board of Directors

From: Justice Candace Cooper, Chair  
Measure R Independent Taxpayers Oversight Committee

Subject: Annual Report on Audits of FY 2010 Measure R Expenditures

One Gateway Plaza, Mail  
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## Committee Members

Justice Candace Cooper  
Chair

Judge Robert W. Parkin  
Vice Chair

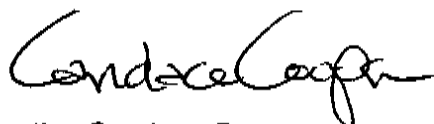
Judge Richard Kolostian

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a 1/2 of one percent transactions and use tax to fund county transportation improvements. Measure R established an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority complies with the Ordinance. The oversight process requires that an annual audit be conducted each fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues. The audits must be provided to the Oversight Committee before it prepares an annual report and makes findings on whether Metro and local sub-recipients have complied with Measure R requirements.

In compliance with the Ordinance, independent audits of the Measure R Special Revenue Fund and local sub-recipients were prepared. On February 18, 2011, the Oversight Committee received and filed the Fiscal Year (FY) 2010 Measure R Expenditures audits. On March 29, 2011, the Committee held a special workshop to discuss the audit results with the Committee's Advisory Panel finance expert and finalized the Proposed Annual Report. The Proposed Annual Report and audits were distributed to Los Angeles County libraries and a notice of public hearing was posted in local newspapers.

On April 18, the Committee held a public hearing to receive comments on the Proposed Annual Report and audits, and a regular meeting to approve the Report and findings. No public comments were submitted on the two audits or the Committee's Annual Report. At the meeting, the Committee approved the Annual Report and its findings. A copy of the Committee's Annual Report is attached for your review. The Committee found that the audits were performed in accordance with Measure R and no audit issues or exceptions were noted. If you have further questions, please contact Cosette Stark at (213) 922-2822.

Respectfully Submitted,



Justice Candace Cooper  
Chair  
Measure R Independent Taxpayers Oversight Committee

**MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE  
OF METRO  
ANNUAL REPORT ON FY10 MEASURE R AUDITS**

**INTRODUCTION**

On November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional 1/2 of one percent transactions and use tax to fund transportation improvements in the County. Measure R, officially known as the Traffic Relief and Rail Expansion Ordinance also establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audits must be provided to the Oversight Committee, so that the Committee can make findings (Exhibit 1) on whether Metro and local sub-recipients have complied with the Measure R requirements. In compliance with the Ordinance, Metro contracted with Thompson, Cobb, Bazilio and Associates (TCBA) to perform the independent audit of the Measure R Special Revenue Fund and contracted with Lopez and Company, LLP to audit the compliance of the 87 cities (Cities) and the County of Los Angeles (County). The Measure R Ordinance also requires that the Committee produce an annual report on the audits and hold a hearing to consider public comment on both the annual report and audits. A public hearing was held on April 18, 2011. No public comment was received in writing or during the public hearing on the two audits or the Committee's Proposed Annual Report.

**MEASURE R SPECIAL REVENUE FUND AUDIT**

TCBA conducted the audit of compliance in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the U.S. Comptroller General. Those standards require that TCBA plan and perform the audit to obtain reasonable assurance about whether the Schedules of Measure R revenues and expenditures are free of material misstatement. The audit found that Metro complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the year ended June 30, 2010 (see Exhibit 2 for the complete audit report). The audit report states:

**“Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to management of LACMTA during our entrance conference.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### Significant Accounting Policies:

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by LACMTA is included in Note 2 to the schedules. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2010. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

### Disclosures:

There were no significant disclosures noted in the schedules.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to revenues and expenditures of Measure R funds. However, there was one adjustment to correct a \$5,172,810 overstatement of Measure R expenditures. The overstatement was due to human error that accrued the year-to-date expenditure amount (\$9,113,541) of an invoice rather than the actual amount (\$3,940,731) of the invoice. Although the \$9,113,541 accrual was recorded in July 2010, the payment amount of \$3,940,731 was correctly made by Accounts Payable in August 2010. In addition, the Accounting Department conducted a sensitivity analysis of subsidies in November 2010 and discovered the accrual error, and the amount was corrected through JV 0610-563 on November 12, 2010.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the schedules or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 16, 2010.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with LACMTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as LACMTA's auditors."

