Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Metro

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

Prepared by the Accounting Department
Josephine V. Nicasio, Controller
Terry Matsumoto, Chief Financial Services Officer

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

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Los Angeles County
Metropolitan Transportation Authority

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December 20, 2013

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Dear Honorable Board of Directors:

Subject: Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2013 is submitted herewith. State law requires LACMTA publish a complete audited financial statements within six months of the close of each fiscal year.

LACMTA is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the Single Audit, including the schedule of federal financial assistance, findings, and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

KPMG LLP, a firm of licensed certified public accountants, has issued an unmodified (clean) opinion on LACMTA's financial statements for the fiscal year ended June 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal controls. Because the cost of internal control should not exceed anticipated benefits, the objective of the controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

The management's discussion and analysis (MD&A), shown on pages 11 to 25 provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

LACMTA was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator of one of the country's largest and most populous counties. More than 10 million people, nearly one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

As one of the largest providers of public transportation in the United States, LACMTA's coordinated systems have nearly half a billion bus and rail boardings a year.

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), PTSC-MTA Risk Management Authority (PRMA), Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC) and the Service Authority for Freeway Emergencies (SAFE). Although they are legally separate entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY14 Budget – LACMTA began this process after adoption of the FY13 budget. The first step in the process was to update the Ten-Year Forecast using known parameters and future assumptions agreed to by the Executive Management. The Ten-Year Forecast included revenue and expense forecasts and trend analysis for all funds and major programs. The Ten-Year Forecast identified potential situations where deficits might occur and highlights instances when expenses growth pattern may not be in synch with related revenue growth.

The $5.0 billion FY14 adopted budget is nearly 9% more than the LACMTA's FY13 budget. The increase is largely due to new highway and transit construction projects. Altogether, LACMTA is overseeing the largest public works program in the nation. More transit and highway projects will be either opening, under construction or in the planning stages in the coming year than at any other time in the history of Los Angeles County. LACMTA is also committed to maintaining and improving the safety, security, reliability and customer friendliness of LACMTA existing facilities and service.

Budgetary Controls – LACMTA's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved and provide life-of-project budgetary control. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

The Board of Directors (Board) approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation. The budget includes operating, capital, regional funding, and other components necessary to implement the policy directions contained in previously Board adopted long-term plans such as the Long Range Transportation Plan (LRTP) and the more detailed Short Range Transportation Plan (SRTP).

Local Economy

Los Angeles County (County) covers more than 4,000 square miles with 88 dynamic cities that are culturally diverse and with approximately 10 million residents and the County would rank the 8th largest state in the U.S. if it were a state. The County generates more than $500 billion in annual economic activity which is considered among the world's largest economies. Based on Gross Domestic Product (GDP) alone, the County is ranked as the 21st largest economy in the world, just behind Saudi Arabia and Switzerland.

The County's economy continues to grow. Employment shows steady gains with an increase of 52,000 jobs in June 2013 compared to March 2013. Personal income is expected to increase by 8% in 2014. Taxable retail sales are projected to grow by 3.4%. The County is showing evidence of a slow but steady recovery from the recession mainly on job gains, the decreasing unemployment rate, and a significant rebound in housing.

The primary business segments that contributed to the economic growth of the County in fiscal year 2013 were health care and social assistance, leisure and hospitality, professional, scientific, and technical services, and administrative and support services. Health care and social assistance and leisure and hospitality created the most jobs in the County.

The transportation and trade industry is very extensive and is one of the prominent industries in the County. International trade continues to play an important role in economy. The San Pedro Bay ports of Los Angeles and Long Beach and Los Angeles International Airport are the largest container ports and busiest air cargo terminals in the nation, respectively. In response to the growing population and increasing commercial traffic, LACMTA has established several projects to alleviate congestion problems in the County by increasing access to bus and rail services and to promote ease on the use of the freeway system especially during peak hours. In addition, there is an array of mass transit options including various bus operators, Amtrak, Metrolink (commuter rail), and Metro Rail (subway and light rail). Rail freight services are provided by Burlington Northern Santa Fe and Union Pacific.

The County's economy experienced a steady but fragile growth in 2013. Although growth is visible, economic recovery is still far from reaching the pre-crisis prosperity. The County Board of Supervisors together with the LA County Economic Development Corporation has formulated a strategic plan to address this concern which will promote economic development while gaining competitive advantage and stimulating sustainable and stronger growth in an aggressively changing global environment.

Long-term Financial Planning

Long-term financial planning is accomplished in three stages at LACMTA: (1) the Long Range Transportation Plan (LRTP), (2) the Short Range Transportation Plan (SRTP), and (3) the Ten-Year Forecast. The LRTP is a 25-30 year plan that is updated every 2-3 years. The LRTP is adopted by the Board and prioritizes the highway and transit infrastructure projects and transit services for the entire region. The SRTP is a five-year plan that is updated periodically and adopted by the Board. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The Ten-Year Forecast is updated annually using the current year budget as the baseline year. The LRTP and the SRTP use the most recent Ten-Year Forecast as the baseline for the period covered in those plans.

Relevant Financial Policies

The Board approves the financial stability policy at the same time the annual proposed budget is approved each year. The policy remains in effect until it is amended or changed by the Board.

The Financial Stability Policy is divided into three sections: Goals, Strategies, and General Fiscal Policies. The purpose of the policy is to ensure that LACMTA prudently manages its financial affairs and establishes appropriate cash reserves to be able to meet its future financial commitments.

Also included in the policy are Business Planning Parameters and Debt Financial Standards. The purpose of the Business Planning Parameters is to provide management with a framework for developing the following year's budget and other LACMTA financial plans and to establish future business targets for management to achieve. The purpose of the Debt Financial Standards is to limit the level of debt that may be incurred and to ensure that debt assumptions used in financial planning are based on financial parameters similar to or more conservative than those that would be placed on LACMTA by the financial marketplace. These standards are consistent with the Board-approved Debt Policy.

Major Initiatives

In FY14, LACMTA has the following five major initiatives: 1) begin construction of the Crenshaw/LAX Transit Corridor project that will extend from the EXPO Line at the intersection of Exposition and Crenshaw Boulevards to the Metro Green Line near the existing Aviation/LAX station, 2) continue construction of the EXPO Line Phase II from Culver City to the City of Santa Monica, 3) execute a full funding grant agreement for the Regional Connector that will connect the Metro Gold, Blue and EXPO light rail lines, 4) continue construction of the Gold Line Phase 2A (Foothill Extension) that includes the cities of Pasadena, Arcadia, Monrovia and Azusa, and 5) execute a full funding grant agreement for Segment 1 of the Westside Subway extension from the existing Purple Line station at Wilshire and Western Boulevards to Wilshire and La Cienega Boulevards. In addition, LACMTA will unveil a Master Plan for the historic Union Station to become a major transportation hub and engine of economic growth for the region.

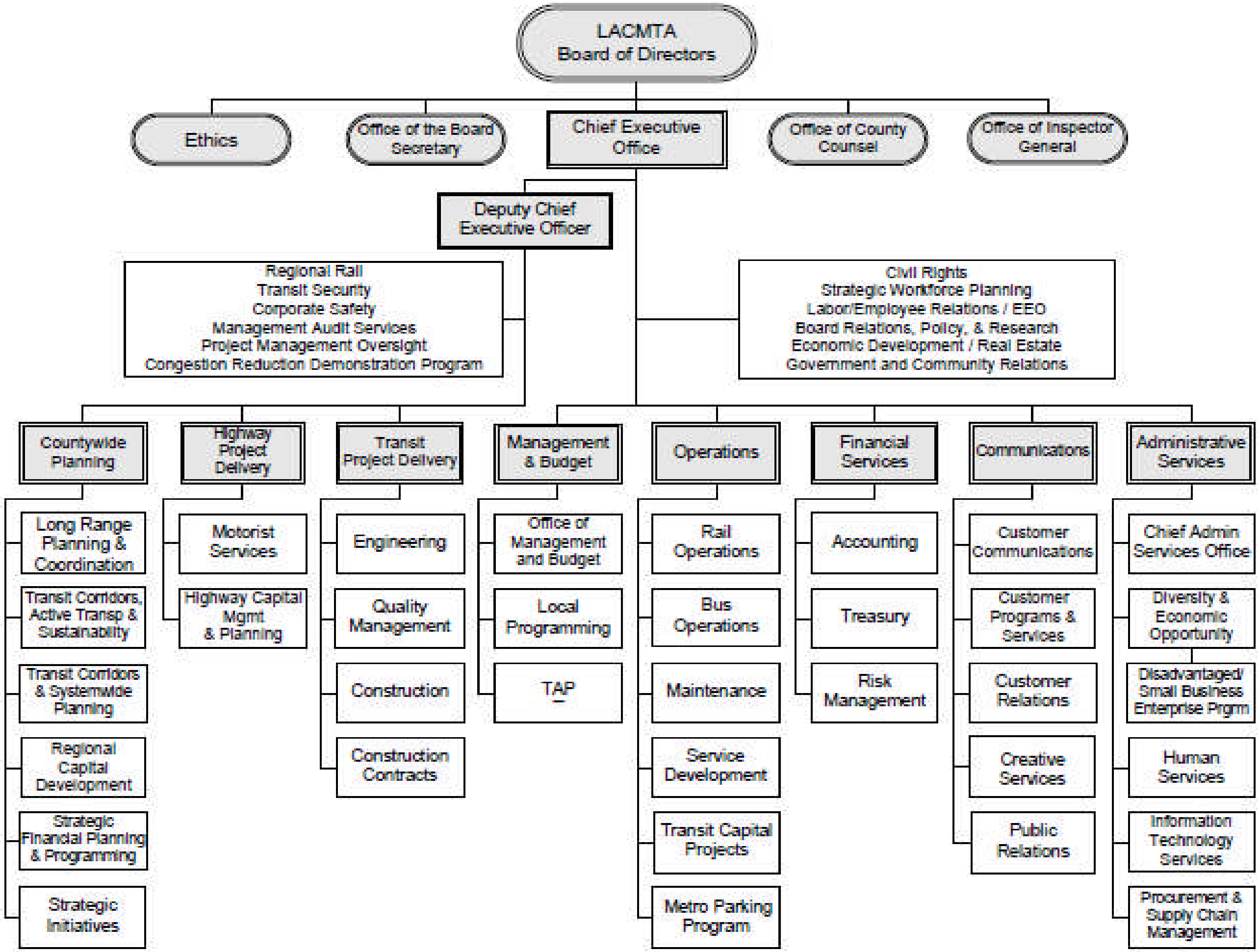
Acknowledgments

The preparation of this report would not have been possible without the skills, effort and dedication of the entire staff of the Accounting Department. We wish to thank all other departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board and to the CEO for their unfailing support in maintaining the highest standard of professionalism in the management of LACMTA's finances.

Respectfully submitted,

Terry Matsumoto
Chief Financial Services Officer

Management Organizational Chart



Los Angeles County Metropolitan Transportation Authority
BOARD OF DIRECTORS
(Updated as of July 2013)

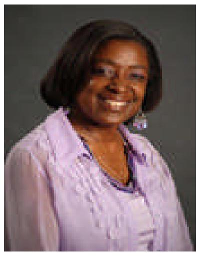
Diane DuBois
Chair of the Board
Council Member
City of Lakewood

Eric Garcetti
First Vice Chair
Mayor, City of Los Angeles

Mark Ridley-Thomas
Second Vice Chair
LA County Supervisor
2^{nd} Supervisorial District

Michael D. Antonovich
LA County Supervisor
5th Supervisorial District

Mike Bonin
City Council Member
City of Los Angeles



Jacquelyn Dupont-Walker
City of Los Angeles Appointee

John Fasana
City Council Member
City of Duarte

Don Knabe
LA County Supervisor
4^{th} Supervisorial District

Paul Krekorian
Council Member
City of Los Angeles

Gloria Molina
LA County Supervisor
1st Supervisorial District

Ara Najarian
Council Member
City of Glendale

Pam O' Connor
Mayor, City of Santa Monica

Zev Yarovlasky
LA County Supervisor
3^{rd} Suprvisorial District

Carrie Bowen
Non-Voting

Los Angeles County Metropolitan Transportation Authority

<u>List of Board Appointed Officials</u>

Arthur T. Leahy
Chief Executive Officer

Charles Safer
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

Karen Gorman
Acting Inspector General

Executive Staff

Paul Taylor
Deputy Chief Executive Officer

Debra Johnson
Chief Operations Officer

Martha Welborne
Executive Director, Countywide Planning

Michelle Lopes Caldwell
Chief Administrative Services Officer

Roger Moliere
Chief Real Property Management & Development

Nalini Ahuja
Executive Director, Office of Management Budget & Local Programming

Brian Boudreau
Executive Director, Project Management Oversight

Don Sepulveda
Executive Director, Regional Rail

Ruthe Holden
Chief Auditor

Terry Matsumoto
Chief Financial Services Officer

Kimberly Yu
Interim Chief Communication Officer

Kimberly Yu
Director of Special Projects
Office of the CEO

Doug Failing
Executive Director, Highway Programs

K.N. Murthy
Executive Director, Transit Project Delivery

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Financial Section

KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the LACMTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, which represent 76%, 77%, and 73%, respectively, of the assets, net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, are based solely on the report of the other auditor. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the LACMTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LACMTA, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the schedules of funding progress, and the budgetary comparison information on pages 11-25 and 103-111 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LACMTA's basic financial statements. The accompanying other supplementary information on pages 113-118 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections on pages 1-7 and 119-141 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LACMTA's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 20, 2013

Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2013. The LACMTA's financial statements are designed to:

- Provide an overview of LACMTA's financial activities
- Highlight significant financial issues
- Discuss changes in LACMTA's financial position
- Explain any material deviations from the approved budget
- Identify individual major fund issues

We encourage readers to consider the information presented here in conjunction with additional information that we have in our letter of transmittal which can be found on pages 1-4 of this report. All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- LACMTA's total assets and deferred outflows of resource exceeded its liabilities and deferred inflows of resources as of June 30, 2013 by $8,342,922. Of this amount, $196,336 is reported as unrestricted net position.

- LACMTA's total net position increased by $479,108, 6.09%, over the previous year. Business-type activities net position increased by $96,318, 1.94%, and governmental activities net position increased by $382,790, 13.19%. The increase in the business-type activities net position is due to increase in capital and operating grants. For governmental activities, the increase in net position is primary due to increases in program and sales tax revenues.

- At the close of the current fiscal year, the LACMTA's governmental funds reported combined fund balances totaling $2,471,754, an increase of $354,057 in comparison with prior year. Of this amount, $2,003,319 is restricted, $20,280 is committed and assigned, and $448,155 is unassigned available for spending at LACMTA's discretion.

- At the end of current fiscal year, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance, for the general fund was $468,435 or approximately 436% of total general fund expenditures.

- LACMTA's total outstanding long-term debt decreased by $118,315 during the current fiscal year because of scheduled principal payments. Additionally, LACMTA did not issue new bonds in fiscal year 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LACMTA's basic financial statements. LACMTA's basic financial statements comprise of three components: (1) the government-wide financial statements; (2) the fund financial statements; and (3) notes to basic financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of LACMTA's finances in a manner similar to private-sector entities.

The Statement of Net Position, page 27, presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, trends of increasing or decreasing net position may serve as useful indicator of whether the financial position of LACMTA is improving or deteriorating.

The Statement of Activities, pages 28-29, presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs, total economic resources measurement focus, regardless of the timing of related cash flows. It shows the gross and net costs of LACMTA's functions.

Both of the government-wide financial statements distinguish between those functions that are intended to recover a significant portion of their costs from user fees and charges, business-type activities, and those functions that are principally supported by governmental revenues, governmental activities.

The government-wide financial statements include LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA's information. These entities include Public Transportation Services Corporation (PTSC), PTSC-MTA Risk Management Authority (PRMA), Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC) and the Service Authority for Freeway Emergencies (SAFE).

Fund Financial Statements

A fund is a group of related accounts that is distinguished by specific activities or objectives in accordance with special regulations or restrictions. LACMTA uses fund accounting to ensure and demonstrate compliance with legal requirements. LACMTA's funds are divided into three categories: proprietary, governmental, and fiduciary.

Proprietary Funds

LACMTA maintains only one proprietary fund: the Bus and Rail Operations Enterprise fund. All transit-related transactions, including support services, capital, debt, *ExpressLanes*, and the Union Station operation activities are recorded in this fund and presented in the business-type activities in the government-wide financial statements.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. The proprietary fund financial statements can be found on pages 37-39.

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near term inflows and outflows of spendable resources, as well as on balances of available spendable resources at the end of current fiscal year.

The basic governmental fund financial statements can be found on pages 30-31 and 34-35.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 33 and 36 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

LACMTA maintains eleven individual governmental funds, seven of which are considered major funds. Individual fund data for the major funds are presented in the governmental funds' balance sheet and governmental funds' statement of revenues, expenditures, and changes in fund balances.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major special revenue funds on pages 105-111, for the nonmajor fund on page 115, and the aggregate remaining special revenue funds on page 116.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. They cover the five employee pension plans and the

Other Postemployment Benefits (OPEB) Trust fund that are administered by LACMTA. The basic fiduciary fund statements can be found on pages 40-41.

Notes to Basic Financial Statements

Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding of LACMTA's finances. The notes to basic financial statements are on pages 43-101.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary and statistical information beginning on page 113.

Government-wide Financial Analysis

Statement of Net Position

LACMTA's net position increased by $479,108, 6.09%, compared to the previous year. The increase was mainly due to higher sales tax revenue and lower spending on both governmental and business type activities.

