PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),
AN ENTERPRISE FUND OF THE CITY OF LOS ANGELES, CALIFORNIA

Single Audit Reports

Year ended June 30, 2002
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report on Supplementary Information</td>
<td>1</td>
</tr>
<tr>
<td>Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements in Accordance with <em>Government Auditing Standards</em></td>
<td>2</td>
</tr>
<tr>
<td>Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with U.S. Office of Management and Budget Circular A-133</td>
<td>4</td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Schedule of Expenditures of Federal Awards</td>
<td>7</td>
</tr>
<tr>
<td>Schedule of Findings and Recommendations</td>
<td>8</td>
</tr>
</tbody>
</table>
Independent Auditors' Report on Supplementary Information

The Board of Harbor Commissioners
Port of Los Angeles (Harbor Department
    of the City of Los Angeles):

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles, an Enterprise Fund of the City of Los Angeles, California) (Port) as of and for the year ended June 30, 2002 and have issued our report thereon, dated August 30, 2002.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Port’s basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Port’s Board of Harbor Commissioners and management, the Port’s federal awarding agencies, and its pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

August 30, 2002
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements in Accordance with Government Auditing Standards

The Board of Harbor Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

We have audited the basic financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles, an Enterprise Fund of the City of Los Angeles, California) (Port) as of and for the year ended June 30, 2002 and have issued our report thereon, dated August 30, 2002. 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 Port’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an 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 Port’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 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 basic financial statements 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 internal control over financial reporting and its operation that we consider to be material weaknesses.
This report is intended solely for the information of the Port’s Board of Harbor Commissioners and management, the Port’s Federal awarding agencies and its pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

August 30, 2002
Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance in Accordance with
U.S. Office of Management and Budget Circular A-133

The Board of Harbor Commissioners
Port of Los Angeles (Harbor Department
of the City of Los Angeles):

Compliance

We have audited the compliance of the Port of Los Angeles (Harbor Department of the City of
Los Angeles, an Enterprise Fund of the City of Los Angeles) (Port) with the types of compliance
requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance
Supplement that are applicable to its major federal program for the year ended June 30, 2002. The Port’s
major federal program is identified in the summary of auditors’ results section of the accompanying
schedule of findings and recommendations. Compliance with the requirements of laws, regulations,
contracts, and grants applicable to its major federal program is the responsibility of the Port’s management.
Our responsibility is to express an opinion on the Port’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the
United States of America; the standards applicable to financial audits contained in Government Auditing
Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of
States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133
require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance
with the types of compliance requirements referred to above that could have a direct and material effect on
a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port’s
compliance with those requirements and performing such other procedures as we considered necessary in
the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does
not provide a legal determination on the Port’s compliance with those requirements.

In our opinion, the Port of Los Angeles complied, in all material respects, with the requirements referred to
above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control over Compliance

The management of the Port is responsible for establishing and maintaining effective internal control over
compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In
planning and performing our audit, we considered the Port’s internal control over compliance with
requirements that could have a direct and material effect on a major federal program in order to determine
our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on
internal control over compliance in accordance with OMB Circular A-133.
Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program 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 internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Port’s Board of Harbor Commissioners and management, the Port’s federal awarding agencies and its pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 14, 2003
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),
AN ENTERPRISE FUND OF THE CITY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

<table>
<thead>
<tr>
<th>Federal grantor/program title</th>
<th>Federal CFDA number</th>
<th>Grant number/passthrough grantor's number</th>
<th>Federal entitlement amount</th>
<th>Accrued grant revenue, July 1, 2001</th>
<th>Grant revenue received</th>
<th>Federal grant expenses</th>
<th>Accrued grant revenue, June 30, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Transportation:</td>
<td></td>
<td>CML-5006(240)</td>
<td>$7,541,000</td>
<td>-</td>
<td>-</td>
<td>7,541,000</td>
<td>7,541,002</td>
</tr>
<tr>
<td>Passed through the California State Department of Transportation – Federal Aid Highway Program (1)</td>
<td>20,205</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Department of Transportation</td>
<td></td>
<td></td>
<td>7,541,000</td>
<td>-</td>
<td>-</td>
<td>7,541,000</td>
<td>7,541,000</td>
</tr>
<tr>
<td>Total federal financial assistance</td>
<td></td>
<td></td>
<td>$7,541,000</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) This program is considered a major program (note 3).

See accompanying notes to Schedule of Expenditures of Federal Awards and independent auditors' report on supplementary information.
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),
AN ENTERPRISE FUND OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

(1) General
The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs of the Port of Los Angeles. The Port of Los Angeles’ reporting entity is defined in note 1 of notes to the Port’s basic financial statements as of and for the year ended June 30, 2002. All federal financial assistance is passed through other government agencies and is included in the schedule.

(2) Basis of Accounting
The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, whereby grant revenues are recognized when earned and expenses are recognized when incurred.

(3) Definition of Major Federal Financial Assistance Program
The Single Audit Act Amendments of 1996 defines major federal award programs based upon total federal expenditures of the grantee during the period reported and inherent risk of the programs audited. The Highway Planning and Construction (Federal Aid Highway Program) (CFDA No. 20.205) is considered to be a major federal financial assistance program for the year ended June 30, 2002. (See summary of auditors’ results section of the accompanying Schedule of Findings and Recommendations.)

(4) Relation to Federal Financial Reports
The accompanying amounts identified in the Schedule of Expenditures of Federal Awards agree to amounts reported in the respective federal financial reports.
PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
AN ENTERPRISE FUND OF THE CITY OF LOS ANGELES, CALIFORNIA  
Schedule of Findings and Recommendations  
Year ended June 30, 2002

(1) Summary of Auditors’ Results
   (a) The type of report issued on the financial statements: **Unqualified Opinion.**
   (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported;** Material weaknesses: **None noted.**
   (c) Noncompliance which is material to the financial statements: **None noted.**
   (d) Reportable conditions in internal control over major programs: **None reported.**
   (e) The type of report issued on compliance for major programs: **Unqualified Opinion.**
   (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **None noted.**
   (g) Major programs: **Highway Planning and Construction (Federal Aid Highway Program) (CFDA No. 20.205)**
   (h) Dollar threshold used to distinguish between Type A and Type B programs: **$300,000.**
   (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **No.**

(2) Findings Relating to the Financial Statements Reported in Accordance with **Government Auditing Standards**
   **None noted.**

(3) Findings and Recommendations Relating to Federal Awards
   **None noted.**