### **MEASURE R COMPLIANCE AUDIT OF CITIES AND THE COUNTY**

Lopez and Company conducted the audit of compliance in accordance with the Guidelines, auditing standards generally accepted in the United States and the standards contained in Government Auditing Standards, issued by the U.S. Comptroller General. Those standards require that Lopez and Company plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance occurred which could have a direct and material effect on the Measure R Local Return program. Lopez and Company found that, in all material respects, the Cities and the County complied with the requirements in the Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2010. However, the result of the audit did find 20 instances of noncompliance, none of which were deemed material. They can be found in Schedule 2 of the report (see Exhibit 3 for the complete audit report). The audit report states:

"The audit of the 87 cities and the County of Los Angeles has resulted in 20 findings. None of the findings were deemed material. Of the twenty (20) findings not deemed material, seventeen (17) related to the timely submission of Expenditure Report, Form II, due October 15, 2010 (See table below of cities identified). Two (2) findings related to Appropriate Reporting of Revenues Received, Including Allocation, Project Generated Revenues and Interest Income (Cities of Compton and Pomona). In both instances, the cities did not properly record interest income to the Measure R Local Return revenue account. One finding related to Expending Funds with Metro Approval (City of Malibu). The city did not identify in its Form I, and did not receive advance approval from LACMTA for an administrative expenditure.

Listing of Cities Which Did Not Submit Expenditure Report, Form II Timely:

City of Burbank  
City of Claremont  
City of Covina  
City of Cudahy

City of Glendale  
City of Hawaiian Gardens  
City of Hawthorne  
City of Hidden Hills  
City of La Canada Flintridge  
City of Lomita  
County of Los Angeles  
City of Maywood  
City of Pasadena  
City of Redondo Beach  
City of Rolling Hills  
City of Torrance  
City of West Hollywood”

**MEASURE R OVERSIGHT COMMITTEE FINDINGS**

Based on the results of the two Measure R audit reports, as well as discussion with the public and private finance expert from the Committee’s Advisory Panel, the Committee developed the findings in Exhibit 1 in accordance with the Measure R Ordinance.

**RESOLUTION OF THE INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE  
MAKING FINDINGS REGARDING THE ANNUAL AUDIT PURSUANT TO THE  
MEASURE R ORDINANCE**

WHEREAS, On November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional 1/2 of one percent transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure R, officially known as the Traffic Relief and Rail Expansion Ordinance also establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee, so that the Oversight Committee can make findings on whether Metro and local sub-recipients have complied with the Measure R requirements; and

WHEREAS, under contract with Metro, Thompson, Cobb, Bazilio and Associates (TCBA) performed the independent audit of the Measure R Special Revenue Fund, and Lopez and Company, LLP audited the compliance of the 87 cities (Cities) and the County of Los Angeles (County); and

NOW, THEREFORE, the Measure R Independent Taxpayers Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2008;

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2010; and

The Cities and the County complied with the requirements in the Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2010.

Adopted this 18th day of April, 2011.



**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
 CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS

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November 16, 2010

**Measure R Independent Taxpayers Oversight Committee  
 Los Angeles County Metropolitan Transportation Authority**

We have audited the Schedules of Measure R Revenues and Expenditures (the "Schedules") of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") for the year ended June 30, 2010, and have issued our report thereon dated November 16, 2010. Professional standards require that we advise you of the following matters relating to our audit.

***Our Responsibility under Generally Accepted Auditing Standards (and when applicable, Government Auditing Standards)***

Our responsibility, as described by professional standards, is to form and express an opinion about whether the schedules that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the schedules does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the schedules are free of material misstatement. An audit of the schedules includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Measure R funds solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

There were no findings regarding significant control deficiencies over financial reporting and material noncompliance noted during our audit.



## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to management of LACMTA during our entrance conference.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by LACMTA is included in Note 2 to the schedules. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2010. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Disclosures*

There were no significant disclosures noted in the schedules.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to revenues and expenditures of Measure R funds. However, there was one adjustment to correct a \$5,172,810 overstatement of Measure R expenditures. The overstatement was due to a human error that accrued the year-to-date expenditure amount (\$9,113,541) of an invoice rather than the actual amount (\$3,940,731) of the invoice. Although the \$9,113,541 accrual was recorded in July 2010, the payment amount of \$3,940,731 was correctly made by Accounts Payable in August 2010. In addition, the Accounting Department conducted a sensitivity analysis of subsidies in November 2010 and discovered the accrual error, and the amount was corrected through JV 0610-563 on November 12, 2010.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the schedules or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 16, 2010.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with LACMTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as LACMTA's auditors.

This report is intended solely for the use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Thompson, Cobb, Bazilio & Associates, P.C.*



*LACMTA*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

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**Independent Auditor's Report  
on Schedule of Revenues and Expenditures  
for Measure R  
Special Revenue Fund  
For the Year Ended June 30, 2010**

**TCBA**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C.**

*Certified Public Accountants & Management Systems and Financial Consultants*

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**Los Angeles County Metropolitan Transportation Authority**  
**Independent Auditor's Report on**  
**Schedule of Revenues and Expenditures**  
**For**  
**Measure R**  
**Special Revenue Fund**

**For The Year Ended June 30, 2010**

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# THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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## Independent Auditor's Report

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the accompanying Schedules of Measure R Revenues and Expenditures (the "Schedules") of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") as of and for the year ended June 30, 2010. These Schedules are the responsibility of LACMTA's management. Our responsibility is to express an opinion on these Schedules based on our audit.

We conducted our audit 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 Schedules of Measure R revenues and expenditures are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present fairly, in all material respects, the Measure R revenues and expenditures of LACMTA as of June 30, 2010, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 16, 2010, on our consideration of LACMTA'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA  
November 16, 2010

*Thompson, Cobb, Bazilio & Associates, P.C.*

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Schedule of Revenues and Expenditures**  
**For the year ended June 30, 2010**

(Amounts expressed in thousands)

<b>Revenues:</b>	
Sales tax	\$ 551,480
Intergovernmental	4,371
Investment income	2,656
Net appreciation in fair value of investment	<u>3,604</u>
<b>Total revenues</b>	<u><u>562,111</u></u>
<b>Expenditures:</b>	
Administration and other transportation projects	52,306
Transportation subsidies	<u>118,143</u>
<b>Total expenditures</b>	<u><u>170,449</u></u>
<b>Excess of revenues over expenditures</b>	 391,662
<b>Other financing sources (uses)</b>	
Operating transfers in	29,353
Operating transfers out	<u>(37,350)</u>
<b>Total other financing sources (uses)</b>	<u><u>(7,997)</u></u>
<b>Excess (deficiency) of revenues</b>	
<b>and other financing sources over</b>	
<b>expenditures and other financing uses</b>	<u><u>\$ 383,665</u></u>

The notes to the schedule of revenues and expenditures are an integral part of this schedule.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Schedule of Revenues and Expenditures – Budget to Actual**  
**For the year ended June 30, 2010**

(Amounts expressed in thousands)

	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales tax	\$ 361,248	\$ 551,480	\$ 190,232
Intergovernmental	3,283	4,371	1,088
Investment income	-	2,656	2,656
Net appreciation in fair value of investments	-	3,604	3,604
<b>Total revenues</b>	<b>364,531</b>	<b>562,111</b>	<b>197,580</b>
<b>Expenditures:</b>			
Administration and other transportation projects	62,446	52,306	10,140
Transportation subsidies	114,939	118,143	(3,204)
<b>Total expenditures</b>	<b>177,385</b>	<b>170,449</b>	<b>6,936</b>
<b>Excess of revenues over expenditures</b>	<b>187,146</b>	<b>391,662</b>	<b>204,516</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	25,436	29,353	3,917
Operating transfers out	(38,687)	(37,350)	1,337
<b>Total other financing sources (uses)</b>	<b>(13,251)</b>	<b>(7,997)</b>	<b>5,254</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ 173,895</b>	<b>\$ 383,665</b>	<b>\$ 209,770</b>

The notes to the schedule of revenues and expenditures are an integral part of this schedule.



