

**Independent
Citizens'
Advisory
and
Oversight
Committee**

One Gateway Plaza
Los Angeles, CA
90012

213-922-4600

AGENDA

PUBLIC HEARING

**INDEPENDENT CITIZENS' ADVISORY
AND OVERSIGHT COMMITTEE MEETING**

**MTA Headquarters
3rd Floor - Board Room
One Gateway Plaza, Los Angeles**

Wednesday, April 28, 2004 - 10:00 A.M.

PROPOSITIONS A & C AUDIT - FY 2003

Call to order:

Members:

Emina Darakjy, Chair
Russ Lesser, Vice Chair
Brian Russell
Dwight D. Ham

1. Remarks by Hearing Officer, Emina Darakjy
2. Statement by the Board Secretary's Office concerning publication of notices and dissemination of public information.
3. Public Comment.
4. Motion to Close Hearing.

The Chair will determine order of appearance before the Board. Speakers will be limited to three minutes. If available, a written copy of testimony should be presented to Secretary.

Los Angeles County Metropolitan Transportation Authority

Independent Auditor's Report on Schedule of Revenues and Expenditures For Proposition A and Proposition C Special Revenue Funds

For the Year Ended June 30, 2003

Submitted by

TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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**Los Angeles County Metropolitan Transportation Authority
Independent Auditor's Report on
Schedule of Revenues and Expenditures
For
Proposition A and Proposition C
Special Revenue Funds**

For the Year Ended June 30, 2003

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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 Schedules of Proposition A ("Ordinance No. 16") and Proposition C ("Ordinance No. 49") Revenues and Expenditures (the "Schedules") of Los Angeles County Metropolitan Transportation Authority (the "LACMTA") for the year ended June 30, 2003. These Schedules are the responsibility of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules of Proposition A and Proposition C 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 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 Proposition A and Proposition C revenues and expenditures of the LACMTA for the year ended June 30, 2003, 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 October 31, 2003, on our consideration of the LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Torrance, CA
October 31, 2003

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

We have audited the Schedules of Revenues and Expenditures (the "Schedules") for Proposition A and Proposition C Special Revenue Funds of the Los Angeles Metropolitan Transportation Authority (the "LACMTA") for the year ended June 30, 2003 and have issued our report thereon dated October 31, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Schedules are free of material misstatement, we performed tests of the LACMTA's 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 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 LACMTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on these 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 amount 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.

This report is intended for the information of the LACMTA'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.

Torrance, California
October 31, 2003

Thompson, Cobb, Bazilio & Associates, PC

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures
For the year ended June 30, 2003

(Amounts expressed in thousands)

Revenues:	
Sales tax	\$ 548,287
Investment income	2,193
Net decline in fair value of investments	<u>(24)</u>
Total revenues	<u>550,456</u>
Expenditures:	
Transportation subsidies	<u>207,319</u>
Total expenditures	<u>207,319</u>
Excess of revenues over expenditures	<u>343,137</u>
Other financing sources (uses)	
Operating transfers in	394
Operating transfers out	<u>(374,385)</u>
Total other financing sources (uses)	<u>(373,991)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (See Note 5)	<u>\$ (30,854)</u>

The accompanying notes are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures - Budget to Actual
For the year ended June 30, 2003
(Amounts expressed in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Sales tax	\$ 539,234	\$ 548,287	\$ 9,053
Investment income	4,000	2,193	(1,807)
Net decline in fair value of investments	<u>-</u>	<u>(24)</u>	<u>(24)</u>
Total revenues	<u>543,234</u>	<u>550,456</u>	<u>7,222</u>
Expenditures:			
Transportation subsidies	<u>204,194</u>	<u>207,319</u>	<u>(3,125)</u>
Total expenditures	<u>204,194</u>	<u>207,319</u>	<u>(3,125)</u>
Excess of revenues over expenditures	<u>339,040</u>	<u>343,137</u>	<u>4,097</u>
Other financing sources (uses)			
Operating transfers in	-	394	394
Operating transfers out	<u>(387,733)</u>	<u>(374,385)</u>	<u>13,348</u>
Total other financing sources (uses)	<u>(387,733)</u>	<u>(373,991)</u>	<u>13,742</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (48,693)</u>	<u>\$ (30,854)</u>	<u>\$ 17,839</u>