The following table is a summary of the statement of net position as of June 30, 2013 and 2012:

Los Angeles County Metropolitan Transportation Authority
Summary Statement of Net Position

	Business-type Activities		Governmental Activities		Total	
	2013	2012	2013	2012	2013	2012
Current & other assets	$2,076,544	$2,295,600	$2,798,508	$2,346,745	$4,875,052	$4,642,345
Capital assets	8,229,462	7,881,728	772,794	772,794	9,002,256	8,654,522
Deferred outflows – derivatives	78,944	2,004	-	-	78,944	2,004
Total assets and deferred outflows	10,384,950	10,179,332	3,571,302	3,119,539	13,956,252	13,298,871
Long-term liabilities	4,972,161	4,933,054	21,187	22,267	4,993,348	4,955,321
Other liabilities	353,928	277,985	266,027	195,974	619,955	473,959
Deferred inflows - derivatives	27	5,777	-	-	27	5,777
Total liabilities and deferred inflows	5,326,116	5,216,816	287,214	218,241	5,613,330	5,435,057
Net investment in capital assets	4,908,034	4,561,995	772,794	772,794	5,680,828	5,334,789
Restricted for debt service	469,027	431,009	-	-	469,027	431,009
Restricted for other purposes	-	-	1,996,731	1,642,101	1,996,731	1,642,101
Unrestricted	(318,227)	(30,488)	514,563	486,403	196,336	455,915
Total net position	$5,058,834	$4,962,516	$3,284,088	$2,901,298	$8,342,922	$7,863,814

The decrease in current and other assets of $219,056, 9.54%, in the business-type activities was substantially due to utilization of Measure R bond proceeds for the on-going construction of Metro Gold Line Foothill Extension and the Phase 2 of the EXPO light rail line.

The increase in the business-type unrestricted deficit net position of $287,739 was primarily due to the use of LACMTA's resources to fund capital assets acquisition.

The increase in current and other assets of $451,763, 19.25%, in the government-type activities was mainly due to higher sales tax and intergovernmental revenues. These revenue increases contributed a corresponding increase of $354,630 in the restricted net position.

Statement of Activities

The following table is a summary of the statement of activities for the years ended June 30, 2013 and 2012:

Los Angeles County Metropolitan Transportation Authority
Changes in Net Position

	Business-type Activities		Governmental Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$382,003	$375,917	$23,770	$15,740	$405,773	$391,657
Operating grants and contributions	272,951	289,517	502,374	401,651	775,325	691,168
Capital grants and contributions	135,653	207,509	-	-	135,653	207,509
General revenues:						
Sales tax	-	-	2,519,720	2,386,439	2,519,720	2,386,439
Investment income	16,775	13,785	14,421	19,055	31,196	32,840
Net appreciation (decline) in fair value of investments	1,202	1,695	(9,599)	(1,226)	(8,397)	469
Loss on disposition of capital assets	(2,850)	-	-	-	(2,850)	-
Miscellaneous	7,549	6,653	42,203	32,205	49,752	38,858
Total program revenues	813,283	895,076	3,092,889	2,853,864	3,906,172	3,748,940
Program expenses:						
Bus and rail operations	1,916,041	1,835,735	-	-	1,916,041	1,835,735
Union station operations	6,586	4,167	-	-	6,586	4,167
Toll operations	10,102	-	-	-	10,102	-
Transit operators programs	-	-	239,718	220,782	239,718	220,782
Local cities programs	-	-	431,470	442,409	431,470	442,409
Highway projects	-	-	312,807	234,690	312,807	234,690
Regional multimodal capital programs	-	-	146,528	96,174	146,528	96,174
Paratransit programs	-	-	13,097	10,227	13,097	10,227
Other transportation subsidies	-	-	130,964	63,875	130,964	63,875
General government	-	-	219,751	168,295	219,751	168,295
Total program expenses	1,932,729	1,839,902	1,494,335	1,236,452	3,427,064	3,076,354
Increase (decrease) in net position before transfers	(1,119,446)	(944,826)	1,598,554	1,617,412	479,108	672,586
Transfers	1,215,764	1,099,751	(1,215,764)	(1,099,751)	-	-
Increase in net position	96,318	154,925	382,790	517,661	479,108	672,586
Net position – beginning of year	4,962,516	4,807,591	2,901,298	2,383,637	7,863,814	7,191,228
Net position – end of year	$5,058,834	$4,962,516	$3,284,088	$2,901,298	$8,342,922	$7,863,814

Business-type activities recovered 28.66% of total operating expenses from operating revenues, excluding depreciation and interest, compared to 30.21% in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources and grants.

Operating grants and contributions in the governmental activities was higher by $100,723, 25.1%, compared to the previous year primarily due to higher grant reimbursements related to the I-405 project.

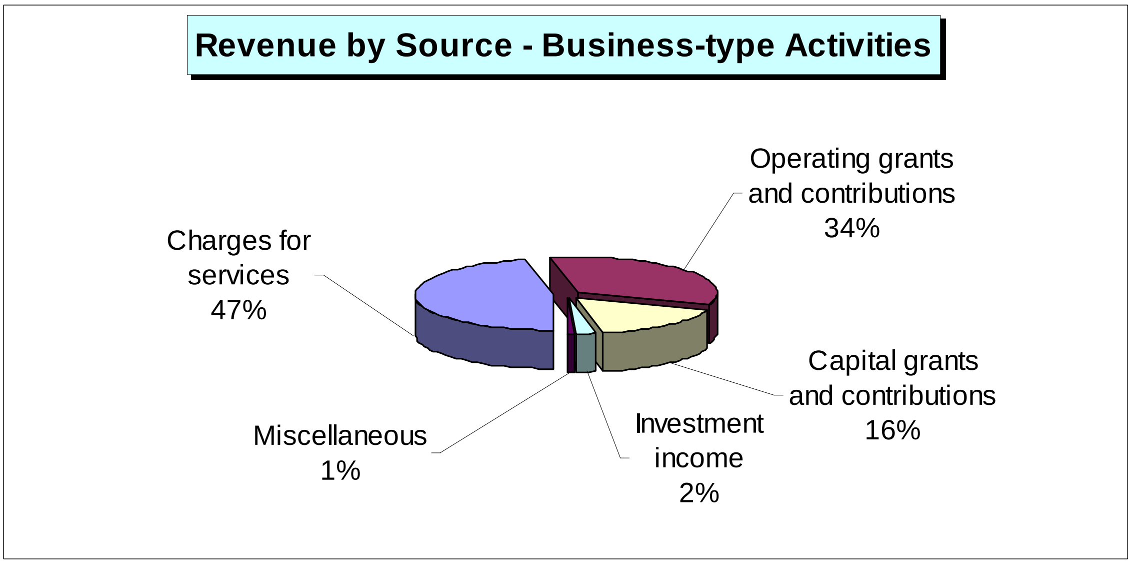
Sales tax revenues in the governmental activities increased by $133,281, 5.58%, compared to the previous year due to increase in Proposition A, Proposition C, Transportation Development Act and Measure R sales tax revenue, and higher receipts of State Transit Assistance funds.

Most of the governmental activities expenditures are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies to other agencies totaling $1,061,239 increased 20.76% from prior year and represented the largest governmental expenditures. Subsidies consisted of pass-through federal, state and local funding to other agencies in Los Angeles County for public transit, traffic system, street and road maintenance and other transit related improvement projects.

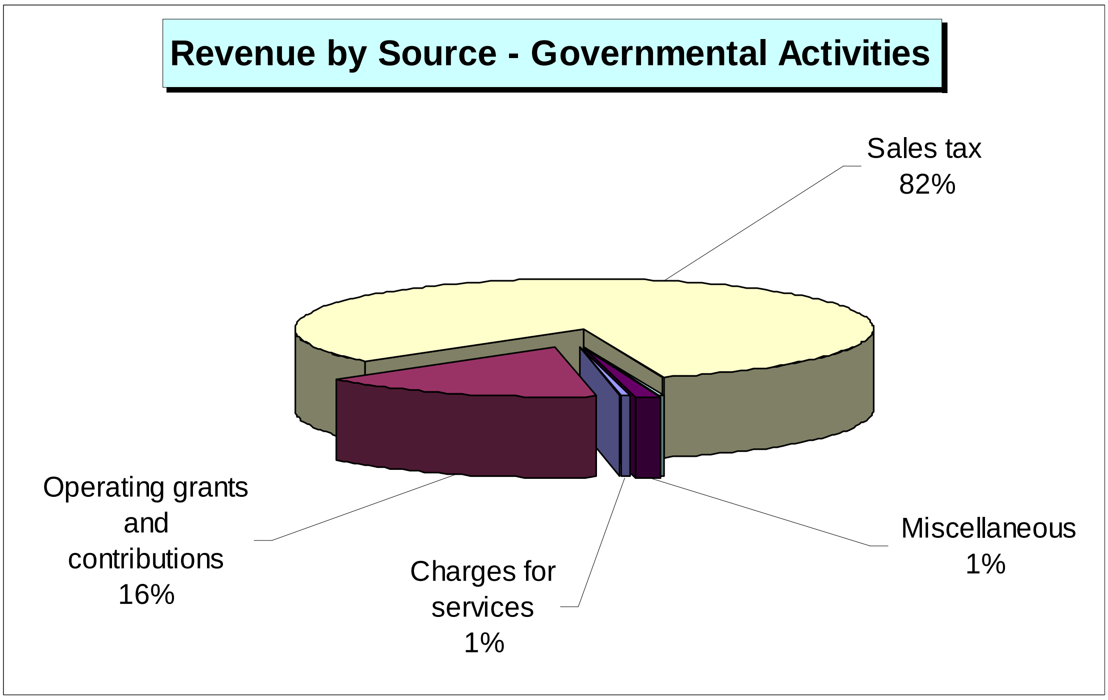
Highway project expenditures in the governmental activities were higher by $78,117, 33.29%, compared to the previous year mainly due to the increase in project expenditures related to the I-405 car pool lane and the I-710 improvement projects.

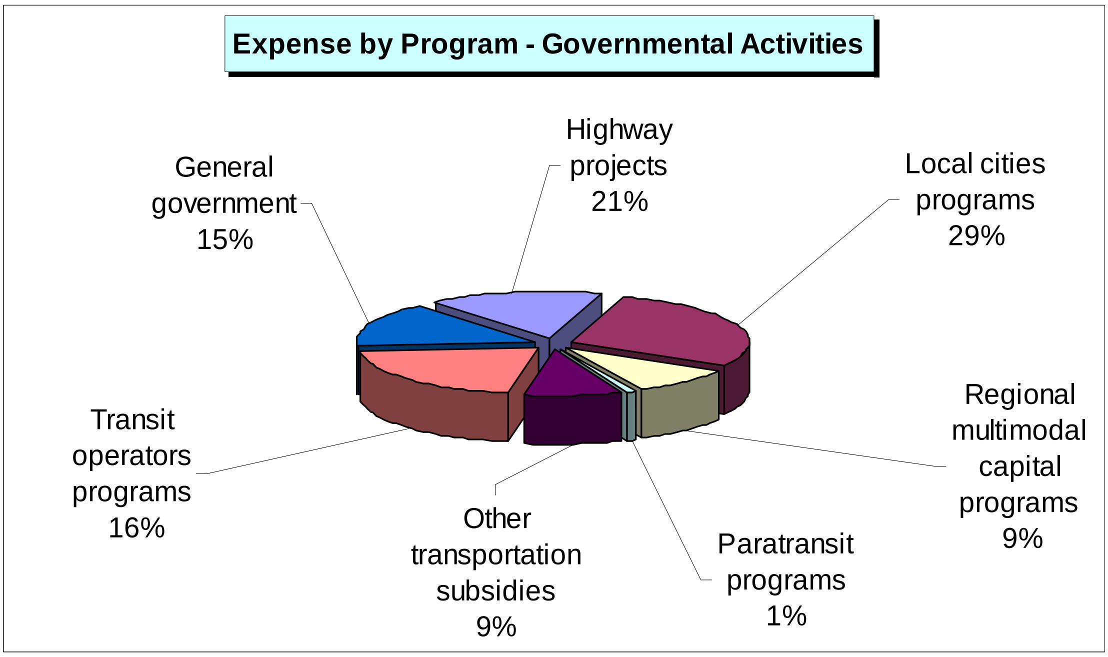
Regional multimodal capital program expenses increased by $50,354, 52.36%, primarily due to the subsidies for *Metrolink* capital projects for the purchase of rail cars and improvements for the I-5 South freeway from the Orange County line to I-605.

Below is a graphical depiction of the components of business-type revenues for the year ended June 30, 2013.



Below are graphical depictions of the components of governmental revenues and expenditures for the year ended June 30, 2013.





Financial Analysis of LACMTA's Funds

Proprietary Fund

The proprietary fund financial statements provide the same information found in the business-type section of the government-wide financial statements, but in more detail.

The increase of $96,318, 1.94%, in net position was primarily due to increases in capital and operating grants and a decrease in bus and rail operating expenses.

Governmental Funds

As previously stated, governmental funds present information about current financial, resources because they directly impact short-term flow of resources and financing requirements. This situation is particularly true in regard to the different categories of fund balances. The Unassigned fund balance of $448,155 represents uncommitted available resources as of the end of the fiscal year.

LACMTA's governmental funds ended the fiscal year with $2,471,754 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by $573 mainly due to higher planning and professional services incurred for the highway and transportation projects. Of the $475,023 fund balance, $26,868 is restricted, committed, and assigned for future expenditures.

The Proposition A fund balance increased by $29,953 mainly due to increase in sales tax receipts and lower subsidy payments to bus and rail operations. The entire amount of $191,111 fund balance is restricted as to use by the Proposition A ordinance.

The Proposition C fund balance decreased by $94,595 primarily due to large capital expenditures and higher subsidy provided to other operators. The Proposition C ordinance restricts the use of the fund balance of $40,057.

The Measure R fund balance increased by $273,922 mainly due to increase in sales tax revenue and lower bus and rail related subsidies provided to municipal operators. The restricted fund balance of $1,189,279 will be used to fund future programs eligible under the Measure R ordinance.

The Public Transportation Modernization and Service Enhancement Account (PTMISEA) fund balance increased by $126,761 mainly due to grant receipts of Proposition 1B State allocations, which were offset by increases in expenditures for the Bus Rehabilitation, Regional Downtown Connector, Crenshaw/LAX Transit Corridor, and Divisions Building Improvement projects. The PTMISEA fund has a restricted fund balance of $158,943.

Transportation Development Act fund balance increased by $27,323 primarily due to the increase in sales tax revenue. The fund balance of $324,387 is restricted under the Transportation Development Act's regulations.

The State Transit Assistance fund balance decreased by $13,751 due to lower State allocations received and increased subsidy payments for bus operations. The fund balance of $13,195 is restricted under the State Transit Assistance regulations.

General Fund Budgetary Highlights

The General Fund includes activities associated with the government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 2.62% of LACMTA's total governmental fund revenues, while expenditures represent 7.18% of total governmental fund expenditures.

The original budget increased by $17,031 due to higher expenditures for governmental activities and highway improvements.

Revenues

The General Fund's main sources of revenues were expected from lease and rental income from LACMTA's owned properties and receipts of Federal alternative fuel tax refunds. The federal alternative fuel tax credit program was extended from January 2012.

Total actual revenues were higher than budget by $31,546 due to Federal alternative fuel tax credit that had expired but was renewed retroactively after the budget was adopted.

Expenditures

The General Fund provides resources to pay for bus and rail operations, joint development administration, property management expenditures, administration of LACMTA's rideshare services and other general expenditures.

The favorable variance in expenditures of $23,335 compared to budget was mainly due to lesser payment of subsidies and expenditures related to governmental and oversight activities, transit planning and other programming and planning activities. The favorable variance in the other financing sources of $53,522 compared to budget was mainly due to the administration fees transferred from Proposition A and C administration funds to the General Fund.

Capital Assets

As of June 30, 2013, LACMTA had $9,002,256, net of accumulated depreciation, invested in capital assets, as shown below, a 4.02% increase from the previous fiscal year.

Los Angeles County Metropolitan Transportation Authority
Capital Assets (Net of accumulated depreciation)

	Business-type Activities		Governmental Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 813,003	$ 760,232	$ 772,794	$ 772,794	$ 1,585,797	$ 1,533,026
Buildings	5,286,363	5,339,603	-	-	5,286,363	5,339,603
Equipment	74,319	90,085	-	-	74,319	90,085
Vehicles	828,412	861,868	-	-	828,412	861,868
Construction in progress	1,227,365	829,940	-	-	1,227,365	829,940
Total Capital Assets	$ 8,229,462	$ 7,881,728	$ 772,794	$ 772,794	$ 9,002,256	$ 8,654,522

Major capital asset projects in various stages of development at the end of the current fiscal year included the following:

The Exposition light rail project is a $2.4 billion project that traverses 15.2 miles between Downtown Los Angeles and Santa Monica. The EXPO line is being built in two phases:

The first phase of the EXPO Line, with a budget of $932 million, is approximately 8.6 miles long and parallels the heavily congested I-10 freeway extending from Downtown Los Angeles to Culver City with a travel time of less than 30 minutes. It operates in a dual track configuration on Flower Street and along the Exposition right-of-way. It has twelve stations, including three aerial stations. The project is electrically powered from overhead power lines. As of June 30, 2013, $867 million has been expended on Phase 1. This phase of the project is already operational.

The second phase estimated to cost $1.5 billion, is approximately 6.6 miles and continues from the Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. It travels along the Exposition right-of-way until it reaches 17th Street in Santa Monica and operates in street-running mode down the middle of Colorado Avenue. It will have seven new stations, two of which will be aerial. The estimated travel time between downtown Los Angeles and Santa Monica is less than 46 minutes. As of June 30, 2013, $447.4 million has been expended on Phase 2 project.

The Metro Gold Line Phase II, Foothill Extension, corridor includes the cities of Pasadena, Arcadia, Monrovia, Duarte, Irwindale, Azusa, Glendora, San Dimas Glendora, La Verne, Pomona, Claremont, and Montclair in the counties of Los Angeles and San Bernardino. The Foothill Extension is being built in two segments. The first segment, Segment 2A, is budgeted at $741 million and extends from the Sierra Madre Villa Station in Pasadena to the City of Azusa. The second segment, Segment 2B, is currently unbudgeted and would include an extension from Azusa to the City of Montclair. Segment 2A is under construction. The project includes approximately 11.4 miles of double light rail main track, new bridges, improvements to existing bridges, retaining walls, sound walls, 6 at-grade passenger stations, parking structures, surface parking lots, power systems, train control systems, grade crossings and roadway improvements. Segment 2A also includes 5 miles of freight rail track relocations and improvements. Revenue service along this segment is planned for the fiscal year 2016. As of June 30, 2013, $263.2 million has been expended.

