



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
CALIFORNIA MUSEUM OF
SCIENCE AND INDUSTRY
YEAR ENDED JUNE 30, 1978**

The regulations of the Federal Office of Revenue Sharing require governments receiving revenue sharing funds to have audits of their financial statements not less than once every three years. This audit assists in fulfilling the audit requirements necessary to continue California's eligibility for federal revenue sharing funds.

Our examination was made in accordance with generally accepted auditing standards and included studying and evaluating the system of internal control. This study and evaluation disclosed several conditions which we believe to be weaknesses and were considered in determining the nature, timing, and extent of our audit tests. Presentation of these conditions, however, does not modify our opinion on the financial statements.

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

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FINANCIAL AUDIT REPORT
CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY
YEAR ENDED JUNE 30, 1978



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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RICHARD ROBINSON
CHAIRMAN

September 11, 1979

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The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the California Museum of Science and Industry, year ended June 30, 1978.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA; and Benjamin Wald.

Respectfully submitted,

RICHARD ROBINSON
Assemblyman, 72nd District
Chairman, Joint Legislative
Audit Committee

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the California Museum of Science and Industry (MSI). This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The California Museum of Science and Industry is an educational center located in Los Angeles. It is administered by a board of directors comprised of nine members who are appointed by the Governor. The museum's exhibits feature scientific accomplishments; its education program is designed to stimulate students' interest in science and the arts.

The museum also owns and operates 26 acres of public parking for its patrons and the patrons of the adjacent coliseum, sports arena, and swimming stadium. These facilities are all located in Exposition Park which the State owns and maintains through the museum. In addition to providing security for its own facilities, the museum is also responsible for security in Exposition Park.

Programs of the California Museum of Science and Industry are supported by appropriations from the State's General Fund.

AUDITOR'S OPINION

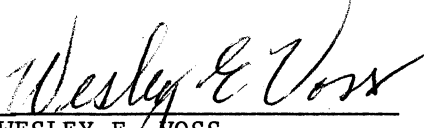
To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the California Museum of Science and Industry as of June 30, 1978 and the related statement of revenues, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the California Museum of Science and Industry as of June 30, 1978 and the results of operations and changes in operating clearing for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying combined balance sheet captioned "Total - Memorandum Only" for June 30, 1978 are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The column amounts on the accompanying balance sheet and statement of revenues, expenditures, and changes in operating clearing for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.



WESLEY E. VOSS
Assistant Auditor General

Date: May 9, 1979

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Benjamin Wald

CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY

COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1978
(With Unaudited Amounts for 1977)

| ASSETS | Governmental | Account | Totals | |
|---|------------------|-------------------------|--------------------|--------------------|
| | Fund Type | Group | (Memorandum Only) | |
| | General | General Fixed Assets | June 30, 1978 | June 30, 1977 |
| Cash | \$ 48,429 | \$ -- | \$ 48,429 | \$ 42,374 |
| Accounts receivable | 11,140 | -- | 11,140 | 5,323 |
| Allowance for deferred accounts receivable | (185) | -- | (185) | (450) |
| Prepayments to other funds | -- | -- | -- | 5,749 |
| Expense advances to employees | 6,152 | -- | 6,152 | 2,123 |
| Land | -- | 3,343,893 | 3,343,893 | 3,343,893 |
| Buildings and improvements | -- | 5,233,029 | 5,233,029 | 5,255,485 |
| Equipment | -- | 320,592 | 320,592 | 300,859 |
| Advances to architecture revolving fund | -- | 249,913 | 249,913 | 216,643 |
| Total Assets | \$ 65,536 | \$9,147,427 | \$9,212,963 | \$9,171,999 |
| LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable | \$125,311 | \$ -- | \$ 125,311 | \$ 186,787 |
| Due to other funds | 602 | -- | 602 | -- |
| Uncleared collections | 1,258 | -- | 1,258 | 3,133 |
| Total Liabilities | 127,171 | -- | 127,171 | 189,920 |
| Encumbrances Outstanding | 24,976 | -- | 24,976 | -- |
| Fund Equity: | | | | |
| Investment in general fixed assets | -- | 8,897,514 | 8,897,514 | 8,900,237 |
| Reserved for construction | -- | 249,913 | 249,913 | 216,643 |
| Operating Clearing (Note 3) | (86,611) | -- | (86,611) | (134,801) |
| Total Fund Equity | (86,611) | 9,147,427 | 9,060,816 | 8,982,079 |
| Total Liabilities, Encumbrances Outstanding, and Fund Equity | \$ 65,536 | \$9,147,427 | \$9,212,963 | \$9,171,999 |

The notes to the financial statements are an integral part of this statement.

CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978
(With Unaudited Amounts for 1977)

| | 1978 | | | 1977 |
|--|-------------------------------|--------------------|---|---------------------|
| | <u>Budget As Adjusted</u> | <u>Actual</u> | <u>Variance-Favorable (Unfavorable)</u> | <u>Actual</u> |
| Revenues: (Note 2) | | | | |
| Parking fees (Note 4) | \$ 504,450 | \$ 570,527 | \$ 66,077 | \$ -- |
| Land rental | 70,000 | 70,000 | -- | 70,000 |
| Miscellaneous income | <u>--</u> | <u>2,966</u> | <u>2,966</u> | <u>3,503</u> |
| Total Revenues | 574,450 | 643,493 | 69,043 | 73,503 |
| Other Sources: | | | | |
| Support appropriation (Note 5) | 2,650,592 | 2,721,842 | 71,250 | 1,959,201 |
| Reimbursements (Note 4) | 13,000 | 19,801 | 6,801 | 547,079 |
| Prior year adjustments | <u>--</u> | <u>3,423</u> | <u>3,423</u> | <u>14,992</u> |
| Total Sources | <u>3,238,042</u> | <u>3,388,559</u> | <u>150,517</u> | <u>2,594,775</u> |
| Expenditures: (Note 2) | | | | |
| Current: | | | | |
| Personal services | 2,082,665 | 2,051,527 | 31,138 | 1,921,161 |
| Operating expense and equipment | 580,927 | 563,400 | 17,527 | 518,196 |
| Minor capital outlay | 127,875 | 120,867 | 7,008 | 101,425 |
| Prior Year: | | | | |
| Prior year adjustments | <u>--</u> | <u>5,698</u> | <u>(5,698)</u> | <u>--</u> |
| Total Expenditures | <u>2,791,467</u> | <u>2,741,492</u> | <u>49,975</u> | <u>2,540,782</u> |
| Excess of Sources over (under) Expenditures | 446,575 | 647,067 | 200,492 | 53,993 |
| Other Uses: | | | | |
| Transfer of accountability to the State Controller | <u>(574,450)</u> | <u>(598,877)</u> | <u>(24,427)</u> | <u>(143,387)</u> |
| Excess of Sources over (under) Expenditures and Other Uses | <u>\$ (127,875)</u> | 48,190 | <u>\$176,065</u> | (89,394) |
| Operating Clearing - July 1 | | <u>(134,801)</u> | | <u>(45,407)</u> |
| Operating Clearing - June 30 | | <u>\$ (86,611)</u> | | <u>\$ (134,801)</u> |

The notes to the financial statements are an integral part of this statement.

CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Museum of Science and Industry. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local government as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The Museum of Science and Industry accounts for only its portion of the fund type category. The State Controller maintains central accounts for all state funds and annually publishes consolidated fund statements.

GOVERNMENTAL FUND TYPE

General Fund

This fund includes all financial resources not accounted for in another fund. This fund type is maintained on the modified accrual basis of accounting and includes these elements.

Income

Throughout the fiscal year all income including revenues, transfers, and reimbursements is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures, including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees are members of the Public Employees Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount the museum and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The museum's share of retirement contributions for the year was \$204,764.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time the benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for General Fixed Assets. Assets purchased are recorded as expenditures in the General Fund in the year of acquisition or encumbrance.

2. BUDGETED REVENUES AND EXPENDITURES

Neither revenues nor the detail composition of expenditures are included in the legislative budget act. The dollars included in the first column are agency amounts as reflected in the Governor's Budget after allowing for adjustments to the budget act.

3. OPERATING CLEARING

This account is the connecting link between the books of the museum and the central fund accounts of the State Controller for the General Fund.

4. REVENUES, REIMBURSEMENTS

Prior to fiscal year 1977-78, parking lot receipts were treated as offsetting reimbursements to the museum's operating budget. In acting upon the 1977-78 budget act, the Legislature decided to treat parking lot receipts as General Fund revenues rather than as reimbursements.

5. SUPPORT APPROPRIATION

Support appropriation is the portion of the General Fund which the legislative budget act allocated to the Museum of Science and Industry. Support appropriation includes \$120,867 expended for various minor capital outlay projects during the 1977-78 fiscal year.

OTHER INFORMATION

As an integral part of our examination, we reviewed the museum's accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the museum's financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the museum in conjunction with certain recommended adjusting entries necessary in order to achieve compliance with generally accepted accounting principles.

The museum fully concurs with the suggested operations, improvements, and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps