

AUDIT OVERSIGHT COMMITTEE MEETING FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC),
AND SAN DIEGO TROLLEY, INC. (SDTI)

OCTOBER 15, 2009

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 9:03 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Selby moved for approval of the minutes of the July 9, 2009, Audit Oversight Committee meeting. Mr. Mathis seconded the motion, and the vote was 4 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. MTS: Draft Fiscal Year 2009 Comprehensive Annual Financial Report (Cliff Telfer) (ADM 110.12)

Mr. Ewin stated that this committee is on schedule according to the timeline that was created on February 19, 2009. Ms. Musengo, MTS Finance Manager, confirmed the date of November 5, 2009, for the final review.

Ms. Musengo began the review of the draft Comprehensive Annual Financial Report for the fiscal years ended June 30, 2009 and 2008 (CAFR). She pointed out that the items that have not been completed are the statement of cash flows, estimated liabilities, the statistical section with demographic information, formatting and the uncertainty having to do with Medi-Cal revenue.

Ms. Musengo explained that when MTS provides transportation to Medi-Cal recipients to approved medical sites, reimbursement is requested from the State of California, through the County. Last year the State undertook an audit of claims and determined that they did not like the claim form, which has created uncertainty related to the results of the audit. It may be determined that money will have to be returned to the State for years 2006, 2007 and 2008. Meetings are ongoing with the County to resolve the issue.

Ms. Musengo stated that another method of determining adequate claims for 2009 has been created. It is hoped that a good number to record for 2009 in the CAFR will be reached by the end of next week. Mr. Telfer stated that if the issue is not resolved, an estimate will be calculated with a footnote as to how the calculation was reached. In the contingency section of the CAFR a footnote has been added disclosing the uncertainty.

Mr. Ewin asked Ms. Musengo if there is anything that needs to be brought to this committee's attention related to the pension. Ms. Musengo stated that everything in the CAFR has been updated with the most recent actuarial report received in August 2009. She stated that the pension audit will be completed in December.

Mr. Ewin asked Ms. Musengo to give an update on the award that MTS has received, the 2008 Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). She stated that the GFOA reviews CAFRs that are submitted to them and awards of achievement are given for reports that rise to their standards. MTS received this award in FY07 and FY08. Mr. Ewin requested that the minutes reflect acknowledgement of the award and a commendation to staff for the achievement.

In response to Mr. Ewin, Ms. Musengo described the Other Post Employment Benefits (OPEB), relating to retirement health care. She stated that MTS is contributing on a pay as you go method, acceptable under the current scenario, consistent with practice and expectation. She stated that the contributions for the pension are being made at 100% of the required contribution as of the last actuarial report.

Ms. Musengo stated that the section of subsequent events includes the financial agreement for CNG, the loan agreement for Pension Obligation Bonds in anticipation of the refinancing of the bonds, the State Supreme Court ruling that the State illegally diverted funds designated for mass transit and the continuing evaluation of fare and route structures.

Ms. Musengo explained the content of the introductory letter. Mr. Jablonski requested that Bill Burke, Director of Security be added to the management list and Mr. Ewin requested that Fred Mc Lean be recognized as a board member who was in office during the period of the CAFR.

Action Taken

Mr. Selby moved to accept the draft CAFR. Ms. Lightner seconded the motion, and the vote was 5 to 0 in favor.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee communications.

D. PUBLIC COMMENTS

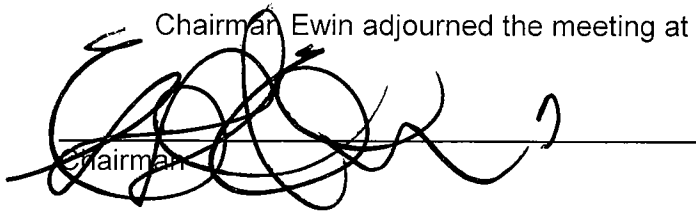
There were no public comments.

E. NEXT MEETING DATE:

Chairman Ewin reported that the next Audit Oversight Committee meeting will be held November 5, 2009.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 9:23 a.m,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, is written over a horizontal line. The word "Chairman" is printed below the line, partially obscured by the signature.

Chairman

Attachment: A. Roll Call Sheet

VRogers/MINUTES - Audit Oversight 10-15-09.docx

**AUDIT OVERSIGHT COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 10-15-09 CALL TO ORDER (TIME) 9:03 a.m.
 RECESS _____ RECONVENE _____
 CLOSED SESSION _____ RECONVENE _____
 ADJOURN 9:23 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>		
LIGHTNER <input checked="" type="checkbox"/> (Young) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
Rotated to Chula Vista		
RINDONE (VC) <input type="checkbox"/> (Young) (CPT) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:11 a.m.	
SELBY <input checked="" type="checkbox"/> (Ryan) <input type="checkbox"/>		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD N. de Roga

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: [Signature]