The Regional Connector Transit Corridor is a $1.4 billion project of which $163.8 million has been approved interim LOP budget as of June 30, 2013. The cost includes the Environmental Planning and Preliminary Engineering phases of the project. This project will connect the Metro Gold, Blue and EXPO Lines and the length of this proposed route would be approximately 1.9 miles. The proposed project from the 7th/Metro Center Station will extend north along Flower Street turning east on 2nd Street. At 2nd Street, the underground tunnel would extend east with new underground stations to provide access to Bunker Hill and to the areas between Los Angeles Street and Broadway with stations at 2nd/Hope Street and 2nd/Broadway. Tracks would continue east underneath 2nd Street to Central Avenue and veer northeast to a new Little Tokyo/Arts District underground station. Tracks would continue from the station under the intersection of 1st and Alameda Streets into a new underground rail junction. The alignment will connect to the existing Gold Line east of the intersection of 1st and Alameda Streets and north of Temple Street. As of June 30, 2013, $71.3 million has been expended.

The Crenshaw/LAX Transit Corridor project has an approved life-of-project (LOP) budget of $2.1 billion that covers the design and construction of a new 8.5-mile double-track LRT line, including eight transit stations, the procurement of a minimum of 20 light rail vehicles, and the construction of a full service maintenance facility known as the Southwestern Yard. The Project will extend from the EXPO Line (at the intersection of Exposition and Crenshaw Boulevards) and the Metro Green Line near the existing Aviation/LAX Station. The efforts in fiscal year 2013 included the advanced relocation of major utilities by a contractor as well as by third parties. In June 2013 the LACMTA board awarded a $1.3 million design-build contract which includes the final design and major construction components for the project. As of June 30, 2013, $149.3 million has been expended.

The LACMTA Board has certified the Final Environmental Impact Report (FEIR) and has adopted the Project definition for the nine-mile Westside Subway Purple Line Extension Project. The Project is planned currently to be constructed in three sections. Section 1 will extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire/La Cienega. Section 1 has an estimated total budget of $2.9 billion and an interim life-of-project budget of $274.0 million. It includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and will procure 34 heavy rail vehicles. As of June 30, 2013, $98.3 million has been expended.

The Metro *ExpressLanes*, budgeted at $120.6 million, introduced congestion pricing by converting high occupancy vehicle (HOV or carpool) lanes to high occupancy toll (HOT) lanes, on the I-110 freeway between the SR91 freeway and Adams Blvd in downtown Los Angeles and the I-10 freeway between the I-605 freeway and Alameda Street in downtown

Los Angeles. This allows drivers of single occupant vehicles to use the high occupancy vehicle lane and promotes increased transit ridership and carpool/vanpool usage. The minimum toll per mile is $0.25 with a maximum of $1.40 per mile. The start of revenue operations on the I-110 and I-10 HOT lanes began November 2012 and February 2013, respectively. As of June 30, 2013, $103.1 million has been expended.

LACMTA entered into a $158.7 million contract to acquire 50 light rail vehicles, which includes spare parts, special tools, and test equipment. As of FY13, 50 vehicles were delivered and placed into service. As a result of a contract modification settlement agreement, the revised contract value is $119.8 million. As of June 30, 2013, $113.3 million has been expended.

In FY13, LACMTA received 125 buses under an $84 million bus acquisition project for 150 45' composite, compressed natural gas (CNG) transit buses. As of June 30, 2013, $81.0 million has been expended. There is an ongoing new procurement for 550 40' CNG buses at an estimated cost of $297 million. On behalf of the Advanced Transit Vehicle Consortium, a partnership between LACMTA, the City of Los Angeles, Los Angeles County and AQMD, a future procurement of up to 30 Zero Emission and Super Low Emission Buses is budgeted at a cost of $30 million.

Additional information on capital assets can be found on page 64.

Long-term Debt Administration

As of June 30, 2013, LACMTA had a total of $4,484,810 in long-term debt outstanding. Of this amount, $3,107,215 relates to bonds secured by sales tax revenue, $154,940 is secured by farebox and other general revenues and $815,369 relates to lease/leaseback obligations. The remaining balance consists of commercial paper notes, and other debt as shown below:

Los Angeles County Metropolitan Transportation Authority
Long-term Debt

	Business-Type Activities		Governmental Activities		Total	
	2013	2012	2013	2012	2013	2012
Sales tax revenue bonds and refunding bonds	$ 3,107,215	$ 3,361,495	$ -	$ -	3,107,215	3,361,495
Lease/lease to service obligations	815,369	784,983	-	-	815,369	784,983
General revenue bonds	154,940	160,770	-	-	154,940	160,770
Commercial paper notes	148,114	33,551	-	-	148,114	33,551
Other debt	6,516	8,590	21,187	22,267	27,703	30,857
Total long-term debt	4,232,154	4,349,389	21,187	22,267	4,253,341	4,371,656
Unamortized bond premium	231,607	158,633	-	-	231,607	158,633
Unamortized bond discount	(138)	(65,949)	-	-	(138)	(65,949)
Total long-term debt, net	$ 4,463,623	$ 4,442,073	$ 21,187	$22,267	$ 4,484,810	$ 4,464,340

The decrease in long-term principal balances was mainly due to scheduled principal payments. $126,520 of new commercial paper notes were issued to reimburse the LACMTA General Fund for the purchase of the Los Angeles Union Station and to provide funding for the Proposition A debt service reserve fund. Unamortized bond premiums increased as a result of refundings. As a result, there was a net increase in the total long-term debt balance. In fiscal year 2013, LACMTA issued Proposition C Series 2012-A, Series 2012B and Series 2013-A Refunding Bonds, for an aggregate principal amount of $14,635, $74,885 and $138,960, respectively to achieve debt service savings associated with more favorable financing terms. These bonds, except for Proposition C 2012-A, which were issued at a discount, were issued at a premium and the proceeds were used to refinance outstanding Proposition C Series 1999-A, Series 2009-C and Series 2009-A Refunding Bonds with principal balances of $15,020, $89,625 and $165,625 respectively. The refundings generated an aggregate net present value of net cash flow savings of $33,062 over 15 years and a decrease of $255,520 in the amount of liquidity facilities needed for the Proposition C Series 2009-A and 2009-C variable rate bonds. The interest rate swap agreements related to Proposition C Series 2009-A and 2009-C were also terminated with LACMTA paying $2,471 and $953, respectively in swap termination values.

LACMTA also issued Proposition A Series 2012-A and Series 2013-A Refunding Bonds totaling $330,400 in principal amount generating a total of $54,574 in net present value of net cash flow savings over 8 years. The bonds were issued at a premium and the proceeds were used to purchase $28,820 Prop A Series 2003-A Bonds and Prop A Series 2003-B Bonds, refund and defease $116,815 of Prop A 2003-A Bonds and $194,645 of Prop A Series 2003-B Bonds refunding bonds and Prop A 2003-B outstanding sales tax revenue refunding bonds.

The refundings resulted to a $4,753 excess of the total bonds net carrying value over total reacquisition price which are reported under Deferred Outflow of Resources or Deferred Inflow of Resources in the business-type activities of the government-wide financial statements and are being amortized over the life of the refunded or the refunding bonds, whichever is shorter.

In fiscal year 2013, LACMTA reduced its letter of credit facilities supporting its Proposition A Commercial Paper program from $250 million to $150 and replaced its $150 million expiring letters of credit supporting the Proposition C Commercial Paper program with $75 million letter of credit and a $75 million revolving credit facility.

Bond Ratings

LACMTA's bonds are rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2013, the ratings are as follows:

Bond Issue Type	Standard & Poor's	Moody's	Fitch
Proposition A First Tier Senior Lien Bonds	AAA	Aa2	AA
Proposition C Senior Sales Tax Revenue Bonds	AA+	Aa3	AA
General Revenue Bonds	A	A1	n/a
Measure R Sales Tax Revenue Bonds	AAA	Aa2	n/a

Additional information on LACMTA's long-term debt can be found on pages 80 to 90.

Economic Factors and Next Year's Budget

The main economic factors affecting LACMTA's financial capacity to deliver transportation programs and projects include:

- Economic conditions influencing local sales tax revenues
- Capital grant revenues availability
- Fuel and labor costs
- Inflation

LACMTA uses forecasts from various governmental sources as a basis for its future funding assumptions. The budget for FY14 assumed a 5.0% growth in sales tax revenues from Prop A, Prop C, TDA and Measure R over the FY13 budget. Also, the FY14 budget assumed the allocation of $115.5 million of STA from the state. Other budget assumptions included:

- Increase of 192,899 (not in thousands) in bus revenue service hours due to the addition of Orange Line service and longer hours of run to alleviate the congestion on other bus lines.
- Increase of 59,852 (not in thousands) in rail revenue service hours as a result of overall improvement on mid-day headways on weekend and night operations.
- Full Time Equivalents (FTEs) are added to accommodate the increase in bus and rail service hours.
- Wage and salary increases based on Board adopted contracts.

Local sales taxes, the largest revenue sources for LACMTA, comprised 43% of LACMTA's total FY14 estimated revenues. From this revenue base, LACMTA constructs a budget that balances anticipated revenues with area transportation needs. For details of LACMTA's FY14 budget, please visit LACMTA's website at www.metro.net.

Further Information

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Inquiries should be directed to the Chief Financial Services Officer and Treasurer, One Gateway Plaza, Mail Stop 99-25-7, Los Angeles, CA, 90012-2952 or visit LACMTA's website at www.metro.net.

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Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
June 30, 2013
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	$ 97,510	$ 521,754	$ 619,264
Cash and cash equivalents - restricted	448,202	881	449,083
Investments – unrestricted	286,998	1,638,645	1,925,643
Investments – restricted	189,126	-	189,126
Derivative instrument asset – commodity swap	27	-	27
Receivables (net of allowance for doubtful accounts)	299,676	508,980	808,656
Internal balances	(128,054)	128,054	-
Inventories	60,257	-	60,257
Prepaid and other current assets	7,434	194	7,628
Lease accounts	815,368	-	815,368
Capital assets:			
Land and construction in progress	2,040,368	772,794	2,813,162
Other capital assets, net of depreciation	6,189,094	-	6,189,094
TOTAL ASSETS	10,306,006	3,571,302	13,877,308
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on derivatives - interest rate swap	12,024	-	12,024
Deferred outflows on refunding	66,920	-	66,920
TOTAL DEFERRED OUTFLOWS OF RESOURCES	78,944	-	78,944
LIABILITIES			
Accounts payable and accrued liabilities	254,711	228,670	483,381
Accrued interest payable	55,418	-	55,418
Pollution remediation obligation	7,581	-	7,581
Net pension obligation	2,849	-	2,849
Net OPEB obligation	122,235	-	122,235
Derivative instrument liability – interest rate swap	14,156	-	14,156
Unearned revenues and unamortized credits	14,046	13,061	27,107
Other liabilities	29,753	24,296	54,049
Long-term liabilities:			
Due within 1 year	431,234	667	431,901
Due in more than 1 year	4,394,106	20,520	4,414,626
TOTAL LIABILITIES	5,326,089	287,214	5,613,303
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on derivatives – commodity swap	27	-	27
TOTAL DEFERRED INFLOWS OF RESOURCES	27	-	27
NET POSITION			
Net investment in capital assets	4,908,034	772,794	5,680,828
Restricted for debt service	469,027	-	469,027
Restricted for other purposes	-	1,996,731	1,996,731
Unrestricted (deficit)	(318,227)	514,563	196,336
TOTAL NET POSITION	$ 5,058,834	$ 3,284,088	$ 8,342,922

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

Los Angeles County Metropolitan Transportation Authority
Statement of Activities
For the Year ended June 30, 2013
(Amounts expressed in thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Business-type activities:			
Bus and rail operations	$ 1,916,041	$ 364,553	$ 264,452
Union Station operations	6,586	4,459	-
Toll operations	10,102	12,991	8,499
Total business-type activities	1,932,729	382,003	272,951
Governmental activities:			
Transit operators programs	239,718	-	-
Local cities programs	431,470	-	-
Highway project	312,807	-	276,274
Regional multimodal capital programs	146,528	-	-
Paratransit programs	13,097	-	-
Other transportation subsidies	130,964	-	2,018
General government	219,751	23,770	224,082
Total governmental activities	1,494,335	23,770	502,374
Total	$ 3,427,064	$ 405,773	$ 775,325

General revenues:
- Sales tax
- Investment income
- Net appreciation (decline) in fair value of investments
- Loss on disposition of capital assets
- Miscellaneous

Transfers
Total general revenues
Change in net position

Net position – beginning of year

Net position – end of year

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

	Net (Expense) Revenue and Changes in Net position		
Capital Grants and Contributions	Business-type Activities	Governmental Activities	Total
$ 135,653	$ (1,151,383)	$ -	$ (1,151,383)
-	(2,127)	-	(2,127)
-	11,388	-	11,388
135,653	(1,142,122)	-	(1,142,122)
-	-	(239,718)	(239,718)
-	-	(431,470)	(431,470)
-	-	(36,533)	(36,533)
-	-	(146,528)	(146,528)
-	-	(13,097)	(13,097)
-	-	(128,946)	(128,946)
-	-	28,101	28,101
-	-	(968,191)	(968,191)
$ 135,653	(1,142,122)	(968,191)	(2,110,313)
	-	2,519,720	2,519,720
	16,775	14,421	31,196
	1,202	(9,599)	(8,397)
	(2,850)	-	(2,850)
	7,549	42,203	49,752
	1,215,764	(1,215,764)	-
	1,238,440	1,350,981	2,589,421
	96,318	382,790	479,108
	4,962,516	2,901,298	7,863,814
	$ 5,058,834	$ 3,284,088	$ 8,342,922

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2013
(Amounts expressed in thousands)

	General Fund	Special Proposition A	Special Proposition C
ASSETS			
Cash and cash equivalents – unrestricted	$ 24,696	$ 8,654	$ 6,164
Investments – unrestricted	249,601	87,685	62,933
Receivables:			
Accounts	6,150	-	2,167
Interest	1,021	419	-
Intergovernmental	3,414	-	141,495
Sales taxes	-	68,128	68,174
Notes	4,000	-	-
Due from other funds	233,900	94,500	14,558
Restricted assets:			
Cash and cash equivalents	881	-	-
TOTAL ASSETS	$ 523,663	$ 259,386	$ 295,491
LIABILITIES			
Accounts payable and accrued liabilities	$ 15,037	$ 30,325	$ 116,853
Due to other funds	22,041	37,950	77,000
Unearned revenues	10,341	-	61,581
Other liabilities	1,221	-	-
TOTAL LIABILITIES	48,640	68,275	255,434
FUND BALANCES			
Restricted	6,588	191,111	40,057
Committed	8,877	-	-
Assigned	11,403	-	-
Unassigned	448,155	-	-
TOTAL FUND BALANCES	475,023	191,111	40,057
TOTAL LIABILITIES AND FUND BALANCES	$ 523,663	$ 259,386	$ 295,491

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

Revenue Funds					
Measure R	PTMISEA	TDA	STA	Other Governmental Funds	Total Governmental Funds
$ 97,285	$ 21,531	$ 307,616	$ 19,953	$ 35,855	$ 521,754
990,207	172,126	-	-	76,093	1,638,645
3,675	-	-	-	-	11,992
2,928	57	306	35	71	4,837
388	-	-	-	1,659	146,956
128,074	-	32,592	26,227	-	323,195
18,000	-	-	-	-	22,000
23,242	-	-	-	-	366,200
-	-	-	-	-	881
$ 1,263,799	$ 193,714	$ 340,514	$ 46,215	$ 113,678	$ 3,036,460
$ 58,563	$ -	$ 2,149	$ 5,177	$ 566	$ 228,670
15,800	34,771	13,978	27,843	8,763	238,146
157	-	-	-	1,515	73,594
-	-	-	-	23,075	24,296
74,520	34,771	16,127	33,020	33,919	564,706
1,189,279	158,943	324,387	13,195	79,759	2,003,319
-	-	-	-	-	8,877
-	-	-	-	-	11,403
-	-	-	-	-	448,155
1,189,279	158,943	324,387	13,195	79,759	2,471,754
$ 1,263,799	$ 193,714	$ 340,514	$ 46,215	$ 113,678	$ 3,036,460

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Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Balance Sheet
to the Statement of Net Position – Governmental Activities
June 30, 2013
(Amounts expressed in thousands)

Fund balance – total governmental funds (page 31)	$ 2,471,754
Government capital assets are not financial resources and, therefore, are not reported in the funds	772,794
Governmental funds account for cost of refunding bond obligation as expenditures. However, in the Statement of Net Position – Governmental Activities, these costs are reported as prepayments and amortized over the life of the bonds	194
Unearned revenues recognized in the Balance Sheet but not reported in the Statement of Net Position – Governmental Activities. These revenues are not available in the current period	72,694
Bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds	(21,187)
Governmental funds report revenue only to the extent that it increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. This is the amount of revenues pertaining to future periods	(12,161)
Net position of governmental activities (page 27)	$ 3,284,088

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

		Special	
	General Fund	Proposition A	Proposition C
REVENUES			
Sales taxes	$ -	$ 687,172	$ 687,332
Intergovernmental	30,948	-	241,298
Investment income	3,412	1,270	661
Net appreciation (decline) in fair value of investment	(2,662)	(1,046)	(141)
Lease and rental	15,509	-	-
Licenses and fines	508	-	-
Other	32,658	-	-
TOTAL REVENUES	80,373	687,396	929,150
EXPENDITURES			
Current:			
Administration and other transportation projects	90,664	-	275,403
Transportation subsidies	14,497	275,057	445,353
Debt and interest expenditures:			
Principal	1,080	-	-
Interest and fiscal charges	1,114	-	-
TOTAL EXPENDITURES	107,355	275,057	720,756
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,982)	412,339	208,394
OTHER FINANCING SOURCES (USES)			
Transfers in	78,046	32,224	2,419
Transfers out	(51,637)	(414,610)	(305,408)
TOTAL OTHER FINANCING SOURCES (USES)	26,409	(382,386)	(302,989)
NET CHANGE IN FUND BALANCES	(573)	29,953	(94,595)
Fund balances – beginning of year	475,596	161,158	134,652
FUND BALANCES – END OF YEAR	$ 475,023	$ 191,111	$ 40,057

