

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

NOVEMBER 5, 2009

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 9:00 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Mathis moved to approve of the minutes of the October 15, 2009, Audit Oversight Committee meeting. Mr. Selby seconded the motion, and the vote was 4 to 0 in favor (Mr. Rindone abstained).

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

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

Mr. Ewin noted that the review of the 2009 Comprehensive Annual Financial Report (CAFR) is on schedule. Ms. Linda Musengo gave a brief review of the items in the CAFR that have changed since the last meeting. She added that production of the CAFR is on schedule, and it is expected that the final version will be presented next week to the Board.

Ms. Musengo stated that the management representation letter is not included in this draft, but it will be included in the final CAFR going to the Board. Mr. Ewin noted that there will be language in the motion that the letter will be incorporated.

In response to Mr. Ewin, Ms. Musengo clarified subsequent events and contingencies, and members discussed the process to create the 2009 CAFR.

Mr. Kenneth Pun, CPA with Caporicci & Larson (C&L), gave a PowerPoint presentation on the scope of work for the audit performed by C&L that included the audit of MTS's financial statements and the review of internal control policies and procedures.

Mr. Pun gave an overview of MTS's management responsibilities, C&L's responsibilities, and a summary of C&L's audit approach, which included year-to-year comparisons of specific account balances. He stated that the assessment determined that MTS is a low-risk auditee, which means that there is no need to test

a high number of transactions in order to determine that the numbers and disclosures are accurate.

Mr. Pun reviewed C&L's unqualified audit opinion stating that financial statements are fairly presented in all material respects, significant accounting policies have been consistently applied, estimates are reasonable, and disclosures are properly reflected in the financial statements.

Mr. Pun stated that the audit resulted in no disagreements with management, no material errors or irregularities were discovered, and no significant deficiencies or material weaknesses were determined. He provided a brief overview of the financial statement sections of the audit that included the introductory, financial, and statistical sections.

Mr. Pun stated that compared to last year, the balance sheet is consistent. As of June 30, 2009, MTS has approximately \$1.9 billion in total assets and \$2.74 billion in total liabilities with a net result of \$1.2 billion in net assets. He added that the total revenue is \$278 million and total operating expenses are \$296 million. He noted that there is an increase in the net assets of \$15 million. Mr. Telfer pointed out that operating expenses were lower in 2009 than in 2008.

Mr. Pun summarized statements of cash flow from operating activities, which were consistent with 2008. He reviewed cash flows from operating activities, noncapital financing activities, capital, related-financing activities, and investing activities.

Mr. Pun reviewed the state financial and budget shortfall and subsequent events, including the stabilization of fuel prices, refinancing the variable rate pension obligation bonds (POBs), the State of California's budget, and evaluation of the fare and route structures. He stated that the state and financial budget shortfall has reduced or eliminated State Transit Assistance (STA) significantly, which could affect ongoing operations.

Mr. Pun reported on the pension plan schedule of funding progress for San Diego Trolley, Inc (SDTI) and San Diego Transit Corporation (SDTC) and concluded his report with a review of the new Governmental Accounting Standards Board (GASB) pronouncements. He noted that next year, GASB Statement No. 53 (Accounting and Financial Reporting for Derivative Instruments) will be required, which may have an impact on the MTS financial statement and will require more disclosure related to the CNG swap agreement.

#### Action Taken

Mr. Selby moved to forward this item with the management letter to the MTS Board of Directors for consideration of the Fiscal Year 2009 Comprehensive Annual Financial Report (CAFR). Mr. Roberts seconded the motion, and the vote was 5 to 0 in favor.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Mr. Ewin thanked staff, C&L for its assistance, and members for their diligence in reviewing the materials.

D. PUBLIC COMMENTS

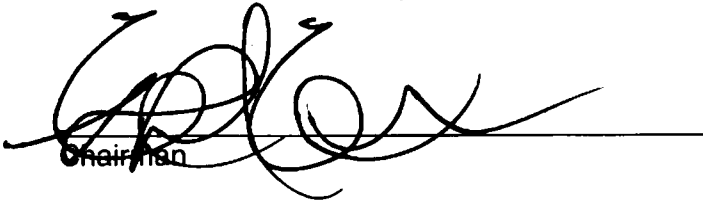
There were no public comments.

E. NEXT MEETING DATE:

To be determined.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 9:25 a.m.



Chairman

vicki.rogers.minutes

Attachment: Roll Call Sheet

**AUDIT OVERSIGHT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM**

**ROLL CALL**

MEETING OF (DATE) 11-5-09

CALL TO ORDER (TIME) 9:00 a.m.

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

CLOSED SESSION \_\_\_\_\_

RECONVENE \_\_\_\_\_

ADJOURN 9:25 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>		
LIGHTNER <input type="checkbox"/> (Young) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
Rotated to Chula Vista		
RINDONE (VC) <input checked="" type="checkbox"/> (Young) (CPT) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:20 a.m.	
SELBY <input checked="" type="checkbox"/> (Ryan) <input type="checkbox"/>		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD

*W. Rogers*

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

*Jeff Miller*