The accompanying notes are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures
For the year ended June 30, 2003
(Amounts expressed in thousands)

Revenues:	
Sales tax	\$ 548,264
Intergovernmental	54,929
Investment income	13,299
Net decline in fair value of investments	(136)
Other	<u>499</u>
Total revenues	<u>616,855</u>
Expenditures:	
Administration and other	51,148
Transportation subsidies	<u>308,945</u>
Total expenditures	<u>360,093</u>
Excess of revenues over expenditures	<u>256,762</u>
Other financing sources (uses)	
Operating transfers in	23,998
Operating transfers out	<u>(291,937)</u>
Total other financing sources (uses)	<u>(267,939)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (See Note 5)	<u><u>\$ (11,177)</u></u>

The accompanying notes are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures - Budget to Actual
For the year ended June 30, 2003

(Amounts expressed in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Sales tax	\$ 539,220	\$ 548,264	\$ 9,044
Intergovernmental	57,956	54,929	(3,027)
Investment Income	10,000	13,299	3,299
Net decline in fair value of investments	-	(136)	(136)
Other	-	499	499
	<u>607,176</u>	<u>616,855</u>	<u>9,679</u>
Total revenues			
Expenditures:			
Administration and other	74,233	51,148	23,085
Transportation subsidies	396,950	308,945	88,005
	<u>471,183</u>	<u>360,093</u>	<u>111,090</u>
Total expenditures			
Excess of revenues over expenditures	<u>135,993</u>	<u>256,762</u>	<u>120,769</u>
Other financing sources (uses)			
Operating transfers in	69,730	23,998	(45,732)
Operating transfers out	(342,816)	(291,937)	50,879
	<u>(273,086)</u>	<u>(267,939)</u>	<u>5,147</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (137,093)</u>	<u>\$ (11,177)</u>	<u>\$ 125,916</u>

The accompanying notes are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Notes to Schedules of Revenues and Expenditures
of Proposition A and Proposition C Special Revenue Funds

For the Year Ended June 30, 2003

1. Organization

General

The Los Angeles County Metropolitan Transportation Authority (the "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, 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 to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

The LACMTA 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

The Proposition A Fund 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 LACMTA.

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 Proposition C Special Revenue Funds

For the Year Ended June 30, 2003

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 LACMTA's accounting policies with regard to the special revenue fund type are described below:

Fund Accounting

The 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 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 LACMTA's general activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. The LACMTA 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 (rather 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 provided that the LACMTA'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 Proposition C Special Revenue Funds

For the Year Ended June 30, 2003

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

Interest Income and Decline in Fair Value of Investments

The net decline in the fair value of investments is shown on the Schedule of Revenues and Expenditures. The 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 the 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 Proposition A and Proposition C Special Revenue Funds have been made in accordance with all expenditure requirements of both Proposition A and Proposition C Ordinances.

Los Angeles County Metropolitan Transportation Authority

Notes to Schedules of Revenues and Expenditures

of Proposition A and Proposition C Special Revenue Funds

For the Year Ended June 30, 2003

5. Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The available fund balance accumulated from prior years was used to cover the current year deficit spending. Prior year fund balance for Proposition A and Proposition C at June 30, 2002 was \$101,995,000 and \$345,725,000, respectively.

Los Angeles County Metropolitan Transportation Authority
Current Year Findings

For the Year Ended June 30, 2003

None Noted.

Los Angeles County Metropolitan Transportation Authority
Status of Prior Year Findings

For the Year Ended June 30, 2003

None Noted.