**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Notes to Schedule of Revenues and Expenditures**

**June 30, 2010**

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**1. Organization**

**General**

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is governed by a Board of Directors composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest, most populous counties. More than 10 million people – about one fourth of California's residents - live, work, and play within its 1,433-square-mile service area.

**Measure R**

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009 and continuing on for the next 30 years. Revenues collected are allocated to: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for countywide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

**2. Summary of Significant Accounting Policies**

The Schedules of Revenues and Expenditures for Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The more significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Notes to Schedule of Revenues and Expenditures**

**June 30, 2010**

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**2. Summary of Significant Accounting Policies (Continued)**

**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. 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 most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Funds to account for Measure R sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Basis of Accounting**

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

**Budgetary Accounting**

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget. All appropriations lapse at fiscal year end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Notes to Schedule of Revenues and Expenditures**

**June 30, 2010**

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**2. Summary of Significant Accounting Policies (Continued)**

**Budgetary Accounting (Continued)**

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedules.

**Interest Income and Appreciation in Fair Value of Investments**

The net appreciation in the fair value of investments is shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes.

**Use of Estimates**

The preparation of the Schedules in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**3. Intergovernmental Transactions**

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

**4. Operating Transfers**

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Special Revenue Fund  
Notes to Schedule of Revenues and Expenditures**

**June 30, 2010**

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**5. Audited Financial Statements**

The audited financial statements for Measure R Special Revenue Fund for the year ended June 30, 2010 are included in LACMTA's Annual Audited Financial Report.

# THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS

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## **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***

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the accompanying Schedules of Revenues and Expenditures (the "Schedules") for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated, November 16, 2010. We conducted our audit 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.

### **Internal Control over Financial Reporting**

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

*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 LACMTA's Schedules will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the LACMTA's Schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California  
November 16, 2010

*Thompson, Cobb, Bazilia & Associates, P.C.*

# THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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## **Report on Compliance with Requirements Applicable to Measure R Revenues and Expenditures and Internal Control Over Compliance in Accordance with the *Traffic Relief and Rail Expansion Ordinance***

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

### **Compliance**

We have audited the compliance of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) that are applicable to Measure R revenues and expenditures for the year ended June 30, 2010. Compliance with the requirements of the laws and the Ordinance applicable to its Measure R revenues and expenditures is the responsibility of LACMTA's management. Our responsibility is to express an opinion on LACMTA's compliance based on our audit.

We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure R revenues and expenditures 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. Our audit does not provide a legal determination on LACMTA's compliance with those requirements.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the year ended June 30, 2010.

### **Internal Control over Compliance**

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations applicable to the Measure R revenues and expenditures. In planning and performing our audit, we considered the LACMTA's internal control over compliance requirements that could have a direct and material effect on the Measure R revenues and expenditures in order to determine our auditing procedures for the



purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Ordinance, 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 the 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 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 will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the LACMTA's Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California  
November 16, 2010

*Thompson, Cobb, Bazilia & Associates, P.C.*

**Los Angeles County Metropolitan Transportation Authority  
Measure R Special Revenue Fund  
Current Year Findings**

**For the Year Ended June 30, 2010**

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None noted.



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R LOCAL RETURN  
GUIDELINES**

**TO THE LOS ANGELES COUNTY  
METROPOLITAN TRANSIT AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN  
GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority,  
Proposition R Independent Taxpayers Oversight Committee

**Compliance**

We have audited the compliance of the Cities and the County identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter approved law in November, 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (the "Guidelines"); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2010 (collectively the "Requirements"). Compliance with the above noted Requirements by the Cities and the County are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs. Compliance with the Requirements is the responsibility of the respective Cities' and the County's management. Our responsibility is to express an opinion on the Cities' and the County's compliance based on our audit.

We conducted our audits of compliance in accordance with the Guidelines, auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions. Our audits do not provide a legal determination of each City's or the County's compliance with those requirements.

In our opinion, except as noted in Schedule 1, the Cities and the County complied, in all material respects, with the requirements referred to above that are applicable to the Measure R Local Return program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Guidelines and which are described in Schedule 2.