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

Funds					
Measure R	PTMISEA	TDA	STA	Other Governmental Funds	Total Governmental Funds
$ 684,862	$ -	$ 343,806	$ 116,548	$ -	$ 2,519,720
1,253	194,532	-	-	16,163	484,194
7,002	28	1,958	194	99	14,624
(5,752)	-	-	-	2	(9,599)
-	-	-	-	-	15,509
-	-	-	-	7,607	8,115
-	-	-	-	-	32,658
687,365	194,560	345,764	116,742	23,871	3,065,221
58,237	-	-	-	7,663	431,967
187,189	-	114,612	24,531	-	1,061,239
-	-	-	-	-	1,080
-	-	-	-	-	1,114
245,426	-	114,612	24,531	7,663	1,495,400
441,939	194,560	231,152	92,211	16,208	1,569,821
31,886	-	-	-	-	144,575
(199,903)	(67,799)	(203,829)	(105,962)	(11,191)	(1,360,339)
(168,017)	(67,799)	(203,829)	(105,962)	(11,191)	(1,215,764)
273,922	126,761	27,323	(13,751)	5,017	354,057
915,357	32,182	297,064	26,946	74,742	2,117,697
$ 1,189,279	$ 158,943	$ 324,387	$ 13,195	$ 79,759	$ 2,471,754

Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 35)	$ 354,057
Governmental funds account for principal payment as expenditures. The payment of principal of long-term debts consumes current financial resources but has no effect on net assets. Principal payments are included in the fund financials	1,080
Governmental funds account for cost of refunding bond obligation as expenditures. However, in the Statement of Net Position - Governmental Activities, these costs are reported as prepayments and amortized over the life of the bonds. This is the current amount of deferred charges	(14)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources to governmental funds. However, these are reported as revenues in the Statement of Activities in the prior period	1,429
Investment income accrued in the Statement of Activities in the prior year, and now reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances as they became available	(1,017)
Investment income accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These unearned revenues are not reported in the current period because they are not available	814
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These deferred revenues are not reported in the current period because they pertain to future periods	71,880
Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances provide current financial resources to governmental funds. However, these are reported as revenues in the Statement of Activities in the prior period	(45,439)
Change in net position of governmental activities (page 29)	$ 382,790

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
Proprietary Fund – Enterprise Fund
June 30, 2013
(Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 97,510
Cash and cash equivalents – restricted	206,174
Investments – unrestricted	286,998
Investments – restricted	4,471
Derivative instrument asset – commodity swap	27
Receivables (net of allowance for doubtful accounts)	297,163
Inventories	60,257
Prepaid and other current assets	7,434
Total current assets	960,034
Noncurrent assets:	
Cash and cash equivalents – restricted	242,028
Investments – restricted	184,655
Notes receivable	2,513
Lease accounts	815,368
Capital assets	
Land and construction in progress	2,040,368
Other capital assets, net of depreciation	6,189,094
Total noncurrent assets	9,474,026
Total assets	10,434,060
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on derivatives – interest rate swap	12,024
Deferred outflows on refunding	66,920
Total deferred outflows of resources	78,944
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	254,711
Accrued interest payable	55,418
Due to other funds	128,054
Claims payable	84,737
Compensated absences payable	64,462
Bonds and notes payable	282,035
Other current liabilities	29,753
Total current liabilities	899,170
Noncurrent liabilities:	
Claims payable	193,099
Compensated absences payable	19,419
Pollution remediation obligation	7,581
Net pension obligation	2,849
Net OPEB obligation	122,235
Bonds and notes payable	4,181,588
Derivative instrument liability – interest rate swap	14,156
Unearned revenues and unamortized credits	14,046
Total noncurrent liabilities	4,554,973
Total liabilities	5,454,143
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on derivatives – commodity swap	27
NET POSITION	
Net investment in capital assets	4,908,034
Restricted for debt service	469,027
Unrestricted deficit	(318,227)
Total net position	$5,058,834

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	$ 340,010
Auxiliary transportation	24,543
Lease and rental	4,459
Toll revenues	12,991
TOTAL OPERATING REVENUES	382,003
OPERATING EXPENSES	
Salaries and wages	449,918
Fringe benefits	371,076
Professional and technical services	173,580
Material and supplies	89,013
Casualty and liability	42,264
Fuel, lubricants, and propulsion power	73,823
Purchased transportation	37,771
Depreciation	465,103
Other	95,457
TOTAL OPERATING EXPENSES	1,798,005
OPERATING LOSS	(1,416,002)
NON-OPERATING REVENUES (EXPENSES)	
Local grants	412
State grants	340
Federal grants	272,199
Investment income	16,775
Net appreciation in fair value of investments	1,202
Interest expense	(134,724)
Loss on disposition of capital assets	(2,850)
Other revenue	7,549
TOTAL NET NON-OPERATING REVENUES	160,903
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,255,099)
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	604
State grants	44,534
Federal grants	90,515
Transfers in – capital	589,809
TOTAL CAPITAL GRANTS AND CONTRIBUTIONS	725,462
TRANSFERS IN – OPERATING	625,955
CHANGE IN NET POSITION	96,318
Net position – beginning of year	4,962,516
NET POSITION – END OF YEAR	$5,058,834

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

Los Angeles County Metropolitan Transportation Authority
Statement of Cash Flows
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 385,894
Payments to suppliers	(349,638)
Payments to employees	(780,963)
Net cash used for operating activities	(744,707)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from other funds	619,556
Federal operating grants	356,129
Receipts from other non-operating activities	7,549
Net cash provided by non-capital financing activities	983,234
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	790,684
Proceeds from disposition of capital assets	536
Capital contributions	727,429
Payments for matured bonds and notes payable	(839,972)
Acquisition and construction of capital assets	(1,008,027)
Interest paid	(179,086)
Net cash used for capital and related financing activities	(508,436)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturity of investments	22,058,038
Purchase of investments	(22,057,750)
Investment earnings	19,312
Net cash flows from investing activities	19,600
Net decrease in cash and cash equivalents	(250,309)
Cash and cash equivalents – beginning of year	796,021
Cash and cash equivalents – end of year	$ 545,712
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	$(1,416,002)
Adjustment to reconcile operating loss to net cash used for operating activities	
Depreciation expense	465,103
Increase in receivables	(3,710)
Increase in prepaid and other current assets	(2,903)
Decrease in inventories	1,287
Increase in accounts payable and accrued liabilities	65,947
Decrease in claims payable	(4,746)
Increase in compensated absences payable	1,883
Decrease in net pollution remediation obligations	(50)
Increase in net pension obligation	1,142
Increase in net OPEB obligation	36,815
Increase in unearned revenues and unamortized credits	98,125
Increase in other current liabilities	12,402
Total adjustments	671,295
Net cash used for operating activities	$ (744,707)
Non-cash investing, capital, and financing transactions:	
Lease/leaseback accretion	$ 37,337
Write-off of capital assets	2,007
Loss on disposition of capital assets	(2,850)
Net appreciation in fair value of investments	1,202

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
Fiduciary Funds
June 30, 2013
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund
ASSETS		
Cash and cash equivalents	$ 15,559	$ 10,712
Investments		
Bonds/Derivatives	244,976	50,970
Domestic stocks	166,273	47,055
Non-domestic stocks	6,048	14,569
Pooled investments	630,536	108,037
Receivables		
Member contributions	522	247
Securities sold	40,657	-
Interest and dividends	4,250	360
Receivable from sponsor	628	-
Prepaid items and other assets	34	-
Total assets	1,109,483	231,950
LIABILITIES		
Accounts payable and other liabilities	1,470	860
Securities purchased	68,004	-
Total liabilities	69,474	860
NET POSITION		
Held in trust for pension and OPEB benefits	$ 1,040,009	$ 231,090

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

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Net Position
Fiduciary Funds
For the year ended June 30, 2013
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund
ADDITIONS		
Contributions		
Employer	$ 54,637	$ 24,126
Member	22,353	886
Total contributions	76,990	25,012
From investing activities		
Net increase in fair value of investments	113,071	20,356
Investment income	12,819	6,735
Investment expense	(3,346)	(904)
Other income	1,135	-
Total investing activities income	123,679	26,187
Total additions	200,669	51,199
DEDUCTIONS		
Retiree benefits	78,102	19,073
Administrative expenses	1,601	-
Total deductions	79,703	19,073
Net increase	120,966	32,126
Net assets – beginning of year	919,043	198,964
NET POSITION – END OF YEAR	$1,040,009	$ 231,090

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

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The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements. Unless otherwise stated, all dollar amounts are expressed in thousands.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a 14-member Board of Directors (Board). The Board is comprised 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 mayors or members 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.

Management has prepared LACMTA's financial statements and those of its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially dependent upon LACMTA and because LACMTA's approval is needed for the units to expend their budgets or charges, and issue long-term debt. Although they are legally separate entities, the blended component units are in substance part of LACMTA's operations and data from these units are combined with LACMTA's financial data.

LACMTA administers the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE) and includes the activities of these organizations in the accompanying financial statements. PTSC, PRMA, and EXPO provide services exclusively to LACMTA. LACMTA shares its governing board with CPC and SAFE. PTSC, PRMA, EXPO, and CPC are presented and reported in the business activity type funds and SAFE is reported in the governmental fund type. Additional detailed financial information for each of these entities can be obtained from LACMTA's Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or visit LACMTA's website at www.metro.net.

PTSC was created in August 1997 to conduct activities essential to the provision of public transportation in and around Los Angeles County. To achieve this goal, LACMTA entered into an acquisition agreement under which the planning, programming, administrative, operational management, and construction functions of LACMTA were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by LACMTA.

PRMA was established in October 1998 for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA provides workers' compensation coverage for all LACMTA and PTSC employees' and provides public liability and property damage insurance coverage for all LACMTA properties.

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 73-station Metro Rail system. The first phase of the project runs 8.6 miles from Metro Rail Station at 7th and Flower Streets in downtown Los Angeles to Washington and National Boulevards in Culver City. The second phase is approximately 6.6 miles and is continuing from Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. The first phase of the project commenced revenue operations in April 2012.

CPC was established in March 2012 for the purpose of securing a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Crenshaw/LAX Corridor project. This project covers the design and construction of a new 8.5 mile double-track light rail lines with a minimum of six transit stations and a full service maintenance facility known as "Southwestern Yard". The Crenshaw/LAX Corridor project will extend from the EXPO Line at the intersection of Exposition and Crenshaw Boulevards and the Green Line near the existing Aviation/LAX station.

SAFE was established in 1988 under the authority of the California Legislature to provide emergency aid to motorists on freeways and expressways within Los Angeles County.

B. Government-wide and Fund Financial Statements

LACMTA's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No.34, as amended, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,*" consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Business-type activities, which rely to a significant extent on fees and charges for services, are reported separately from governmental activities, which normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included within program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

Separate fund financial statements are provided for proprietary funds, governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economic resources measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request. Long-term debt is recorded only when payment is due.

Interest income associated with the current fiscal period is subject to accrual and has been recognized as revenues of the current fiscal period.

The effect of interfund activity has been eliminated from the government-wide financial statements. However, intra-activity billing for services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include: 1) charges to customers of transit services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment income, and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of LACMTA's Enterprise fund are charges to customers for services, rental, and toll revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is LACMTA's policy to use restricted resources first. Unrestricted resources are used as they are needed.

Fund Accounting

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 functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: proprietary, governmental, and fiduciary, as described below.

The Proprietary fund is used to account for LACMTA's ongoing operations and activities similar to those found in the private sector where the determination of net income is necessary or useful to provide sound financial administration. The Enterprise fund, which accounts for the bus and rail operations and the Union Station leasing program, is LACMTA's only proprietary fund.

Bus and rail operations are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and governmental transfers. All major transit operations capital projects are partially funded by proceeds from debt secured by sales tax revenue, State and Federal grants, and contributions from the governmental funds. Sales tax secured debt are reported as liabilities in the Enterprise fund. The financial resources used to pay the debt principal and interest are reported as contributions from the governmental funds.

The Union Station is a hub for rail and bus services. Amtrak, Metrolink, Metro light rail and subway, and Metro buses are the major providers of services that operates within the Union Station's facilities. There are also private businesses providing food services and general merchandising within the Union Station facilities. Union Station is used to account for activities associated with the rental of spaces and reported in the enterprise fund of LACMTA.

Metro *ExpressLanes* is a one-year pilot program funded through a federal grant from U.S. Department of Transportation (USDOT). The ExpressLanes convert existing carpool High-Occupancy Vehicle (HOV) to High-Occupancy Toll (HOT) lanes. The Metro ExpressLanes consists of 11 miles on the I-110 Harbor Transit-way between Adams Boulevard and Harbor Gateway Transit Center that was opened in November 2012 and 14 miles on the I-10 El Monte Bus-way between Alameda Street and I-605 that was opened in February 2013. All vehicles using the ExpressLanes are required to have a transponder to access the lanes. Tolls are collected electronically. The activities of the Metro ExpressLanes are reported in the enterprise fund of LACMTA.

LACMTA reports all operations-related transactions, including capital and related debt, in the Enterprise fund.

Governmental funds are used to account for LACMTA's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. LACMTA uses the following governmental fund types:

The General Fund is used to account for those financial resources that are not required to be accounted for in another fund. The General Fund is one of LACMTA's major governmental funds.

Special revenue funds are used to account for proceeds of specific revenue sources including sales taxes that are legally restricted to expenditures for specified purposes. The following are LACMTA's other major governmental funds:

Proposition A – This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 1982. Revenues collected are to be allocated: 1) 25% to local jurisdictions for local transit; 2) 35% to be used for construction and operation of rail rapid transit systems; and 3) 40% is allocated to county-wide operators at the discretion of LACMTA.

Proposition C – The "Los Angeles County Anti-Gridlock Transit Improvement Fund" is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 1) 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; 2) 20% to local jurisdictions for public transit and related services; 3) 25% for essential county-wide transit-related improvements to freeways and state highways; and 4) 40% to improve and expand rail and bus transit county-wide.

Measure R – The "Traffic Relief and Rail Expansion Ordinance" is used to account for the proceeds of the voter-approved half-cent sales tax that became effective on July 1, 2009 and continuing to June 30, 2039. Revenues collected are allocated to: 1) 2% for Metro rail capital improvements; 2) 3% for Metrolink capital improvements; 3) 5% for rail operations for new transit projects; 4) 15% for local return; 5) 20% for bus operations allocated using LACMTA's formula allocation procedure (based on vehicle service miles and fare revenue); 6) 20% for highway capital projects; and 7) 35% for specific transit capital projects.

Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) – This fund is part of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This fund is intended to pay for projects that protect the environment and public health, conserve energy, reduce congestion, and provide alternative mobility and access choices for Californians.

Transportation Development Act (TDA) – This fund is used to account for revenues received from the State as part of the Transportation Development Act and are paid out to various transit operators, including LACMTA, for operating and capital uses.
State Transit Assistance (STA) – This fund is used to account for revenue received from the State Assistance Program under the Transportation Development Act formulas that determine the allocation of the proceeds among eligible recipients. Under the provisions of the "Gas Tax Swap" enacted in 2010, the STA program is funded by an excise tax on diesel fuel and based on actual consumption of diesel fuel rather than an annual budget appropriation.

The LACMTA also has the following nonmajor special revenue funds:

Service Authority for Freeway Emergencies (SAFE) – This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by a $1 per car registration fee in Los Angeles County to improve freeway emergency response programs including call box operations.

Other Special Revenue Funds - This fund is used to account for specific revenue sources related to funds not classified as a nonmajor special revenue funds.

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Fiduciary funds include the following fund types:

Employee retirement trust funds account for the assets of the five defined-benefit pension plans that LACMTA administers and are accounted for in essentially the same manner as the proprietary funds.

Other Postemployment Benefits (OPEB) trust funds account for the resources held in trust by LACMTA for the other postemployment benefits of members and beneficiaries not offered as an integral part of a pension plan.

D. Assets, Liabilities, and Net Position

Cash and Investments

LACMTA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which generally requires investments to be recorded at fair value and the difference between cost and fair value recorded as appreciation (decline) in fair value of investment. Investments are stated at fair value based on quoted market prices. The net appreciation (decline) in fair value of investments are shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances for all governmental fund types, and in the Statement of Revenues, Expenses, and Changes in Net Position for the proprietary funds.

Cash and Cash Equivalents

LACMTA considers all highly liquid investments with maturities of three months or less at date of purchase to be cash and cash equivalents as they are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of change in value. State statutes and LACMTA's policy allows LACMTA to invest in U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment pool.

As required by California State statutes, LACMTA is required to deposit surplus cash of the STA and TDA funds with the County Treasurer. LACMTA is an involuntary participant in the County Treasurer's external investment pool. Deposits in the cash management pool of the County Treasurer are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal.

Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are restricted as these assets are either advances used for specific purpose with the balance being refunded upon project completion or funds restricted for debt service.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Position because their use is limited externally by applicable bond covenants, laws or regulations or there exists as imposed restriction through enabling legislation.

Non-current Restricted Cash, Cash Equivalents, and Investments

In accordance with GASB 62, certain restricted cash, cash equivalents, and investments are non-current as these funds are restricted as to withdrawal or use for other than current operations that are designated for disbursement in the acquisition or construction of non-current assets, or that are segregated for the liquidation of long-term debt.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balance outstanding between the governmental activities is reported in the government-wide financial statements as internal balances. All receivables are shown as net of allowance for doubtful accounts.

Inventories and Prepaid Items

Inventories, consisting primarily of bus and rail vehicle parts, are valued at weighted average cost. Inventory items of governmental funds are recorded as expenditures when consumed. Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

Capital Assets

Capital assets are reported in the applicable business-type or governmental activities in the government-wide financial statements. Capital assets are defined by LACMTA as assets with an initial individual cost of more than $5,000 (amount not in thousands). Such assets are recorded at historical cost if purchased or constructed. If donated, capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is expensed.

Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful life of the related assets as follows:

Asset Type	Useful Life in Years
Buildings and structures	30
Rail cars	25
Buses	7 - 14
Equipment and other furnishings	5 - 10
Other vehicles	5

Proprietary fund capital assets acquired with federal, state, and local capital grants are included in the Statement of Net Position. Depreciation on these capital assets is included in the accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position.

