

**Los Angeles County Metropolitan  
Transportation Authority  
Independent Auditor's Report on  
Schedules of Revenues and Expenditures  
For Proposition A and Proposition C  
Special Revenue Funds  
For the Year Ended June 30, 2001**

**Los Angeles County Metropolitan Transportation Authority  
Report of Independent Accountants on  
Schedules of Revenues and Expenditures  
For Proposition A and Proposition C  
Special Revenue Funds  
For the Year Ended June 30, 2001**

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**Report of Independent Accountants**

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

In our opinion, the accompanying Schedules of revenues and expenditures for Proposition A ("Ordinance No. 16") 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 (the "MTA") for the fiscal year ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial Schedules are the responsibility of the MTA's management; our responsibility is to express an opinion on these financial Schedules based on our audit. We conducted our audit of these Schedules 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 2001 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.

*PricewaterhouseCoopers LLP*

November 30, 2001

**Report on Compliance and Internal Control  
over Financial Reporting Based On an Audit  
Performed in Accordance with  
Government Auditing Standards**

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

We have audited the schedules 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, 2001 (the "Schedules") and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America in the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Schedules are free of material misstatement, we performed tests of 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 within the Schedules. 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 schedules 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 amounts that would be material in relation to the Schedules 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the MTA within the schedule of current year findings listed in the accompanying table of contents.

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.

*PricewaterhouseCoopers LLP*

November 30, 2001

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A Special Revenue Fund**  
**Schedule of Revenues and Expenditures**  
**For the Year Ended June 30, 2001**  
**(Amounts in Thousands)**

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Revenues:	
Sales tax	\$528,299
Investment income	8,470
Net increase in fair value of investments	<u>2,607</u>
Total revenues	<u>539,376</u>
Expenditures:	
Current:	
Transportation subsidies	<u>186,962</u>
Total expenditures	<u>186,962</u>
Excess of revenues over expenditures	<u>352,414</u>
Other financing (uses):	
Operating transfers out	<u>(356,726)</u>
Total other financing (uses)	<u>(356,726)</u>
Excess of revenues over expenditures and other financing uses	<u>\$ (4,312)</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A Special Revenue Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended June 30, 2001**  
(Amounts in Thousands)

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	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Sales tax	\$502,300	\$528,299	\$25,999
Investment income	4,225	8,470	4,245
Net increase in fair value of investments	<u>-</u>	<u>2,607</u>	<u>2,607</u>
Total revenues	506,525	539,376	32,851
Expenditures:			
Current:			
Transportation subsidies	<u>182,152</u>	<u>186,962</u>	<u>(4,810)</u>
Total expenditures	<u>182,152</u>	<u>186,962</u>	<u>(4,810)</u>
Excess of revenues over expenditures	324,373	352,414	28,041
Other financing (uses):			
Operating transfers out	<u>(341,309)</u>	<u>(356,726)</u>	<u>(15,417)</u>
Total other financing (uses)	<u>(341,309)</u>	<u>(356,726)</u>	<u>(15,417)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ (16,936)</u>	<u>\$ (4,312)</u>	<u>\$12,624</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition C Special Revenue Fund**  
**Schedule of Revenues and Expenditures**  
**For the Year Ended June 30, 2001**  
**(Amounts in Thousands)**

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Revenues:	
Sales tax	\$528,432
Intergovernmental	59,543
Investment income	21,543
Net decline in fair value of investments	4,649
Other	<u>3,044</u>
Total revenues	<u>617,211</u>
Expenditures:	
Current:	
Administration and other	43,429
Transportation subsidies	<u>314,720</u>
Total expenditures	<u>358,149</u>
Excess of revenues over expenditures	<u>259,062</u>
Other financing sources (uses):	
Operating transfers in	55,277
Operating transfers out	<u>(210,335)</u>
Total other financing sources (uses)	<u>(155,058)</u>
Excess of revenues and other financing sources over Expenditures and other financing uses	<u>\$104,004</u>



**Los Angeles County Metropolitan Transportation Authority**  
**Proposition C Special Revenue Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(Amounts in Thousands)**

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	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Sales tax	\$502,500	\$528,432	\$ 25,932
Intergovernmental	56,657	59,543	2,886
Investment income	12,345	21,543	9,198
Net decline in fair value of investments	-	4,649	4,649
Other	<u>-</u>	<u>3,044</u>	<u>3,044</u>
Total revenues	571,502	617,211	45,709
Expenditures:			
Current:			
Administration and other	78,287	43,429	34,858
Transportation subsidies	<u>353,805</u>	<u>314,720</u>	<u>39,085</u>
Total expenditures	<u>432,092</u>	<u>358,149</u>	<u>73,943</u>
Excess of revenues over expenditures	139,410	259,062	119,652
Other financing sources (uses):			
Operating transfers in	-	55,277	55,277
Operating transfers out	<u>(287,171)</u>	<u>(210,335)</u>	<u>76,836</u>
Total other financing and sources (uses)	<u>(287,171)</u>	<u>(155,058)</u>	<u>132,113</u>
Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses	<u>(\$147,761)</u>	<u>\$104,004</u>	<u>\$251,765</u>

# **Los Angeles County Metropolitan Transportation Authority**

## **Notes to Schedules of Revenues and Expenditures**

### **of Proposition A and C Special Revenue Funds**

#### **For the Year Ended June 30, 2001**

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#### **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 and 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**

This is a special revenue fund 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 jurisdictions for local transit; 35% to be used for construction and debt services payments and operation of rail rapid transit systems; and 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; and 40% to improve and expand rail and bus transit county-wide.

# **Los Angeles County Metropolitan Transportation Authority**

## **Notes to Schedules of Revenues and Expenditures of Proposition A and C Special Revenue Funds For the Year Ended June 30, 2001**

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### **2. Summary of Significant Accounting Policies**

The Schedules of revenues and expenditures for Proposition A and Proposition C Special Revenue Funds have been prepared in conformity with accounting principles generally accepted in the United States of America ("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 more significant of the MTA's accounting policies with regard to the special revenue fund type are described below:

#### **Fund Accounting**

The MTA utilized 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 function 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 governmental fund type 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**

The established 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 accounting principles generally accepted in the United States of America for all governmental funds.

**Los Angeles County Metropolitan Transportation Authority**  
**Notes to Schedules of Revenues and Expenditures**  
**of Proposition A and C Special Revenue Funds**  
**For the Year Ended June 30, 2001**

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**2. Summary of Significant Accounting Policies (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 appropriated 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 special revenue fund type, on a basis consistent with GAAP as reflected in the financial statements.

**Interest Income and Loss on Investments**

Net 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 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 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**  
**Current Year Findings**  
**For the Fiscal Year Ended June 30, 2001**

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None noted.

**Los Angeles County Metropolitan Transportation Authority**  
**Status of Prior Year Findings**  
**For the Fiscal Year Ended June 30, 2000**

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1 (98-5)	Conduct periodic internal control reviews of Proposition A and C funds	Implemented
2 (98-6)	Improve tracking and resolution of local return audit issues	Implemented