### Internal Control Over Compliance

The management of each City and the County, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal, state and local programs. In planning and performing our audits, we considered each City's and the County's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 the Cities' and the County'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 under the Requirements on a timely basis. *A significant deficiency over compliance* is a control deficiency, or combination of control deficiencies, that does not allow management or employees to prevent, or detect and correct noncompliance under the Requirements, that is more than inconsequential, 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 under the Requirements will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Responses by the Cities and the County to the findings identified in our audits are described in the accompanying schedule of findings and questioned costs. We did not audit each City's and the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the LACMTA, the management of, the City Councils of, and others within each City and the County and is not intended to be and should not be used by anyone other than these specified parties.

*Lopez and Company, LLP*

Pasadena, California  
December 15, 2010

## Summary of Compliance Findings

The audit of the 87 cities and the County of Los Angeles has resulted in 20 findings. None of the findings were deemed material. Of the twenty (20) findings, seventeen (17) findings related to the timely submission of Expenditure Report, Form II, due October 15, 2010 (See table below of cities identified). Two (2) findings related to Appropriate Reporting of Revenues Received, Including Allocation, Project Generated Revenues and Interest Income (Cities of Compton and Pomona). In both instances, the cities did not properly record interest income to the Measure R Local Return revenue account. One finding related to Expending Funds with LACMTA Approval (City of Mailbu). The city did not identify in its Form I, and did not receive advance approval from the LACMTA for an administrative expenditure.

Listing of Cities Which Did Not Submit Expenditure Report, Form II Timely:

City of Burbank
City of Claremont
City of Covina
City of Cudahy
City of Glendale
City of Hawaiian Gardens
City of Hawthorne
City of Hidden Hills
City of La Canada Flintridge
City of Lomita
County of Los Angeles
City of Maywood
City of Pasadena
City of Redondo Beach
City of Rolling Hills
City of Torrance
City of West Hollywood



**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Agoura Hills	Alhambra	Arcadia
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Artesia	Avalon	Azusa
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Baldwin Park	Bell	Bell Gardens
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Bellflower	Beverly Hills	Bradbury
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Burbank	Calabasas	Carson
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	<b>Finding- #1</b>	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Cerritos	Claremont	Commerce
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	<b>Finding- #2</b>	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Compton	Covina	Cudahy
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	<b>Finding- #3</b>	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	<b>Finding- #4</b>	<b>Finding- #5</b>
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Diamond		
	Culver City	Bar	Downey
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Duarte	El Monte	El Segundo
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
for Fiscal Year Ending June 30, 2010**

Schedule 1

	Gardena	Glendale	Glendora
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	<b>Finding- #6</b>	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority**  
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Schedule 1

	Hawaiian Gardens	Hawthorne	Hermosa Beach
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	<b>Finding- #7</b>	<b>Finding- #8</b>	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	Hidden Hills	Huntington Park	Industry
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	<b>Finding- #9</b>	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority**  
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Schedule 1

	Inglewood	Irwindale	La Canada Flintridge
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	<b>Finding- #10</b>
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	La Habra Heights	La Mirada	La Puente
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	La Verne	Lakewood	Lancaster
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable



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Schedule 1

	Lawndale	Lomita	Long Beach
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	<b>Finding- #11</b>	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
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Schedule 1

	Los Angeles City	Los Angeles County	Lynwood
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	<b>Finding- #12</b>	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
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Schedule 1

	Malibu	Manhattan Beach	Maywood
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	<b>Finding- #13</b>	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	<b>Finding- #14</b>
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	Monrovia	Montebello	Monterey Park
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

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Schedule 1

	Norwalk	Palmdale	Palos Verdes Estates
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	Paramount	Pasadena	Pico Rivera
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	<b>Finding- #15</b>	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
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Schedule 1

	Pomona	Rancho Palos Verdes
Funds Were Expended for Transportation Purposes.	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	<b>Finding- #19</b>	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable

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Schedule J

Redondo Beach Rolling Hills

Funds Were Expended for Transportation Purposes.	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	<b>Finding- #17</b>	<b>Finding- #18</b>
Timely Use of Funds	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable



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Schedule 1

	Rolling Hills		
	Estates	Rosemead	San Dimas
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

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Schedule 1

	San		
	Fernando	San Gabriel	San Marino
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	Santa Clarita	Santa Fe Springs	Santa Monica
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
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Schedule 1

	Sierra Madre	Signal Hill	South El Monte
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	South Gate	South Pasadena	Temple City
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
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Schedule 1

	Torrance	Walnut	West Covina
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	<b>Finding- #19</b>	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transit Authority  
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Schedule 1

	West Hollywood	Westlake Village	Whittier
Funds Were Expended for Transportation Purposes.	Compliant	Compliant	Compliant
Evidence of Signed and Returned Assurances and Understanding Agreement	Compliant	Compliant	Compliant
Accounts and Records have Established a Separate Operating Measure R Local Transportation Assistance Account for LR Purposes	Compliant	Compliant	Compliant
Verification of Revenues Received, Including Allocations, Project Generated Revenues, Interest Income Properly Recorded	Compliant	Compliant	Compliant
Verification That Funds Were Expended with LACMTA's Approval	Compliant	Compliant	Compliant
Verification That Funds Were Not Substituted for Property Tax and Is Compliant With Assurance & Understanding	Compliant	Compliant	Compliant
Timely Submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely Submission of Expenditure Report (Form Two)	<b>Finding- #20</b>	Compliant	Compliant
Timely Use of Funds	Compliant	Compliant	Compliant
Administrative Expenditures Did Not Exceed 20% of the Total Annual LR Expenditures	Compliant	Compliant	Compliant
Approval Obtained from LACMTA for Fund Exchange (Trades, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Expended and Reimbursed by Another Fund, Were Properly Credited to the LR Account Upon Reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification That Funds Exchanged with Another Jurisdiction Were Properly Recorded by That Jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of, and Approval by LACMTA for, a Reserve Fund	Not Applicable	Not Applicable	Not Applicable
For Capital Reserve Fund, Verification That a Separate Account Has Been Established, And the Current Status is Reported in the Expenditure Plan	Not Applicable	Not Applicable	Not Applicable
Where Recreational Transit Services, Recreational Transit Form Submitted Timely	Not Applicable	Not Applicable	Not Applicable

**LACMTA Consolidated Audit  
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Schedule 2

<b>Finding no. 1</b>	<i>City of Burbank</i>
<b>Condition</b>	Form II for Measure R was not submitted by the October 15, 2010 deadline.
<b>Compliance Reference</b>	Per Measure R Guidelines Section B (II.2), it states that "Jurisdictions shall submit a Form II to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the reporting requirement for Form II
<b>Effect</b>	This is an audit exception due to not meeting the deadline.
<b>Recommendation</b>	We recommend that the City prepare the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline.
<b>Management Response</b>	City staff was verbally advised by Metro that Form II was not required if the City did not yet have Measure R Local Return projects identified. Measure R Local Return Guidelines (Page 9, B: Administrative, II: Reporting Requirements, 4: Form Submission Timcline) indicates that Form II is required for all projects. However, this section is ambiguous as to what is required for cities that have no projects. In future years, the City expects to establish one or more Measure R Local Return Projects and understands that it is bound by the requirement to submit a Form II by the October 15th deadline as indicated in the Guidelines. (Form II was subsequently submitted on 12/16/2010)



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Schedule 2

<b>Finding no. 2</b>	<b><i>City of Claremont</i></b>
<b>Condition</b>	The City did not meet the October 15, 2010 deadline for submission of Form II.
<b>Compliance Reference</b>	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
<b>Effect</b>	The City's Form II was not submitted timely.
<b>Recommendation</b>	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
<b>Management Response</b>	Staff will ensure that all forms related to Measure R funds are completed and submitted by the appropriate due dates.

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Schedule 2

<b>Finding no. 3</b>	<i>City of Compton</i>
<b>Condition</b>	Interest income was not properly recorded in the Measure R account.
<b>Compliance Reference</b>	Measure R Guidelines Section B (VI.5); Pooling of Funds
<b>Cause</b>	The City's policies and procedures lack a process to timely and accurately allocate interest income (on a pro-rata basis) to the various funds, including Measure R.
<b>Effect</b>	Questioned cost for interest income in the amount of \$1,000.
<b>Recommendation</b>	The City should verify that their policies and procedures ensure that interest is properly booked, allocated timely, and that the amounts are appropriate under the circumstances.
<b>Management Response</b>	The City maintains separate bank accounts for major funds only and remits monies for non-major programs (including Measure R Fund) into a general fund checking account pool. The amount attributable to each contributing fund is accounted for in the fund's financial records. Interest receivable is booked at year end to the general fund and then allocated to various funds based on the funds' monthly ending balances. The interest income applicable to the cash balance of Measure R Fund is computed and booked monthly and depending on the interest received and the fund's cash balance, its interest allocation may be as low as zero. The City Controller's Office will review the current procedure for interest allocation and take corrective action if necessary.

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Schedule 2

<b>Finding no. 4</b>	<b><i>City of Covina</i></b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	The City did not use any Measure R funds in the year in question and we notified MTA of our plans to bank our first year of funds and not have any expenditures.

<b>Finding no. 5</b>	<b><i>City of Cudahy</i></b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	The City acknowledged the finding.

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Schedule 2

<b>Finding no. 6</b>	<i>City of Glendale</i>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	The City did not have any planned program/projects nor spend the Measure R money in FY 09-10 therefore we did not submit Forms I & II.

<b>Finding no. 7</b>	<i>City of Hawaiian Gardens</i>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	The City's understanding was that Form Two was not required if there are no Measure R expenditures.

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<b>Finding no. 8</b>	<b><i>City of Hawthorne</i></b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	City has not provided a management response to finding.

<b>Finding no. 9</b>	<b><i>City of Hidden Hills</i></b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	City has not provided a management response to finding.

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Schedule 2

<b>Finding no. 10</b>	<b><i>City of La Canada Flintridge</i></b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	The City will put in place adequate controls to ensure that the Form 2 is submitted on time in the future

<b>Finding no. 11</b>	<b><i>City of Lomita</i></b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	Form Two was submitted on November 30, 2010.

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Schedule 2

<b>Finding no. 12</b>	<i>County of Los Angeles</i>
<b>Condition</b>	Form II submission for Measure R did not meet the October 15, 2010 deadline.
<b>Compliance Reference</b>	Per Measure R Guidelines Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The County did not have policy and procedure to ensure Measure R Form II is filed on time.
<b>Effect</b>	The County's Form II was not submitted timely.
<b>Recommendation</b>	We recommend that the County prepare the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline.
<b>Management Response</b>	County management acknowledged this finding.

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Schedule 2

<b>Finding no. 13</b>	<b><i>City of Malibu</i></b>
<b>Condition</b>	Administrative costs of \$66 were expended without LACMTA approval. The City's Form I did not indicate administrative costs as a separate budget item.
<b>Compliance Reference</b>	Per Measure R Guidelines, Section B (II.1), states that "LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity.  The City's Form I did not include Transportation Administration separately as a project on Line 8.
<b>Cause</b>	The City was not aware of the requirement to list administrative costs separately on Forms 1 and 2 to meet the compliance requirements of the Measure R LR guidelines.
<b>Effect</b>	The City's Form I did not include administration costs as a separate line item in the City's expenditure plan. As a result, administration costs were incurred without MTA approval.
<b>Recommendation</b>	We recommend that the City prepare and submit the Form I (Expenditure Plan) with administration costs as a separate project, as required by the Measure R LR guidelines.
<b>Management Response</b>	City management had the understanding that if administrative expenses were under 20%, they could be included within the related project. City management obtained retroactive approval from the MTA in September 2010, noting that administrative expenses could be charged to Measure R projects.



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Schedule 2

<b>Finding no. 14</b>	<i>City of Maywood</i>
<b>Condition</b>	The City did not meet the October 15, 2010 deadline for submission of Form II.
<b>Compliance Reference</b>	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines.
<b>Effect</b>	The City's Form II was not submitted timely.
<b>Recommendation</b>	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
<b>Management Response</b>	Due to staffing changes in the organization, Form 1 and Form 2 were not submitted by their due dates. It is our intent in the future to submit all required reports in a timely manner.