Compensated Absences

It is LACMTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave in the governmental fund. All vacation and sick leave pay is accrued when earned in the government-wide and proprietary fund financial statements. Accumulation and payment of vacation and sick leave is based on the collective bargaining agreements with the various unions.

Long-term Obligations

In the government-wide and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of related original issue premiums and discounts. Bond issue costs are reported as deferred outflows of resources and are amortized over the life of the related bonds. Accounting gains and losses resulting from refunding of debts are also reported as deferred outflows of resources or deferred inflows of resources. In the governmental fund type fund financial statements, bond issuance costs and refunding gains/losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for the deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future reporting periods and so will not be recognized as an outflow of resources (expense) until that time. LACMTA reported under this category 1) the cumulative change in fair value of interest rate swap, a hedging derivative instrument, 2) unamortized balance of bond issue costs, 3) unamortized balance of deferred charges resulting from the difference in the carrying value of the refunded debt and its reacquisition price. Bond issue costs and deferred charges resulting from refunding of debts are deferred and amortized over the shorter of the life of the refunded or the refunding debt.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. LACMTA reported only one item that qualified under this category, the cumulative change in fair value of commodity swap, a hedging derivative instrument.

Unearned Revenues and Unamortized Credits

In the government-wide and proprietary fund type fund financial statements, unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned revenues arise when resources are received by LACMTA before it has a legal claim to them, such as grant monies received prior to the incurrence of the qualifying expenditures, presale of passes and tokens, and others. When revenue recognition criteria are met, or when LACMTA has a legal claim to the resources, unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unamortized credits represent unamortized bond premiums.

In the governmental fund type fund financial statements, unearned revenues represent revenues not collected within the 90-day period at the end of the current fiscal period.

Fund Balances

LACMTA reported its fund balance in various categories based on the nature of the limitations requiring the use of resources for specific purpose. LACMTA classified its governmental fund balances into:

> *Restricted fund balances* include amounts that can be spent only for specific purposes stipulated by enabling legislation, by the grants, creditors, or by regulations of other government. Propositions A, C and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from TDA, STA, SAFE, and other grants are restricted by the grants providing the funds.
> *Committed fund balances* are amounts that can be used only for specific purposes imposed by a formal action of the LACMTA's Board of directors, the primary government's highest decision-making authority. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specific use of the funds.
>
> *Assigned fund balances* are amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the LACMTA's board policy, contracts that are $1,000 or less can be approved and assigned by the Chief Executive Officers or his designee.
>
> *Unassigned fund balances are* the residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

The fund balances are included in the Governmental Funds Balance Sheet on pages 30-31.

E. <u>Effects of New Pronouncements</u>

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In March 2012, GASB issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limits the use of the term deferred in the financial statement presentations. The requirements of this Statement are effective for fiscal periods beginning after December 15,

2012. LACMTA plans to implement the new reporting requirements of GASB 65 for the fiscal year ending June 30, 2014.

In March 2012, GASB issued Statement No. 66, "*Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.*" This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. It amends Statement No. 10, *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* by modifying the specific guidance for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. LACMTA plans to implement the new reporting requirements of GASB 66 for the fiscal year ending June 30, 2014.

In June 2012, GASB issued Statement No. 67, "*Financial Reporting for Pension Plans*". This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and* GASB 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of GASB 25 and GASB 50 remain applicable to pension plans that are not administered through trusts covered by this Statement and to the defined-contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. LACMTA plans to implement the new reporting requirements of GASB 67 for the fiscal year ending June 30, 2014.

In June 2012, GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions*". This Statement replaces the requirements of Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of GASB 50, *Pension Disclosures,"* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This statement establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through pension plans that are within the scope of this statement. It also establishes requirements for reporting information about pension-related financial support provided by entities that make contributions to pension plans that are used to provide pensions to the employees of other entities. The requirement of this Statement is effective for fiscal years beginning after June 15, 2014. LACMTA plans to implement the new reporting requirements of GASB 68 for the fiscal year ending June 30, 2015.

In January 2013, GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Government mergers include combinations of legally separate entities without the exchange of significant considerations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. LACMTA plans to implement the new reporting requirements of GASB 69 for the fiscal year ending June 30, 2015, if applicable.

In April 2013, GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in non exchange transactions. This Statement requires a government that extends a non exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a non exchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This Statement specifies the information required to be disclosed by governments that extend non exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non exchange financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2013. LACMTA plans to implement the new reporting requirements of GASB 70 for fiscal year ending June 30, 2015, if applicable.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The budget cycle begins in August when the Capital call process is initiated—this involves identifying capital needs for the coming fiscal year's budget, and reviewing/prioritizing the requests. The capital budget process is usually concluded by the end of November or early December. In December, the CEO establishes/updates core missions and operating/support objectives for the coming fiscal year budget. Between January and February, LACMTA submits budgeted planning parameters to the Board outlining basic assumptions to be used in preparing the coming year's annual budget. In February or March of each year, all LACMTA departments submit requests for appropriations to management so that an operational and capital projects budget can be prepared. OMB works with the requesting departments to finalize the annual budget request and begins the process of "selling" the proposed budget drafts to Board staff from mid-March through early April. In late April, OMB prepares the Proposed Budget book and posts the final version to the metro.net website at least two weeks prior to the public hearing in May. The proposed budgets are submitted to the Board in mid-May for review and adoption. Prior to adoption, the Board conducts public hearings in May for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which is planned to occur in late May, but no later than June 30.

Enabling legislation and adopted policies and procedures provide that LACMTA's Board approve an annual budget. Annual budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles (GAAP) for all governmental and proprietary funds. The Board also approves the life of project budget whenever new capital projects are approved. All non-capital appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, cost center, expense type, and project. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

B. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, Memoranda of Understanding (MOU), and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent years' appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of June 30, 2013, the following are LACMTA's cash deposits and investments:

	Business-type Activities	Governmental Activities	Total
Cash Deposits and Investments:			
Cash deposits	$ 47,074	$ 11,742	$ 58,816
Asset-backed securities	3,228	7	3,235
Certificate of deposits	5,416	3,585	9,001
Commercial paper	11,112	258,000	269,112
Guaranteed investment contracts	33,615	-	33,615
Medium-term notes	7,672	3,950	11,622
Mortgage-backed securities	45,651	184,080	229,731
Pooled funds and mutual funds	429,891	94,516	524,407
State/County investment pools	98,818	377,909	476,727
U.S. Agency securities	201,569	810,899	1,012,468
U.S. Treasury obligations	137,790	416,592	554,382
Total fair value	$ 1,021,836	$ 2,161,280	$ 3,183,116
Reported in the Statement of Net Position and Balance Sheet:			
Cash and cash equivalents - unrestricted	$ 97,510	$ 521,754	$ 619,264
Cash and cash equivalents – restricted	206,174	881	207,055
Investments – unrestricted	286,998	1,638,645	1,925,643
Investment - restricted	4,471	-	4,471
Cash and cash equivalents – restricted non current	242,028	-	242,028
Investments – restricted noncurrent	184,655	-	184,655
Total	$ 1,021,836	$ 2,161,280	$ 3,183,116

LACMTA internally pools all cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the internally pooled cash deposits and investment account is presented as cash and cash equivalents on the Statement of Net Position and Balance Sheet. Negative equity balances have been reclassified and are reflected as interfund receivables/payables. Interest income earned and expenses incurred as a result of investing are allocated to the various funds based on their monthly equity balances. For purposes of the Statement of Net Position, Balance Sheet, and Statement of Cash Flows, all highly liquid investments, including restricted assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at fair value. Net changes in the fair value of investments are shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position in the Enterprise fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances in the Governmental fund.

LACMTA's most recent investment policy, adopted by the Board on January 24, 2013, requires LACMTA's investment program to meet three criteria in the order of their importance: **Safety** – preservation of capital, diversification, and the protection of investment principal; **Liquidity** – investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements that might be reasonably anticipated; **Return on Investments** – LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes LACMTA's investment policy. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of LACMTA's bond trust agreements.

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Ratings
Bonds issued by LACMTA	5 years	No limit	No limit	None
U.S. Treasury obligations	5 years	No limit	No limit	None
State of California obligations	5 years	25%	No limit	A1/P-1 short term or Aa/AA long term
Local Agency within the State of California	5 years	25%	No limit	A1/P-1 short term or Aa/AA long term
U.S. Agency securities	5 years	50%	15%	None
Bankers acceptance	180 days	40%	10%	A1/P1
Commercial paper	270 days	25%	10%	A
Negotiable certificates of deposit	5 years	30%	10%	A
Repurchase agreements	90 days	20%	None	None
Medium-term notes	5 years	30%	10%	A
Pooled funds and mutual funds	Not applicable	20%	10%	AAA/Aaa
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	None	AAA
Mortgage-backed securities	5 years	15% combined with any mortgage-backed securities	None	AAA
Local Agency Investment Fund	Not applicable	No Limit	Set by LGIP	Not applicable
Local Government Investment Pool (LGIP)	Not applicable	No Limit	Set by LGIP	Not applicable

LACMTA's investment policy prohibits investing in derivatives or reverse repurchase agreements.

The management of LACMTA's cash and investments can be categorized as follows:

- Cash deposits
- Short-term investments
- Bond proceeds and debt service investments

LACMTA's investment policy is applicable to the cash deposits and short-term investments. Bond proceeds and debt service investments accounts are governed by LACMTA's debt policy.

Cash Deposits

As of June 30, 2013, LACMTA's carrying amount of cash comprises $815 in cash on hand and $58,001 in checking accounts for a combined total of $58,816. LACMTA's total bank balance was $47,509 with the difference represented primarily by outstanding checks and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to $250,000 (amount not in thousands) each and amounts uninsured are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

Short-term Investments

As of June 30, 2013, LACMTA had the following short-term investments:

Investment Type	Fair Value	Weighted Average Duration (in years) per Investment Type	Concentration of Investments	Ratings
Asset-backed securities	$ 3,235	0.002742	0.13%	AAA
Certificate of deposits	9,001	0.000181	0.36%	A-1+
Commercial paper	269,112	0.016999	10.81%	A-1 to A-1+
State/County investment pools	427,475	-	17.18%	Not Rated
Medium-term notes	11,622	0.006339	0.47%	A- to AA+
Mortgage-backed securities	229,731	0.876479	9.23%	A to AAA
Pooled funds and mutual funds	126,924	0.004479	5.10%	A to AAA
U.S. Agency securities	930,509	0.322166	37.40%	Not Rated to AAA
U.S. Treasury obligations	480,830	0.734006	19.32%	Not Rated to AAA
Total	$ 2,488,439		100.00%	
Portfolio weighted average duration		1.963391		

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $99,099. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for LAIF.

The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled $328,376 as of June 30, 2013. The County Board of Supervisors provides regulatory oversight for LACIP.

Bond Proceeds and Debt Service Investments

As of June 30, 2013, the following table addresses the investments held by the bond trustees for the benefit of LACMTA in accordance with the provisions of the various bond trust agreements:

Investment Type	Fair Value	Weighted Average Maturities (in years) per Investment Type	Concentration of Investments	Ratings
Guaranteed investment contracts	$ 33,615	0.581807	5.29%	Not Rated
Pooled funds and mutual funds	397,483	-	62.50%	Not Rated
State/County Investment Pools	49,252	-	7.75%	Not Rated
U.S. Agency securities	81,959	0.009670	12.89%	Not Rated
U.S. Treasury obligations	73,552	0.360537	11.57%	Not Rated to AAA
Total	$ 635,861		100.00%	
Portfolio weighted average maturities		0.952014		

The net position value of involuntary participation of debt service investments in LGIP totaled $49,252 as of June 30, 2013. The County Board of Supervisors provides regulation oversight for LGIP.

Risk

In accordance with GASB Statement No. 40, *"Deposit and Risk Disclosure – an Amendment of GASB Statement No.3"*, certain required disclosures regarding investment policies and practices with respect to the risk associated with their credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above for short-term investments and bond proceeds and debt service investments summarize the market value of investment and the related credit ratings. LACMTA maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA does not have any holdings meeting or exceeding these threshold levels.

As of June 30, 2013, LACMTA does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

Custodial Credit Risk

LACMTA has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110% of the deposit or by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. LACMTA may waive collateral requirements for deposits that are fully insured up to $250,000 (amount not in thousands) by the FDIC. All investment securities purchased were held and registered in LACMTA's name and maintained for the benefit of the LACMTA in the trust department or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between LACMTA and the financial institution.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments of proceeds related to bond financings. LACMTA measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2013, there is no exposure to currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

B. Receivables

Receivables as of June 30, 2013, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts, are as follows:

Receivables	Business-type Activities	Governmental Activities	Total
Accounts	$ 15,157	$ 11,992	$ 27,149
Interest	44	4,837	4,881
Intergovernmental	282,933	146,956	429,889
Leases and other	70	-	70
Sales tax	-	323,195	323,195
Notes	2,513	22,000	24,513
Gross receivables	300,717	508,980	809,697
Less: Allowances for doubtful accounts	(1,041)	-	(1,041)
Net receivables	$ 299,676	$ 508,980	$ 808,656

Receivables as of June 30, 2013 for governmental activities by individual major funds and non-major funds are as follows:

	Receivables					
Fund Name	Accounts	Interest	Intergovernmental	Sales tax	Notes	Total
General Fund	$ 6,150	$ 1,021	$ 3,414	$ -	$ 4,000	$ 14,585
Prop A	-	419	-	68,128	-	68,547
Prop C	2,167	-	141,495	68,174	-	211,836
Measure R	3,675	2,928	388	128,074	18,000	153,065
PTMISEA	-	57	-	-	-	57
TDA	-	306	-	32,592	-	32,898
STA	-	35	-	26,227	-	26,262
Others	-	71	1,659	-	-	1,730
Total	$ 11,992	$ 4,837	$ 146,956	$ 323,195	$ 22,000	$ 508,980

C. Interfund Receivables, Payables, and Transfers

Internal fund balances represent receivables/payables owed to a particular fund by another fund for temporary loans, advances, goods delivered, or services rendered.

As of June 30, 2013, the Enterprise fund is indebted to the Governmental funds in the amount of $128,054.

Governmental Funds	Payable (Receivable) from/to Enterprise Fund
General fund	$ 171,959
Measure R	23,242
PTMISEA	(34,771)
STA	(27,843)
TDA	(13,978)
Others	9,445
Total	$ 128,054

Transfers in and out by fund are as follows:

	Transfers In					
Transfers Out	Enterprise Fund	General Fund	Prop A Fund	Prop C Fund	Measure R	Total
General Fund	$ 46,249	$ 116	$ -	$ 664	$ 4,608	$ 51,637
Prop A	368,618	45,992	-	-	-	414,610
Prop C	220,024	25,882	32,224	-	27,278	305,408
Measure R	199,111	-	-	792	-	199,903
PTMISEA	67,799	-	-	-	-	67,799
TDA	197,743	6,056	-	30	-	203,829
STA	105,962	-	-	-	-	105,962
Others	10,258	-	-	933	-	11,191
Total	$ 1,215,764	$ 78,046	$ 32,224	$ 2,419	$ 31,886	$ 1,360,339

D. Lease Accounts

LACMTA entered into various lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings, and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust except for $62,521 of Guaranteed Investment Certificates held in LACMTA's name. As of June 30, 2013, these lease/leaseback agreements totaled $815,368.

E. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 760,232	$ 53,418	$ (647)	$ 813,003
Construction in progress	829,940	588,670	(191,245)	1,227,365
Total capital assets, not being depreciated	1,590,172	642,088	(191,892)	2,040,368
Capital assets, being depreciated:				
Buildings	8,404,403	232,926	(568)	8,636,761
Equipment	680,850	32,472	(3,046)	710,276
Vehicles	2,129,056	100,541	(87,009)	2,142,588
Total capital assets, being depreciated	11,214,309	365,939	(90,623)	11,489,625
Less accumulated depreciation for:				
Buildings	(3,064,800)	(285,958)	360	(3,350,398)
Equipment	(590,765)	(47,797)	2,605	(635,957)
Vehicles	(1,267,188)	(131,348)	84,360	(1,314,176)
Total accumulated depreciation	(4,922,753)	(465,103)	87,325	(5,300,531)
Total capital assets, being depreciated, net	6,291,556	(99,164)	(3,298)	6,189,094
Business-type activities capital assets, net	7,881,728	542,924	(195,190)	8,229,462
Governmental Activities				
Capital assets, not being depreciated:				
Land	772,794	-	-	772,794
Governmental Activities capital assets, net	772,794	-	-	772,794
Total capital assets	$ 8,654,522	$ 542,924	$ (195,190)	$ 9,002,256

Depreciation expense charged to functions and/or programs are as follows:

Business-type Activities	
Bus operations	$228,356
Rail operations	233,482
Union Station operation	1,662
Metro Express Toll Lanes	1,603
Total depreciation expense – Business-type activities	$465,103

F. Long-Term Liabilities

As discussed in more detail in Notes G, H, and M, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2013.

Business-type activities:	Balance June 30, 2012	Addition	Reduction	Balance June 30, 2013	Due Within One Year
Bond payable	$ 4,442,073	$ 828,021	$ 806,471	$ 4,463,623	$ 282,035
Claims and judgments	282,582	79,991	84,737	277,836	84,737
Compensated absences	81,998	67,328	65,445	83,881	64,462
	4,806,653	975,340	956,653	4,825,340	431,234
Governmental activities:					
Bonds payable	22,267	-	1,080	21,187	667
Total long-term liabilities	$ 4,828,920	$ 975,340	$ 957,733	$ 4,846,527	$ 431,901

G. Risk Management

The primary emphasis of risk management activities at LACMTA is to prevent or reduce the risk of injury to persons and damage to or loss of property. Where losses cannot be prevented, LACMTA endeavors to self-insure or to assume such losses as it may deem advisable and economical, giving due consideration to the frequency and severity of probable losses. The consideration of the effect of potential self-insured or assumed losses is part of LACMTA's financial planning process.

