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**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT ON  
STATEMENTS OF REVENUES AND EXPENDITURES**

**FOR PROPOSITION A and PROPOSITION C  
SPECIAL REVENUE FUNDS  
For The Year Ended June 30, 2000**

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**INDEPENDENT AUDITOR'S REPORT**

Independent Citizens' Advisory and Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the accompanying statements of revenues and expenditures for Proposition A (Ordinance No. 16) and Proposition C (Ordinance No. 49) of the Los Angeles County Metropolitan Transportation Authority (the MTA) for the fiscal year ended June 30, 2000. These financial statements are the responsibility of MTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying statements of revenues and expenditures for Proposition A (Ordinance No. 15) and Proposition C (Ordinance No. 49) present fairly, in all material respects, the revenues and expenditures for Ordinance No. 16 and Ordinance No. 49 of the Los Angeles County Metropolitan Transportation Authority for the year ended June 30, 2000 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2000 on our consideration of the MTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations.

November 20, 2000

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

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**REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Citizens' Advisory and Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the statement of revenues and expenditures for Proposition A and Proposition C Special Revenue funds of the Los Angeles County Metropolitan Transportation Authority (the "MTA") for the fiscal year ended June 30, 2000 (the "Statement") and have issued our report thereon dated November 20, 2000. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the MTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on these financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the Statement being audited may occur and not be detected

within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the MTA's Board of Directors and management, and the Independent Citizens' Advisory and Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

November 20, 2000 *Thompson, Cobb, Bagilio & Associates, P.C.*

**Los Angeles County Metropolitan Transportation Authority  
Proposition A Special Revenue Fund  
Statement of Revenues and Expenditures  
For the year ended June 30, 2000  
(Amounts expressed in thousands)**

<b>Revenues:</b>	
Sales tax	\$ 504,353
Investment income	7,154
Net decline in fair value of investments	<u>(1,098)</u>
<b>Total revenues</b>	<u>510,409</u>
<b>Expenditures:</b>	
Transportation subsidies	<u>174,548</u>
<b>Total expenditures</b>	<u>174,548</u>
<b>Excess of revenues over expenditures</b>	<u>335,861</u>
<b>Other financing sources (uses)</b>	
Operating transfers in	3,960
Operating transfers out	<u>(314,196)</u>
<b>Total other financing sources (uses)</b>	<u>(310,236)</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ 25,625</u>

The notes to the financial statements are an integral part of this statement.

**Los Angeles County Metropolitan Transportation Authority  
Proposition A Special Revenue Fund  
Statement of Revenues and Expenditures - Budget and Actual  
For the year ended June 30, 2000  
(Amounts expressed in thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales tax	\$ 476,177	\$ 504,353	\$ 28,176
Investment income	3,300	7,154	3,854
Net decline in fair value of investments	<u>-</u>	<u>(1,098)</u>	<u>(1,098)</u>
<b>Total revenues</b>	<u>479,477</u>	<u>510,409</u>	<u>30,932</u>
<b>Expenditures:</b>			
Transportation subsidies	<u>171,642</u>	<u>174,548</u>	<u>(2,906)</u>
<b>Total expenditures</b>	<u>171,642</u>	<u>174,548</u>	<u>(2,906)</u>
<b>Excess of revenues over expenditures</b>	<u>307,835</u>	<u>335,861</u>	<u>28,026</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	3,960	3,960
Operating transfers out	<u>(317,700)</u>	<u>(314,196)</u>	<u>3,504</u>
<b>Total other financing sources (uses)</b>	<u>(317,700)</u>	<u>(310,236)</u>	<u>7,464</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ (9,865)</u>	<u>\$ 25,625</u>	<u>\$ 35,490</u>

The notes to the financial statements are an integral part of this statement.

**Los Angeles County Metropolitan Transportation Authority  
Proposition C Special Revenue Fund  
Statement of Revenues and Expenditures  
For the year ended June 30, 2000  
(Amounts expressed in thousands)**

<b>Revenues:</b>	
Sales tax	\$ 505,949
Intergovernmental	42,450
Investment income	16,897
Net decline in fair value of investments	(2,004)
Other	<u>3,208</u>
<b>Total revenues</b>	<u>566,500</u>
<b>Expenditures:</b>	
Administration and other	38,279
Transportation subsidies	<u>328,626</u>
<b>Total expenditures</b>	<u>366,905</u>
<b>Excess of revenues over expenditures</b>	<u>199,595</u>
<b>Other financing sources (uses)</b>	
Operating transfers in	130,666
Operating transfers out	<u>(333,199)</u>
<b>Total other financing sources (uses)</b>	<u>(202,533)</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ (2,938)</u>

The notes to the financial statements are an integral part of this statement.