<b>Finding no. 15</b>	<i>City of Pasadena</i>
<b>Condition</b>	Form II for Measure R was not submitted by the October 15, 2010 deadline.
<b>Compliance Reference</b>	Per Measure R Guidelines Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the reporting requirement for Form II
<b>Effect</b>	The City's Form II was not submitted timely.
<b>Recommendation</b>	The City should prepare the expenditure summary Form II document prior to the October 15 deadline.
<b>Management Response</b>	We were not aware that Form 2 was a requirement for FY10. We knew about the deadline after the audit in September. If we knew it was a requirement, it would've been done. (Form II was subsequently submitted on 11/29/2010)

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Schedule 2

<b>Finding no. 16</b>	<i>City of Pomona</i>
<b>Condition</b>	Interest income was not booked to Measure R.
<b>Compliance Reference</b>	Measure R Guidelines page 11: B) Administrative; VI) Finance Section; Pooling of Funds
<b>Cause</b>	This was an oversight by City personnel. Measure R was not added to the City-Wide interest allocation spreadsheet due to the newness of the fund; it was an oversight.
<b>Effect</b>	Questioned costs of \$400 of un-booked interest income.
<b>Recommendation</b>	We recommend that the interest be booked in FY 2011 in order to correct this. We also recommend that Measure R be added to the interest allocation spreadsheet so that this does not occur again.
<b>Management Responsc</b>	An interest allocation to Measure R Fund was an oversight in FY 09-10. The Measure R Fund has been added to the interest allocation spreadsheet and the interest due in FY 09-10 has been posted in FY 10-11.

**LACMTA Consolidated Audit  
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Schedule 2

<b>Finding no. 17</b>	<b>City of Redondo Beach</b>
<b>Condition</b>	The City did not meet the October 15, 2010 deadline for submission of Form II.
<b>Compliance Reference</b>	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City states that it was informed by Metro that the form was not required because no Measure R funds were expended during the fiscal year.
<b>Effect</b>	The City's Form II was not submitted timely.
<b>Recommendation</b>	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
<b>Management Response</b>	The City did not have any Measure R Local Return projects for FY 2010. As a result, we were informed by Metro staff that we were not required to submit the forms, since there were no projects budgeted, nor funds expended.

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Schedule 2

<b>Finding no. 18</b>	<i>City of Rolling Hills</i>
<b>Condition</b>	The City did not meet the October 15, 2010 deadline for submission of Form II.
<b>Compliance Reference</b>	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
<b>Effect</b>	The City's Form II was not submitted timely.
<b>Recommendation</b>	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
<b>Management Response</b>	The City of Rolling Hills is not eligible to use Measure R funds within its City limits so the City transfers its funds to other municipalities. Since 2010 was the first year for Measure R we did not transfer any funds and did not complete Form 1 & Form 2. This was Ok with our MTA Administrator same as Prop. A & C since we do not have ongoing projects. A Form 2 was submitted on 12/28/2010.

**LACMTA Consolidated Audit  
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Compliance Findings**

Schedule 2

<b>Finding no. 19</b>	<b>City of Torrance</b>
Condition	The City did not meet the October 15, 2010 deadline for submission of Form II.
Compliance Reference	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
Cause	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City states that it was informed by Metro that the form was not required because no Measure R funds were expended during the fiscal year.
Effect	The City's Form II was not submitted timely.
Recommendation	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
Management Response	We received an email from Ms. Richan on December 22, 2010, stating that we should fill out a pseudo/dummy Form 2 which we have completed and have submitted to the MTA today December 22, 2010.

**LACMTA Consolidated Audit  
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Schedule 2

<b>Finding no. 20</b>	<i>City of West Hollywood</i>
<b>Condition</b>	The City did not meet the October 15, 2010 deadline for submission of Form II.
<b>Compliance Reference</b>	Per Measure R Guidelines, Section B (II.2), it states that "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)."
<b>Cause</b>	The City was not aware of the importance of submitting Form II to meet the compliance requirements of the Measure R LR guidelines. The City was under the impression that if it had no planned or actual expenditures, the form was not required.
<b>Effect</b>	The City's Form II was not submitted timely.
<b>Recommendation</b>	We recommend that the City prepare and submit the Form II (Expenditure Report) document prior to the October 15 <sup>th</sup> deadline, and retain a confirmation of receipt by LACMTA.
<b>Management Response</b>	We contacted MTA to indicate that we were reserving 2009-10 funds for our 2010-11 and 2011-12 work programs and were not aware of any form filing requirements beyond that. For fiscal years in the future we will work to ensure form 1 and 2 are filed timely