Capital

For its construction projects, LACMTA requires contractors to maintain a contractor controlled insurance program (CCIP) to minimize LACMTA's risk of exposure to construction-related losses. These policies provide property, liability, and workers' compensation insurance and cover many of the risks arising from the work of contractors and subcontractors on LACMTA construction projects.

Operations

The reserves for the public liability and property damage and workers' compensation claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average discount rate of 3.0%. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2013 will be sufficient to cover any costs arising from claims filed or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third-party administrators.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to $5,000 per occurrence. LACMTA has acquired outside insurance coverage for losses of $250,000 in excess of self-insurance retentions. LACMTA is self-insured for losses greater than $250,000.

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately $9.3 billion on a probable maximum loss basis with policy limits of $350,000 for damages ($150,000 for flood damages). Earthquake coverage is not included in the current program structure. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses.

As of June 30, 2013, a designated investment has been set aside in the amount of $90,140 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2013, a designated investment has been set aside in the amount of $187,696 equal to the workers' compensation liabilities.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2013 and 2012:

	Property and Casualty		Workers' Compensation		Total	
	2013	2012	2013	2012	2013	2012
Unpaid claims and claim adjustment reserves – beginning of year	$ 93,907	$ 94,669	$ 188,675	$ 187,932	$ 282,582	$ 282,601
Provisions for insured events	37,603	36,962	41,586	37,770	79,189	74,732
Interest income	157	1,026	645	1,807	802	2,833
Total incurred claims and claims adjustment expense	131,667	132,657	230,906	227,509	362,573	360,166
Payment attributable to insured events	(41,527)	(38,750)	(43,210)	(38,834)	(84,737)	(77,584)
Total unpaid claims and claim adjustment reserves – end of year	$ 90,140	$ 93,907	$ 187,696	$ 188,675	$ 277,836	$ 282,582

As of June 30, 2013, $84,737 of the total claims liability is considered current. Claims payable is reported in the Statement of Net Position in the Enterprise Fund.

H. Compensated Absences

LACMTA's and PTSC's contract employees represented by the United Transportation Union (UTU), the Amalgamated Transportation Union (ATU), Transportation Communications Union (TCU), American Federation State, County, Municipal Employees (AFSCME), and the Brotherhood of Teamsters (Teamsters) accumulate vacation leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions.

Under the existing collective bargaining agreements, vacation periods are not cumulative. However, employees may carry forward vacation pay of up to 40 hours for TCU and ATU, while 40 hours may be carried forward to the next vacation period for UTU if notice is given by April 1. Otherwise, unused vacation hours earned for the year are paid off on May 31. UTU, TCU, and Teamsters employees may request payment of a limited amount of unused sick leave each year at a rate of 75% of face value. Unused sick leave for contract employees is payable at the rate of 100% of the face value upon retirement or death.

LACMTA, PTSC, and EXPO have a combined vacation and sick leave program for its non-represented and AFSCME represented employees. Under this program, vacation and sick leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year.

Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remained on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100% at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75% conversion rate when an employee reaches the age of 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75%, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50% to 75% depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75%. Upon death, payment of frozen sick leave will be at 100% to the employee's beneficiary.

The following is a summary of the compensated absences payable as of June 30, 2013:

	Balance June 30, 2012	Earned	Used	Balance June 30, 2013	Due Within One Year
Union Employees:					
Vacation leave	$ 24,987	$ 25,140	$ (25,323)	$ 24,804	$ 24,635
Sick leave	29,993	16,528	(15,060)	31,461	15,045
TOWP	6,714	8,525	(8,255)	6,984	8,176
Subtotal	61,694	50,193	(48,638)	63,249	47,856
Non-Union Employees:					
Vacation leave	599	-	(14)	585	14
Sick leave	2,656	72	(240)	2,488	240
TOWP	17,049	17,063	(16,553)	17,559	16,352
Subtotal	20,304	17,135	(16,807)	20,632	16,606
Total	$ 81,998	$ 67,328	$ (65,445)	$ 83,881	$ 64,462

As of June 30, 2013, $64,462 of the total compensated absences payable is considered current. Compensated absences payable is reported in the Statement of Net Position in the Enterprise Fund.

I. Deferred Compensation and 401(k) Savings Plan

Deferred Compensation Plan

LACMTA has a deferred compensation plan for all employees established in accordance with Internal Revenue Code (IRC) Section 457, which permits employees to defer a portion of their current salary to future years.

Under this plan, employees may contribute up to the lesser of $17,500 (not in thousands) or 100% of their earnings in calendar year 2013. A special provision in the law allows an additional $5,500 (not in thousands) if an employee is a "Baby Boomer," age 50 or older by December 31, 2013, and employees eligible for retirement within three years can avail of the "catch up provision", totaling $35,000 (not in thousands).

The plan is managed by a third-party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to employee until termination, retirement, age 59-1/2, death, or unforeseeable emergency. In the opinion of management, LACMTA has no liability for any losses under the plans, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the accompanying financial statements. LACMTA does not match employees' contribution to the deferred compensation plan. As of June 30, 2013, the deferred compensation plans had assets stated at fair value of $258,703.

401(k) Savings Plan

LACMTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to the lesser of $17,500 (not in thousands) or 100% of their earnings in calendar year 2013. A special provision in the law allows an additional $5,500 (not in thousands) if an employee is a "Baby Boomer," age 50 or older by December 31, 2013.

The 401(k) Savings Plan is managed by a third-party plan administrator, and the participants can direct the plan administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59-1/2, death, or unforeseen emergency. In the opinion of management, LACMTA has no liability for any losses under the plans, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the accompanying financial statements. LACMTA does not match employees' contribution to the 401(k) savings plan. As of June 30, 2013, the 401(k) savings plan had assets at fair value totaling $327,393.

Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $46,000 (not in thousands). Also, the maximum annual combined contribution per calendar year using both plans is $52,500 if an employee falls within the catch up provision and less than 50 years of age, or $58,000 (not in thousands) if an employee falls within the catch up provision and age 50 or older.

J. Pensions

LACMTA provides pension benefits that cover substantially all full-time employees through five self-administered defined-benefit pension plans and the California Public Employees' Retirement System (CalPERS). Four of the self-administered plans are restricted to specific union members, while the fifth provides benefits to Non-Represented employees and Teamsters.

California Public Employees' Retirement System (CalPERS)

CalPERS is an agent multiple-employer public retirement system. Most full-time employees of PTSC are covered members under CalPERS and become fully vested in their accrued benefits after five years of credited service. Normal retirement is at age 60 with five years of credited service. The form of the normal benefit is a modified straight-line annuity equal to 2% benefit factor, of final average compensation, generally the last or the highest consecutive 36 months of employment, times years of credited service. Other optional benefits are available at a reduced amount. Early retirement is available at age 50 with five years of credited service. For employees hired before January 1, 2013, the benefit factor is actuarially reduced for retirement prior to age 60 and actuarially increased after age 60 up to age 63. For employees first employed on or after January 1, 2013, the benefit factor is actuarially reduced for retirement prior to age 62 and actuarially increased after age 62 up to age 67. The plan provides for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. An annual stand-alone financial report is issued and a copy can be obtained by a request from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709 or visit CalPERS website at www.CalPERS.ca.gov.

The employer and employee contributions are a percentage of the employee's compensation. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. For the year ended June 30, 2013, the contribution rate of covered payroll for employees hired before January 1, 2013 was 15.67%. This rate includes the mandatory employee contribution of 7.0% that is currently paid by PTSC.

The Public Employees' Pension Reform Act of 2013 (PEPRA) took effect January 1, 2013. Under PEPRA, new employees first employed on or after January 1, 2013 pay 50% of the normal cost of the defined benefit plan. In FY13, new employees hired under PEPRA contributed at a rate of 6.25%. The employer rate was 8.67%.

Total Annual Required Contributions (ARC) for the years ended June 30, 2013, 2012, and 2011 were $22,900, $22,656, and $19,951, respectively, all of which were attributable to PTSC. Such contributions were made in accordance with the latest CalPERS actuarial valuation as of June 30, 2010. These pension contributions for normal costs include the employees' portion, and for the years ended June 30, 2013, 2012, and 2011, were $10,228, $10,153, and $9,519, respectively. While the required employer contribution rate for the current fiscal year is determined by the actuarial valuation two years prior and the expected dollar amounts of the ARC is determined by multiplying the rate by the expected payroll for the applicable year, the actual contributions are made using the same rate applied to the actual current payroll resulting in a net pension obligation of $2,642 as of June 30, 2013.

Annual required contribution		
Payment for normal costs	$	10,834
Payment for amortization bases		1,837
Total pension cost		12,671
Actual payments		(11,842)
Net pension obligation (NPO) - beginning of year		1,813
Net pension obligation (NPO) - end of year	$	2,642

The smoothing of market value method was used to determine the actuarial value of assets, which was set to be no less than 80% or greater than 120% of actual market value for the purpose of determining 2012/2013 employer contributions. Initial unfunded liabilities are amortized over a closed period that depends on the plan's entry date into CalPERS with subsequent plan amendments amortized as a level percentage of pay over a closed 20-year period. As of valuation date June 30, 2010, the average remaining period is 19 years. The actuarial assumptions are 7.75% investment rate of return, an inflation rate of 3.00%, and projected salary increases of 3.55% to 14.45% dependent on age, service, and type of employment and payroll growth of 3.25% compounded annually.

LACMTA-administered Plans

LACMTA has a single-employer public employees retirement system that includes five defined-benefit pension plans (Plans) covering substantially all employees, providing retirement, disability, and death benefits. Generally, employees' rights to retirement benefits vest after five (5) years for non-represented, Teamsters, and AFSCME employees and after ten (10) years for UTU, ATU, and TCU employees. All contract and non-contract retirement benefits are based on the individual employee's years of service, age, final compensation, bargaining units, and disability status. The benefit provisions and all other requirements are established by state statute, ordinance, collective bargaining agreements, or Board's actions. An annual stand-alone financial report is issued for the plans and can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

The Plans' member contributions, benefits paid, and refunds are recorded using the accrual basis of accounting. Plans' member contributions are recognized in the period in which the contributions are due. The Plans' member benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Plans' equity securities, pooled equity trust, and the fixed income securities are reported at the fair value based on quoted market prices as of fiscal year end.

LACMTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed cost as they accrue. Actuarially computed costs are determined using the projected unit credit method. The employee and employer contributions are required by the plan agreement as either a percentage of annual earnings which is applicable only to ATU pension plan or the dollar amount recommended to finance the benefits provided in the UTU, TCU, AFSCME, and Non-Contract plans on a sound actuarial basis. LACMTA uses the level percentage of payroll method to amortize the unfunded liability or surplus of the base plan over 15 years for UTU, TCU, Non-Contract, and AFSCME, and through 2023 for ATU.

The ARCs, for LACMTA and employees, by plan, for the years ended June 30, 2013, 2012, and 2011, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2013						
Employer	$ 24,104	$ 5,270	$ 18,663	$ 4,785	$ 1,816	$ 54,638
Employee	15,378	1,654	5,794	-	-	22,826
Total	$ 39,482	$ 6,924	$ 24,457	$ 4,785	$ 1,816	$ 77,464
2012						
Employer	$ 20,379	$ 4,145	$ 16,906	$ 3,114	$ 1,350	$ 45,894
Employee	13,948	1,632	4,089	-	-	19,669
Total	$ 34,327	$ 5,777	$ 20,995	$ 3,114	$ 1,350	$ 65,563
2011						
Employer	$ 20,311	$ 4,040	$ 17,070	$ 2,515	$ 1,253	$ 45,189
Employee	16,108	2,027	4,882	-	-	23,017
Total	$ 36,419	$ 6,067	$ 21,952	$ 2,515	$ 1,253	$ 68,206

The annual pension cost, annual amount contributed, and net pension obligation for the years ended June 30, 2013, 2012, and 2011 are as follows:

Year Ended	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2013						
Annual Pension Cost	$ 24,072	$ 5,270	$ 18,677	$ 4,785	$ 1,816	$ 54,620
Annual Amount Contributed	24,104	5,270	18,663	4,785	1,816	54,638
Net Pension Obligation (Asset)	750	-	(543)	-	-	207
2012						
Annual Pension Cost	20,347	4,145	16,934	3,114	1,350	45,890
Annual Amount Contributed	20,379	4,145	16,722	3,114	1,350	45,710
Net Pension Obligation (Asset)	803	-	(358)	-	-	445
2011						
Annual Pension Cost	20,278	4,040	17,098	2,515	1,253	45,184
Annual Amount Contributed	20,311	4,040	17,070	2,515	1,253	45,189
Net Pension Obligation (Asset)	835	-	(570)	-	-	265

The components of the net pension obligation for UTU employees for the years ended June 30, 2013, 2012, and 2011 are as follows:

Year Ended	Annual Required Contribution (ARC) (a)	NPO at the beginning of the year (BOY) (b)	Interest on the NPO at the BOY (c)	Amortization of NPO at the BOY (Decrease in NPO) (d)	Amount contributed (e)	NPO at the end of the year (a)+(b)+(c)+(d)-(e)
2013	$ 24,104	$ 803	$ 55	$ (108)	$ 24,104	$ 750
2012	20,379	835	63	(95)	20,379	803
2011	20,311	868	65	(98)	20,311	835

The components of the net pension asset for ATU employees for years ended June 30, 2013, 2012, and 2011 are as follows:

Year Ended	Annual Required Contribution (ARC) (a)	NPO at the beginning of the year (BOY) (b)	Interest on the NPO at the BOY (c)	Adjustment to ARC (d)	Amount Contributed (e)	NPO at the end of the year (a)+(b)+(c)+(d)-(e)
2013	$ 18,663	$ (358)	$ (42)	$ (143)	$ 18,663	$ (543)
2012	16,906	(570)	(48)	76	16,722	(358)
2011	17,070	(598)	(48)	76	17,070	(570)

LACMTA's contributions to the Plans for the year ended June 30, 2013 were made in accordance with the actuarially determined requirements computed as of December 31, 2011, except for ATU, which was made in accordance with actuarial valuation report as of January 1, 2012. Actuarially computed costs are determined using the projected unit credit method. The ARC for all plans for the years ended June 30, 2013, 2012, and 2011, were $54,638, $45,894, and $45,189, respectively. Annual pension cost, which is equivalent to ARC plus interest on NPO less amortization of NPO, amounted to $53,974, $45,890, and

$45,184, for the years ended June 30, 2013, 2012, and 2011, respectively. The net pension obligations for the UTU Plan for the years ended June 30, 2013, 2012, 2011, were $750, $803, and $835, respectively while net pension asset for the ATU Plan as of June 30, 2013, 2012 and 2011 were $543, $358 and $570, respectively. There was no NPO at June 30, 2013, 2012, and 2011, for the TCU, Non-Contract, and AFSCME Plans.

The required contribution rate by employees for the fiscal years ended June 30, 2013, 2012, and 2011 were between 0 and 8.45%, 0 and 7.67%, and 0 and 8.47%, respectively, of their annual wages. The employer rate is equal to the ARC. Effective December 31, 2008, the actuarial value of assets for UTU, TCU, Non-Contract and AFSCME Plans were revised from the average of book and market values to a 5-year smoothed market value of assets restricted to a 20% corridor around the market value of assets. Effective with the actuarial valuation as of December 31, 2007, the ATU Plan adopted the 4-year smoothed market value method with a 15% corridor to determine the actuarial value of assets. The key actuarial assumptions include: 7.5% investment rate of return including a 2.75% rate for inflation on ATU Plan, projected salary increases tied to age-based rates, and no postemployment benefit increases.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The LACMTA's funding progress information as of June 30, 2013 is presented below:

Actuarial Valuation Date	Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
PTSC						
June 30, 2011	$ 403,848	$ 374,041	$ 29,807	92.62%	$ 125,814	23.69%
LACMTA						
January 1, 2013						
ATU	404,114	252,788	151,326	62.55%	114,500	132.16 %
December 31, 2012						
UTU	605,421	389,041	216,380	64.26%	177,930	121.61%
TCU	109,766	70,250	39,516	64.00%	28,735	137.52%
Non-Contract	144,423	99,654	44,769	69.00%	4,412	1,014.71%
AFSCME	57,047	42,817	14,230	75.06%	4,598	309.48%

K. Other Postemployment Benefits (OPEB)

Plan Description

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (Plan). The Plan is a single-employer, defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA to Non-contract employees and employees represented by AFSCME and the Teamsters and the contractual obligations to the respective Union Health and Welfare Trusts for employees represented by ATU, TCU, and UTU. Generally, eligibility for coverage is based on employee's service and age. An annual stand-alone financial report is prepared for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

Plan Accounting Practices

Basis of Accounting – The Plan's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred.

Contributions and Benefits – Plan member contributions are recognized in the period in which the contributions are due. LACMTA contributions are funded on a "pay-as-you-go basis" reflecting budgeted retirees' medical and life insurance benefits. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments – Investments are reported at fair value based on quoted market prices at fiscal year end. Investment income is recognized on an accrual basis. Gains and losses on sales and exchange of securities are recognized on the trade date. Gains or losses on sales of securities are determined on the basis of average cost.

Enrollment

The numbers of participants (not in thousands) by employee group as of January 1, 2013 and 2011, the effective dates of the biennial OPEB valuations, are as follows. There have been no significant changes in the number of employees covered since that date.

		Union Health & Welfare Trusts			
Participant	LACMTA	ATU	TCU	UTU	Total
As of January 1, 2013					
Active Employees	1,888	2,326	783	3,966	8,963
Retirees under 65	236	352	173	1,031	1,792
Retirees over 65	735	610	145	1,220	2,710
Total Active and Retirees	2,859	3,288	1,101	6,217	13,465
As of January 1, 2011					
Active Employees	1,727	2,190	695	3,840	8,452
Retirees under 65	301	376	164	1,069	1,910
Retirees over 65	652	537	132	1,125	2,446
Total Active and Retirees	2,680	3,103	991	6,034	12,808

Funding Policy

Member Contribution

Contributions made by Non-Contract/AFSCME/Teamsters retirees are established and approved by the Board. Generally, the contribution is calculated as a percent of the premium cost based on service. The benchmark is 25 years or more to qualify for the active employee contribution rate. For each year of service less than 25 years, the retiree pays an additional 4% of LACMTA's cost. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rates (not in thousands). ATU retirees' contributions are $80/month pre-65 years of age and $60 per month post-65 years of age. TCU retiree contributions are $45 per month with an additional $15 per month contribution for dependent coverage. UTU retiree contributions are $50 per month with no additional contribution for dependent coverage. Contributions made by employees represented by ATU, TCU, and UTU are directly remitted to their respective union healthcare trusts.