**Los Angeles County Metropolitan Transportation Authority  
Proposition C Special Revenue Fund  
Statement of Revenues and Expenditures - Budget and Actual  
For the year ended June 30, 2000  
(Amounts expressed in thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales tax	\$ 479,940	\$ 505,949	\$ 26,009
Intergovernmental	39,800	42,450	2,650
Investment Income	8,027	16,897	8,870
Net decline in fair value of investments	-	(2,004)	(2,004)
Other	-	3,208	3,208
	<u>527,767</u>	<u>566,500</u>	<u>38,733</u>
<b>Total revenues</b>			
	<u>527,767</u>	<u>566,500</u>	<u>38,733</u>
<b>Expenditures:</b>			
Administration and other	11,809	38,279	(26,470)
Transportation subsidies	464,319	328,626	135,693
	<u>476,128</u>	<u>366,905</u>	<u>109,223</u>
<b>Total expenditures</b>			
	<u>476,128</u>	<u>366,905</u>	<u>109,223</u>
<b>Excess of revenues over expenditures</b>	<u>51,639</u>	<u>199,595</u>	<u>147,956</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	130,666	130,666
Operating transfers out	(256,600)	(333,199)	(76,599)
Proceeds from financing	43,300	-	(43,300)
	<u>(213,300)</u>	<u>(202,533)</u>	<u>10,767</u>
<b>Total other financing sources (uses)</b>			
	<u>(213,300)</u>	<u>(202,533)</u>	<u>10,767</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ (161,661)</u>	<u>\$ (2,938)</u>	<u>\$ 158,723</u>

The notes to the financial statements are an integral part of this statement.

# LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

## Notes to Statements of Revenues and Expenditures of Proposition A and C Special Revenue Funds For the Year Ended June 30, 2000

### 1. **Organization**

#### **General**

The Los Angeles County Metropolitan Transportation Authority (the "MTA") is governed by a 14-member Board of Directors ("Board"). The Board is composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, two public members and one member of the City Council of Los Angeles, four members who are either a mayor or a member of a city council and have been appointed by the Los Angeles County City Selection Committee and a non-voting member appointed by the Governor of the State of California.

The MTA is responsible for planning and programming, operating, constructing all aspects of ground transportation in Los Angeles County including (1) highway construction and traffic flow management; (2) public parking facilities; (3) rail construction; (4) bus, rail and ferry services; (5) alternative modes of transportation; (6) research and development of alternative energy sources for transit vehicles; and (7) air quality, environmental impact land use and economic development decisions.

#### **Proposition A**

The Proposition A special revenue fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 20, 1980. Revenues collected are to be allocated: 25% to local jurisdiction for local transit; 35% to be used for construction, debt service payments and operation of rail rapid transit systems; 40% is allocated at the discretion of the MTA.

#### **Proposition C**

The official name of this special revenue fund is the "Los Angeles Anti-Gridlock Transit Improvement Fund". This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1990. Revenues collected are to be allocated: 5% to improve and expand rail and bus security; 10% for Commuter Rail and construction of Transit Centers, Park-and-Ride lots and Freeway Bus Stops; 20% to local jurisdictions for public transit and related services; 25% for essential county-wide transit related improvements to freeways and state highways; 40% to improve and expand rail and bus transit county-wide.

# LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

## Notes to Statements of Revenues and Expenditures of Proposition A and C Special Revenue Funds (Continued) For the Year Ended June 30, 2000

### 2. Summary of Significant Accounting Policies

The statements of revenue and expenditures for Proposition A and Proposition C Special Revenue Funds have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The significant MTA accounting policies are policies with regard to the special revenue fund type are described below:

#### **Fund Accounting**

The MTA 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 the MTA's general activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. The MTA uses Special Revenue Funds to account for Proposition A and Proposition C sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) 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 (primarily from sales tax) 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**

Enabling legislation and adopted policies and procedures provide that the MTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with general accepted accounting principles for all governmental funds.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Statements of Revenues and Expenditures  
of Proposition A and C Special Revenue Funds (Continued)  
For the Year Ended June 30, 2000

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

**Budgetary Accounting (Continued)**

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 additional appropriations must be approved by the Board. 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. A re-forecasted budget for operating and capital expenditures is submitted to the Board a minimum of once a year.

Annual budgets are adopted by the MTA on the modified accrual basis of accounting for the Special Revenue fund type on a basis consistent with GAAP as reflected in the financial statements.

**Interest Income**

Net appreciation (depreciation) in the fair value of investments is shown on the Statement of Revenues and Expenditures. The MTA 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 financial statements 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 the MTA is recorded in an account designated as "intergovernmental".

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Statements of Revenues and Expenditures  
of Proposition A and C Special Revenue Funds (Continued)  
For the Year Ended June 30, 2000

**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 Proposition A and C special revenue funds have been made in accordance with all expenditure requirements of both Proposition A and C ordinances.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**SCHEDULE OF CURRENT YEAR FINDINGS**

**For the Fiscal Year Ended June 30, 2000**

**There are no current year findings.**

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended June 30, 2000

Number	Finding	Disposition
1 (99-1)	There is no accrual for the related Local Return expenditures that are susceptible to accrual under the modified accrual basis of year end.	Implemented
2 (98-1)	Documentation identifying the internal controls in place over the receipt and expenditure of Proposition A and Proposition C funds needs improvements.	Implemented Written Policies and Procedures were completed in FY 00.
3 (98-2)	Improve the Documentation of Proposition A and Proposition C Expenditure Decisions.	Implemented
4 (98-3)	Improve Controls Over Authorization of Transactions	Implemented
5 (98-4)	Improve Controls to Ensure Consistent Application of Accounting Policies	Implemented
6 (98-5)	Conduct Periodic Internal Control Reviews of Proposition A and C funds	MASD has begun periodic audits of the process employed to ensure proper receipt and expenditure of funds (including Prop A & C). In addition, MASD Control-Self-Assessment unit has scheduled an assessment of MTA RTP&D.
7 (98-6)	Improve Tracking and Resolution of Local Return Audit Issues	Planning and Programming Unit has coordinated with the appropriate agencies the resolution of local return audit issues. MASD continues to monitor the tracking and resolution of local return audit issues.