LACMTA Contribution

LACMTA's funding policy is to contribute the ARC as determined by GASB 45 unless budgetary constraints require lower contribution. In no event will the annual contribution be less than the LACMTA's direct "pay-as-you-go" costs as determined by required premium payments and contracted contributions to the union healthcare trusts. In the near-term, LACMTA expects that contributions will be approximately $5 million above pay as you go costs. Actuarially computed costs are determined using the projected unit credit method.

Since LACMTA has committed to fund in excess of the pay-as-you-go cost but less than the ARC, contributions were determined reflecting a "partial" funding approach. LACMTA elected to use a blended discount rate of 4.25%, which implicitly assumes a level of funding in excess of pay-as-you-go costs and the investment policy of the trust to support a long-term expected rate of return on assets of 7.5%, while LACMTA's general assets support a return on assets of 3.5%. The ARC calculation uses an open 20-year rolling amortization that meets the requirements of GASB Statement No. 45,*"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."*

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan, the Plan as understood by the employer and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts reflect a long-term perspective and are subject to continual revision as results are compared with past expectations, and new estimates are made about the future. The most significant actuarial assumptions include: a) 4.25% discount rate, compounded annually; b) increase in future payroll of 3.5% per year, compounded annually; c) mortality using RP-2000 Mortality Table, male and female with blue collar adjustments, with mortality improvements projected to year 2025; d) health care cost trend rate of 8.50%; and e) included an inflation rate of 2.5%.

The healthcare cost trend assumptions comprised of three elements: 1) initial trend rate, 2) ultimate trend rate, and 3) the grade-down period. The trend rate assumptions exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. The initial trend rate is the expected increase in health care costs into the second year of the valuation, i.e., the first assumed annual increase in starting per capita rates, which is established separately for pre-Medicare medical claims, Medicare-eligible medical claims, prescription drug claims, and administrative expenses. These expected trend rates, which are based on market assessments and surveys and take into account actual historical experience, expected unit cost information, changes in utilization, plan design leveraging, cost shifting, and new technology, are blended together based on a cost-weighted average basis. The assumed ultimate trend rate and grade-down period are based on macroeconomic principles reflecting assumed long-term general information, nominal gross domestic product growth rates, and the excess of national health expenditures over other goods and services, and an adjustment for an assumed impact of population growth. The healthcare cost trend rate were adjusted to reflect the impact from the 40% excise tax provision on high cost plans beginning in 2018 under the healthcare reform.

LACMTA's contractual contributions are assumed to increase in years after the current contract in accordance with medical trend, and while LACMTA plan retirees/dependent contributions are assumed to increase at the same rate as medical costs, retiree contributions for ATU, TCU, and UTU participants are not assumed to increase.

The actuarial value of assets is based on a five-year, moving average of expected and market values adjusted by recognition of gains or losses and limited to be no more than 120% and no less than 80% of market value.

LACMTA opted to perform biennial valuations of its liabilities under the provision of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* As such, the January 1, 2013 valuation is used to determine the Annual Required Contributions (ARC) for the fiscal years ending June 30, 2014 and 2015. In the January 1, 2013 valuation, the ARC is equal to normal cost plus amortization of the unfunded actuarial accrued liability determined under the projected credit method. The amortization period is an open 20-year period as a level percentage of expected payroll. The total ARC as a percentage of payroll is equal to 13.87%. The aggregate payroll is assumed to grow at 3.5% per year.

The following table summarizes the valuation results applying the level percentage of pay method to the valuation date of January 1, 2013:

Summary of Costs	
Normal Cost	$ 37,835
▪ Percentage of Total Payroll	6.07%
Amortization of Unfunded Actuarial Accrued Liability	$ 48,654
▪ Percentage of Total Payroll	7.80%
ARC with 20-year Level Percent of Payroll Amortization	$ 86,489
▪ Percentage of Total Payroll	13.87%

Annual OPEB Cost and Net OPEB Obligation

The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year, and amortize any unfunded actuarial liabilities, or funding excess, of the plan over a period not to exceed 30 years. Amounts required but not set aside to pay for these benefits are accumulated as part of the Net OPEB Obligation.

LACMTA's annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the LACMTA's Net OPEB Obligation to the plan for the year ended June 30, 2013 are as follows:

Annual Required Contribution	$ 81,750
Interest on Net OPEB obligation	3,844
Adjustment to ARC	(4,991)
Total Annual OPEB Cost	80,603
Less Contributions made	43,788
Increase in Net OPEB Obligation	36,815
Net OPEB Obligation – beginning of year	85,420
Net OPEB Obligation – end of year	$ 122,235

LACMTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation for the years ended June 30, 2013, 2012, and 2011 are as follows:

Year Ended	OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	$ 80,603	54.33%	$ 122,235
2012	81,143	50.46%	85,420
2011	89,484	29.00%	45,223

Funding Progress

The schedule of funding progress presents multi-year trend information on whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The LACMTA's funding progress information as of June 30, 2013 is illustrated as follows:

Actuarial Valuation Date	Projected Unit Credit Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
January 1, 2013						
LACMTA	$ 181,326	$ 35,736	$ 145,590	19.71%	$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
UTU	282,600	55,696	226,904	19.71%	246,765	91.95%

Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. One key provision of the PPACA is the assessment of the excise tax on high cost plans (Cadillac Plans) beginning in 2018. Under this act, a 40% excise tax applies to plans with costs exceeding certain thresholds: $11,850 (not in thousands) – single; $30,950 (not in thousands) – family for early retirees. Significant uncertainties exist regarding the impact of the excise tax on high cost plans without further regulatory guidance. Management's estimated potential liability of the effect of the tax is based on unadjusted thresholds and assumes that the tax is shared between LACMTA and its participants in the same way that the current costs are shared. The estimated impact of the 40% excise tax provision on high cost plans beginning in 2018, under the healthcare reform, is reflected in the actuarial valuation report as of January 1, 2013. It is estimated that the financial effect of reflecting the excise tax is $85 million representing 8.5% of the total accrued liability of $1 billion as of January 1, 2011.

In addition, an adjustment for anticipated health care reform fees beginning in 2014 was also reflecting in the actuarial valuation.

L. Pollution Remediation Obligation

LACMTA follows the guidance of GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations,"* establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

LACMTA is responsible for the pollution remediation obligations for various facilities and capital projects. These facilities and projects include those with known soil and/or groundwater impacts or either current or anticipated future litigation involving contamination of soil or groundwater at locations not controlled by LACMTA.

LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories namely: external remediation costs, internal administration costs, and litigation and settlement costs, in which each cost categories has a different way to estimate the costs.

External remediation costs are estimated on a life cycle basis through retirement of the pollution remediation obligations or a forecasted, year-by-year scope of the remaining project life cycles to No Further Action (NFA), i.e., closure. The scoping period for newly identified sites and for the continuance of other identified obligation at other sites was assumed to start July 1, 2013.

Internal administration costs use a full time equivalent (FTE) basis. An FTE value of $200,000 (amount not in thousands) per annum was multiplied by the annual FTE equivalent anticipated for each site and the projected duration period required to retire the pollution remediation obligations.

Litigation and settlement costs are based on LACMTA's proportionate share of cleanup and remediation costs at each clean up sites that received LACMTA's generated hazardous waste, based on volume, ongoing remediation costs, and prior years' expenses.

The remediation obligation estimates as of June 30, 2013 are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to status and regulations, and other factors that could result in revisions to these estimates.

Prospective recoveries from responsible parties may reduce LACMTA's obligation. Capital assets may be created when pollution outlays are made under specific circumstances. LACMTA is not expecting recovery from other responsible parties.

LACMTA does not currently have any pollution remediation activities for liabilities not yet recognized because they are not reasonably estimable. As of June 30, 2013, LACMTA has an estimated pollution remediation obligations of $7,581 related to soil and/or groundwater pollution cleanup activities.

M. Long-term Debt

LACMTA's long-term debt activities for the year ended June 30, 2013 are summarized as follows:

Series	Balance June 30, 2012	Additions		Reductions	Balance June 30, 2013	Due Within One Year
Business-type Activities						
Sales tax revenue and refunding bonds	$ 3,361,495	$ 558,880	*	$ 813,160	$ 3,107,215	$ 164,180
Lease/leaseback to service obligations	784,983	37,337	**	6,952	815,368	84,644
General revenue bonds	160,770	-		5,830	154,940	6,255
Commercial paper	33,551	126,520		11,957	148,114	-
Notes payable	7,760	-		1,243	6,517	1,295
Capitalized lease	830	-		830	-	-
Total long-term debt	4,349,389	722,737		839,972	4,232,154	256,374
Add: Unamortized bond premium	158,633	105,430		32,456	231,607	25,670
Less: Unamortized bond discount	(65,949)	(146)		(65,957)	(138)	(9)
Net Business-type activities long-term debt	4,442,073	828,021		806,471	4,463,623	282,035
Governmental Activities						
Redevelopment and housing bonds	22,267	-		1,080	21,187	667
Total long-term debt	$ 4,464,340	$ 828,021		$ 807,551	$ 4,484,810	$ 282,702

*Represent refunding bonds.
**Represent Lease/leaseback accretion.

Unamortized bond premium and bond discount reflected on the table above are associated with the issuance of sales tax revenue and refunding bonds and general revenue bonds.

Sales tax revenue and refunding bonds outstanding as of June 30, 2013 are as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
Proposition A									
2003A	$ 273,505	2003	2018	3.70 to 5.00%	$ 174,760	$ -	$ (159,870)	$ 14,890	$ 14,890
2003B	243,795	2003	2021	4.50 to 5.00%	243,635	-	(243,635)	-	-
2005A	242,795	2005	2035	4.38 to 5.00%	211,150	-	(6,090)	205,060	6,395
2005B	43,655	2005	2013	5.00%	11,280	-	(5,505)	5,775	5,775
2007A	46,635	2007	2016	5.00%	46,430	-	(75)	46,355	10,755
2008A	263,075	2008	2031	VRDB*	258,600	-	(1,600)	257,000	1,650
2008B	26,075	2008	2028	3.50 to 5.00%	24,030	-	(805)	23,225	830
2009A	320,945	2009	2026	2.00 to 5.00%	268,325	-	(34,980)	233,345	21,595
2011A	144,000	2011	2018	3.00 to 5.00%	144,000	-	(15,135)	128,865	24,235
2011B	91,110	2011	2023	3.00 to 5.00%	91,110	-	-	91,110	-
2012A	68,205	2012	2021	2.00 to 5.00%	-	68,205	-	68,205	-
2013A	262,195	2013	2021	5.00%	-	262,195	-	262,195	-
					1,473,320	330,400	(467,695)	1,336,025	86,125
Proposition C									
1999A	124,805	1999	2028	4.75%	15,020	-	(15,020)	-	-
2003A	94,840	2003	2013	5.25%	21,615	-	(10,540)	11,075	11,075
2004A	176,345	2004	2034	3.50 to 5.25%	152,845	-	(4,205)	148,640	4,410
2006A	129,385	2006	2030	4.00 to 5.00%	127,820	-	(325)	127,495	4,680
2008A	128,745	2008	2022	4.00 to 5.00%	110,305	-	(19,320)	90,985	20,220
2009A	167,300	2009	2023	VRDB*	166,075	-	(166,075)	-	-
2009D	118,785	2009	2019	3.00 to 5.00%	98,700	-	(10,365)	88,335	10,855
2009C	89,625	2009	2025	VRDB*	89,625	-	(89,625)	-	-
2009E	118,980	2009	2029	3.25 to 5.00%	112,295	-	(4,965)	107,330	5,215
2009B	245,825	2009	2020	3.00 to 5.00%	235,300	-	(5,535)	229,765	5,715
2010A	45,455	2010	2023	5.25%	41,365	-	(4,215)	37,150	-
2012A	14,635	2012	2028	3.00 to 3.125%	-	14,635	-	14,635	-
2012B	74,885	2012	2025	5.00%	-	74,885	-	74,885	-
2013A	138,960	2013	2023	2.00 to 5.00%	-	138,960	-	138,960	-
					1,170,965	228,480	(330,190)	1,069,255	62,170
Measure R									
2010A	573,950	2010	2039	4.28 to 5.74%	573,950	-	-	573,950	-
2010B	158,460	2010	2020	3.00 to 5.00%	143,260	-	(15,275)	127,985	15,885
					717,210	-	(15,275)	701,935	15,885
Total					$ 3,361,495	$ 558,880	$ (813,160)	$ 3,107,215	$ 164,180

* include Variable Rate Demand Bonds (VRDB) and Index Interest Rate Bonds

Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes less administration costs and allocations to local governments.

LACMTA issues sales tax revenue refunding bonds generally to reduce debt service costs by refinancing previously issued sales tax revenue bonds and/or commercial paper notes when more favorable interest rates or financing terms are available. Refundings may also be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used or to retire an indenture in order to remove undesirable covenants.

The principal is payable in annual installments on July 1 on Proposition A and Proposition C bonds, and on June 1 on Measure R bonds. Interest is payable semi-annually on January 1 and July 1 on Proposition A and Proposition C bonds, and on December 1 and June 1 on Measure R bonds.

The Proposition A Series 2008A bonds, with outstanding balance of $64,175 as of June 30, 2013, are variable-rate demand bonds supported by a standby bond purchase agreement with Bank of America, N.A. The Proposition A Series 2008-A2 Bonds, with an outstanding balance of $64,250 as of June 30, 2013, and the Proposition A Series 2008-A3 and A4 Bonds, with outstanding balances of $64,250 and $64,325, respectively, are Index Interest Rate Bonds. The Series 2008-A2 Bonds were purchased by Sumitomo Mitsui Banking Corporation and the Proposition A Series 2008-A3 Bonds and the Proposition A 2008-A4 Bonds were purchased by RBC Capital Markets, LLC. The Proposition A Index Interest Rate Bonds bear interest at a rate equal to the SIFMA Municipal Swap Index announced by Municipal Market Data plus an interest rate spread of 0.60% with respect to the Proposition A Series 2008-A2 Bonds and 0.55% with respect to the Proposition A Series 2008-A4 Bonds. The Proposition A Index Interest Rate Bonds will be subject to tender for purchase on August 1, 2014, unless extended or modified. The Proposition A Index Interest Rate Bonds are also subject to mandatory redemption upon certain specified events. It is LACMTA's intention to renew the facilities or exercise its rights to tender the debt as a long-term financing; thus these variable-rate bonds were classified as long-term liabilities in the financial statements. The principal due in the next fiscal year was included in the current portion of the long-term debt.

Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, LACMTA entered into a number of "lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head-lease as lessor with an investor and simultaneously entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA realized $64,700 in net benefits after funding of the fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements were provided for LACMTA's right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from the various finance obligations have been recorded as lease accounts in the Statement of Net Position – Enterprise Fund. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as long-term debt in the business-type activities. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group (AIG) provided a fixed income investment product known as "payment undertaking agreement" that was used in seven of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, AIG provided credit support in the form of letters of credit for three lease/leaseback transactions. Under the lease/leaseback documents, AIG was required to be replaced or credit enhanced if any of its credit ratings fall below either Aa2/AA or A2/A, depending on the transactions. In September 2008, AIG's credit rating was downgraded to "A-" by S&P, requiring replacement of the payment undertaking agreements and credit enhancement, as appropriate, and in two instances required AIG to post collateral.

Since 2008, most products specified in the lease/leaseback transaction documents as acceptable replacement facilities have not been available under current market conditions. Since May 2011, LACMTA has reached agreements with two lessors to terminate the respective lease/leaseback transactions with minimal settlement costs and has reached agreement with two other lessors to post collateral under three leases in lieu of obtaining a replacement facility. Failure to reach a solution with the two remaining lessors could result in early termination and could require LACMTA to pay up to $30,000 plus legal costs. In January 2013, Assured Guaranty was downgraded triggering a technical default for a third lease, in addition to the two already affected by the AIG downgrades. The downgrade increased MTA's potential liability to $53,000 if replacement products were not put in place.

As of June 30, 2013, LACMTA is currently negotiating with one of the lessors to post collateral to cure the default and in discussion with another lessor to reach an agreement.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2013 are as follows:

Lease	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Comerica / CIBC / Norwest Lease	6.79% - 7.64%	$ 224,421	$ 6,711	$ -	$ 231,132	$ (7,202)
Comerica Lease	7.12%	60,635	4,068	(1,363)	63,340	(442)
First Hawaiian Lease	6.61%	52,355	3,156	(2,364)	53,147	(2,783)
Philip Morris Lease	5.0% - 5.13%	394,688	20,183	-	414,871	98,369
Fleet Lease	6.79% - 7.64%	52,884	3,219	(3,225)	52,878	(3,298)
Total		$ 784,983	$ 37,337	$ (6,952)	$ 815,368	$ 84,644

Note: Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to principal amount.

General Revenue Bonds

General revenue bonds are issued to generate financing for the acquisition, construction and major rehabilitation of capital assets. The general revenue bonds were issued to fund the cost of the LACMTA's 27-story headquarters building, including parking and related improvements. Refunding bonds were subsequently issued to refinance the original debt to achieve debt service savings. The 2004 Bonds are auction rate bonds with an Interest Rate Swap agreement with a counterparty bank and as such the interest rate varies and the rates shown below is the fixed rate provided on the swap agreement. The 2010 Bonds are fixed rate.

General Revenue Bonds outstanding as of June 30, 2013 are as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Outstanding Balance	Unamortized Bond Premiums	Bonds Payable as of June 30, 2013
2004 Bonds	$ 197,050	2004	2027	3.50%	$ 86,175	$ -	$ 86,175
2010A Bonds	79,620	2010	2021	3.00 to 5.00 %	68,765	5,965	74,730
Total					$ 154,940	$ 5,965	$ 160,905

Commercial Paper Notes

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including construction of transit and rail capital projects and rail right-of-way acquisitions. LACMTA operates two commercial paper programs, Proposition A and Proposition C CPN, to maintain access to a low cost and flexible source of capital financing. Taxable and tax-exempt CPN are issued by LACMTA with maturity dates ranging from one to 270 days at various interest rates.

As of June 30, 2013, LACMTA's Proposition A CPN program has a $150,000 letter of credit while the Proposition C CPN program has $150,000 credit capacity that includes a $75,000 letter of credit and another $75,000 revolving credit facility. Both of the credit facilities supporting the Proposition C commercial paper program will expire on April 12, 2016, while the letters of credit supporting the Proposition A commercial paper program will expire on March 11, 2016. As of June 30, 2013, LACMTA has a total of $148,114 outstanding CPN including $126,520 and $21,594 under the Proposition A and Proposition C letters of credit, respectively, all of which are taxable.

Under the terms of the commercial paper programs, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of LACMTA to pay the accrued interest and reissue the principal amounts as they mature. Therefore, the outstanding amounts were classified as noncurrent liabilities. LACMTA periodically retires CPN by issuing long-term, fixed rate bonds.

The Proposition A and Proposition C commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by one bank for the Proposition C CPN program and another two banks for the Proposition A CPN program. All of the banks are required to have a short-term credit rating of at least A-1/P-1. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA.

Interest is paid on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loan for Proposition C CPN is repayable over a period of four years with equal quarterly principal payments. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable Reimbursement Agreement.

Under the Proposition C Revolving Credit Agreement between the LACMTA and Wells Fargo Bank, LACMTA is authorized to issue up to $75,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations. As of June 30, 2013, no obligations were outstanding under the agreement. All Proposition C Revolving Obligations issued by LACMTA are purchased by Wells Fargo Bank in accordance with the Proposition C Revolving Credit Agreement. The Proposition C Revolving Obligations are payable from the Proposition C sales tax revenue on a basis subordinate to the lien on Proposition C Senior Bonds.

Pursuant to the terms of the Proposition C Revolving Credit Agreement, the Proposition C revolving obligations bear interest at variable rates determined pursuant to the terms of the Proposition C Revolving Credit Agreement. The principal balances of all Proposition C revolving obligations outstanding are due and payable on April 22, 2016, except as provided in the Proposition C Revolving Credit Agreement. However, subject to the terms of the Proposition C Revolving Credit Agreement, on April 22, 2016, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in twelve equal quarterly installments following April 22, 2016.

Notes Payable

LACMTA's notes payable relates to the Acquisition Fund and Control Agreement between LACMTA and Banc of America Public Capital Corp, for financing the acquisition of the solar energy generation and conservation equipment and installation at the Metro Support Services Center. The note bearing interest of 4.04% matures in February 2018. Principal and interest are due monthly on the 6th of each month. At June 30, 2013, notes payable principal outstanding was $6,517. The note was later sold to retain all of the terms and conditions of the original note.

Redevelopment and Housing Bonds

Redevelopment and Housing Bonds consist of two issues: the 2002 Grand Central Square Qualified Redevelopment Bonds Series 2002A (Series 2002A) and Grand Central Square Multi Family Housing Revenue Refunding Series 2007B (Series 2007B). The outstanding balances as of June 30, 2013, were as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Outstanding Balance
2002A Bonds	$20,825	2002	2026	4.90 to 5.375%	$ 14,642
2007B Bonds	8,615	2007	2026	4.00 To 5.00%	6,545
Total					$ 21,187

The Redevelopment and Housing Bonds were issued by the Community Redevelopment Financing Authority of the CRA/LA, a Designated Local Authority, formerly Community Redevelopment Agency (CRA) of the City of Los Angeles, secured by LACMTA revenues, pursuant to the pledge agreement between the two parties. Proceeds were used to purchase certain CRA/LA obligations and to finance CRA/LA's projects that include Grand Central Square Housing Project, which relates to the rehabilitation of a portion of the Grand Central Market, and Central Business District Area Redevelopment Project. Both projects are located in downtown Los Angeles, served by and accessible to Metro Red Line subway station. LACMTA agreed to support these projects as a means of encouraging the use of mass transit and reducing traffic congestion.

The projects were completed and LACMTA makes the debt service payments on the related refunding bond issues Series 2002A and 2007B, to be reimbursed by Grand Central Square Limited Partnership (the "Developer"), pursuant to the reimbursement agreement. The Developer issued two promissory notes, collateralized by real property of the Grand Central Square Housing Project, with a combined value of $41,112 due in fiscal year 2027.

Annual Debt Service Requirement

LACMTA's annual debt requirement for long-term debt, lease and leaseback obligations, and notes payable are as follows:

Business-type Activities

Sales tax revenue and refunding bonds

Year Ending June 30	Proposition A Principal	Proposition A Interest	Proposition A Total	Proposition C Principal	Proposition C Interest	Proposition C Total
2014	$ 86,125	$ 54,695	$ 140,820	$ 62,170	$ 46,870	$ 109,040
2015	87,545	54,851	142,396	66,705	46,636	113,341
2016	87,625	51,084	138,709	69,030	43,623	112,653
2017	91,740	46,944	138,684	71,835	40,334	112,169
2018	96,525	42,623	139,148	74,840	36,809	111,649
2019-2023	523,400	139,148	662,548	404,140	126,301	530,441
2024-2028	251,745	46,970	298,715	213,795	43,173	256,968
2029-2039	111,320	19,473	130,793	106,740	14,058	120,798
	$1,336,025	$ 455,788	$ 1,791,813	$ 1,069,255	$ 397,804	$ 1,467,059

Year Ending June 30	Measure R Principal	Measure R Interest	Measure R Total
2014	$ 15,885	$ 37,784	$ 53,669
2015	16,630	37,039	53,669
2016	17,365	36,308	53,673
2017	18,180	35,490	53,670
2018	19,040	34,631	53,671
2019-2023	108,530	158,810	267,340
2024-2028	127,945	130,523	258,468
2029-2039	378,360	138,113	516,473
	$ 701,935	$ 608,698	$ 1,310,633

General revenue and refunding bonds and notes payable

Year Ending June 30	General revenue refunding bonds Principal	General revenue refunding bonds Interest	General revenue refunding bonds Total	Notes Payable Principal	Notes Payable Interest	Notes Payable Total
2014	$ 6,255	$ 5,910	$ 12,165	$ 1,295	$ 239	$ 1,534
2015	6,715	5,644	12,359	1,348	186	1,534
2016	7,160	5,368	12,528	1,404	131	1,535
2017	7,655	5,076	12,731	1,462	73	1,535
2018	8,140	4,738	12,878	1,008	33	1,041
2019-2023	50,090	17,694	67,784	-	-	-
2024-2028	68,925	6,302	75,227	-	-	-
	$ 154,940	$ 50,732	$ 205,672	$ 6,517	$ 662	$ 7,179

Lease/leaseback to Service Obligation

Year Ending June 30	Principal	Interest	Total
2014	$ 84,644	$ 35,719	$ 120,363
2015	270,152	22,110	292,262
2016	20,535	20,287	40,822
2017	(16,292)	20,750	4,458
2018	(20,803)	21,863	1,060
2019-2023	(696)	122,220	121,524
2024-2028	194,275	75,574	269,849
2029-2039	283,553	20,467	304,020
	$ 815,368	$ 338,990	$1,154,358

Governmental Activities

LACMTA's annual debt service requirement for Redevelopment and Housing Bonds are as follows:

Redevelopment and Housing Bonds

Year Ending June 30	Principal	Interest	Total
2014	$ 667	$ 1,001	$ 1,668
2015	1,160	1,014	2,174
2016	1,215	958	2,173
2017	1,280	897	2,177
2018	1,335	833	2,168
2019-2023	7,755	3,060	10,815
2024-2028	7,775	833	8,608
	$ 21,187	$ 8,596	$ 29,783

Pledged Revenues

LACMTA pledged its Proposition A, Proposition C and Measure R sales tax revenues, excluding sales tax allocated for administrative fees and local allocations, to repay sales tax revenue bonds, sales tax revenue refunding bonds, and redevelopment and housing bonds while farebox revenues are pledged for the payment of the general revenue and refunding bonds. These bonds were used to finance the acquisition of revenue vehicles and construction and renovation of major capital facilities. LACMTA is subject to a maximum annual debt service policy limits set forth in its Debt Policy annually adopted by the MTA's Board of Directors.

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2013:

Source		Gross Receipts *		Local Allocations		Pledged Revenue		Total Debt Service	Debt Service Coverage
Prop A	$	687,172	$	171,793	$	515,379	$	152,845	3.4
Prop C		687,332		137,466		549,866		113,615	4.8
Measure R		684,862		102,729		582,133		53,670	10.8
General revenue bonds		382,003		-		382,003		12,252	31.2

** Sales tax revenues are reported using the accrual basis of accounting. This is net of the State Board of Equalization administrative fees. Gross receipts presented in the general revenue bonds represent farebox revenues, advertising, revenue derived from LACMTA's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise Fund.*

Significant Changes to Long-Term Bond and Note Obligations

The summary of changes in long-term debt is presented in the table on page 81 of this report.

LACMTA issued an aggregate of $330,400 principal amount of Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2012-A and 2013-A with interest rates from 4% to 5%. The net proceeds including $59,421 of bond premiums and net of underwriter's discount of $1,015, together with funds available from the refunded bonds reserve accounts, were used to (a) purchase $28,820 Prop A Series 2003-A Bonds and $48,990 Prop A Series 2003-B Bonds (b) refund and defease $116,815 of Prop A 2003-A outstanding sales tax revenue refunding bonds which had interest rates ranging from 3.75% to 4.14% and $194,645 of Prop A 2003-B outstanding sales tax revenue refunding bonds with interest rates ranging from 4.5% to 5% to generate an aggregate net present value cash flow savings of $54,574, and (c) pay the costs associated with issuing the refunding bonds.

LACMTA also issued an aggregate of $228,480 principal amount of Proposition C sales tax revenue refunding bonds Series 2012-A, 2012-B, and 2013-A with interest rates ranging from 2% to 5% . The net proceeds, net of bond premiums and discount of $45,862 and after payment of $742 of underwriting fees, together with funds available from the refunded bonds reserve accounts, were used to (a) refund and defease $15,020 of Prop C Series 1999-A with interest rates from 4.7% to 7%, $89,625 of Series 2009-C with variable interest rates and $165,625 of Series 2009-A with variable interest rates, (b) pay interest and termination fees associated with termination of the related interest rate swap agreements, (c) pay associated bond issuance costs, and (d) deposit required debt service reserve funds of the refunding bonds.

The net carrying amount of the refunded Proposition A sales tax revenue refunding bonds exceeded the reacquisition price by $7,696. The difference between the net carrying amount and the reacquisition price is reported as deferred inflow of resources in the business-type activities of the government-wide financial statements and is amortized over the shorter of the life of the refunded or refunding bonds.

The reacquisition price of the refunded Proposition C sales tax revenue refunding bonds exceeded the net carrying amount by $2,943. This is being reported as deferred outflow of resources in the business-type activities of the government-wide financial statements and amortized over the shorter of the life of the refunded or refunding bonds.

The net cash flow savings that resulted from the refundings are as follows:

Refunding Debt	Prior Net Cash Flow	Refunding Debt Service	Net Cash Flow Savings	Net Present Value of Net Cash Flow Savings
Prop C refunding bonds 1999-A	$ 26,037	$ 21,561	$ 4,476	$ 2,862
Prop C refunding bonds 2009-A	180,500	154,498	26,002	20,999
Prop C refunding bonds 2009-C	127,352	114,425	12,927	9,201
Prop A refunding bonds 2003-A and 2003-B	505,542	432,660	72,882	54,574
Total	$ 839,431	$ 723,144	$ 116,287	$ 87,636

LACMTA issued in fiscal year 2013 a total of $126,520 new commercial paper notes, $75,000 of which was used to reimburse MTA's general fund for the purchase of the Los Angeles Union Station, and $51,520 was used to meet the funding requirement of the Proposition A Bonds debt service reserves. Both commercial paper notes are subject to the terms of the Proposition A CPN program. Interest are paid upon maturity, which may range between 1 to 270 days with variable rate and maturing principal amounts may be rolled over or retired by issuing long-term fixed rate bonds. All of the $126,520 remain outstanding and are included in the balance of the commercial paper notes payable as of June 30, 2013.

In September 2012, LACMTA secured a loan for $545,900 from the U.S. Department of Transportation under the Transportation Infrastructure Finance and Innovative Act (TIFIA) and a capital grant under the Transportation Investment Generating Economic Recovery (TIGER II) to partially finance the construction of the Crenshaw/LAX Corridor project. The TIFIA loan is secured by a pledge of a portion of LACMTA's Measure R sales tax revenue allocated for the funding of the Crenshaw/LAX Corridor Project. The loan bears interest at 2.43% per annum on the outstanding balance. Interest payments are due on June 1 and December 1 of each year beginning December 1, 2020 until paid in full at maturity on June 1, 2034. The scheduled principal amounts due are payable on June 1 of each year beginning June 1, 2021. As of June 30, 2013, there is no balance outstanding on this loan.

N. Derivative Instruments

LACMTA entered into interest swap agreements and commodity swap agreements to hedge or reduce financial risk such as interest rates and commodity price fluctuations related to variable rate bonds and compressed natural gas.

Derivative instruments are reported at fair value in the Statement of Net Position. The fair value is the theoretical cost that LACMTA will pay or receive to terminate the swap at the valuation date. The fair values were estimated by discounting the future monthly net cash flows on commodity swap or future net settlement payments required by the interest rate swap.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year ended June 30, 2013, are as follows:

	Fiscal Year Change		Year End Fair Value		
Business-Type Activities	Classification	Amount	Amount	Classification	Notional Value
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflows	$ 15,482	$ (14,156)	Noncurrent liability	$ 343,175
Commodity swaps	Deferred Inflows	2,031	27	Current asset	584 MMBTU*

* Million Metric British Thermal Units (MMBTU)

These derivative instruments are evaluated to determine if they are effective, which will significantly reduce the identified financial risk, at year end. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

Hedge accounting is applied to effective derivative instruments. Effective derivatives are reported, at fair value, as assets or liabilities with corresponding deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Changes in fair value are recognized as deferred outflows or inflows. If the derivative instrument is determined to be ineffective, it is classified as investment derivative. An ineffective derivative's fair value is reported as an asset or liability on the Statement of Net Position. Change in fair value is reported within investment revenue classification on the Statement of Activities. As of June 30, 2013, all of LACMTA's derivative instruments were determined to be effective hedges.

As of June 30, 2013, LACMTA had the following hedging derivative instruments within the business-type activities.

Type	Objective	Notional Value	Effective Date	Maturity Date	Fair Value at June 30, 2013	Terms
Interest Rate Swap						
Pay Fixed Interest Rate Swap	To reduce the risks associated with the changes in interest rates of the 2004 Gateway Bonds	$ 86,175	9/22/2004	7/1/2027	$ (2,286)	Receives 64% of LIBOR; Pays 3.501%
Pay Fixed Interest Rate Swap	To reduce the risks associated with the changes in interest rates of the Prop A Series 2008-A1 and A2	128,425	8/23/2005	7/1/2031	(5,949)	Receives 63% of LIBOR; Pays 3.373%
Pay Fixed Interest Rate Swap	To reduce the risks associated with the changes in interest rates of the Prop A Series 2008-A3 and A4	128,575	8/23/2005	7/1/2031	(5,921)	Receives 63% of LIBOR; Pays 3.358%
Total		$ 343,175			$ (14,156)	
Commodity Swap						
Commodity Forward Contract	To reduce the risks associated with the changes in the costs of Compressed Natural gas	584 MMBTU	7/1/2013	6/30/2014	$ 27	Client receive SOCAL-BORDER-NGI, 4.500 Max - 2.980 Min per MMBTU

Interest Rate Swap

LACMTA entered into interest rate swap agreements to manage the exposure of changes in variable interest rate related to its debt obligations. LACMTA makes a fixed rate payment to the counterparty and receives a variable rate payment in order to achieve a synthetic fixed rate for the bonds and hedge exposure to variable interest rates. LACMTA has entered into these swap agreements at a cost anticipated to be less than what LACMTA would have paid to issue fixed rate debt.

LACMTA neither received nor paid any upfront amount when these swaps were initiated. The fair value of the interest rate swap hedging derivatives at valuation date was negative, as reflected in the table on previous page, because the market interest rates on the valuation date of the swaps were lower than market interest rates on the effective date of the swaps.

The Board annually adopts an Interest Rate Swap Policy that governs the use and management of interest rate swaps as they are used in conjunction with debt issues. The policy establishes guidelines to be used when considering the use of swaps, as well as in the ongoing management of existing swaps. Guidance is provided specifying appropriate uses: selection of acceptable swap products, swap providers and swap advisors, negotiation of favorable terms and conditions, and stipulating annual inspection of the swaps and the providers.

The Interest Rate Swap Policy specifies that interest rate swaps may be used to lock-in a fixed rate or to create additional variable rate exposure. Interest rate swaps may be used to produce interest rate savings, limit or hedge variable rate payments, alter the pattern of debt service payments, or for asset/liability matching purposes.

As of June 30, 2013, LACMTA's outstanding interest swap fair values along with the changes in fair values for the year then ended, and the associated counterparties and credit ratings are as follows:

					Ratings		
Bond Series	Fair Value June 30, 2012	Change in Fair Value	Fair Value at June 30, 2013	Counterparty	Moody's	S&P	Fitch
2004 Gateway	$ (4,526)	$ 2,240	$ (2,286)	Bank of Montreal	Aa3	A+	AA-
Prop A Series 2008-A/A2	(9,372)	3,423	(5,949)	Bank of Montreal	Aa3	A+	AA-
Prop A Series 2008-3/A4	(9,451)	3,530	(5,921)	Deutsche Bank AG	A2	A+	A+
Prop C Series 2009	(2,930)	2,930	-	Goldman Sachs Mitsui Marine Derivative Products, LP	N/A	N/A	N/A
Prop C Series 2009-A	(3,359)	3,359	-	Wells Fargo Bank	N/A	N/A	N/A
Total	$ (29,638)	$ 15,482	$ (14,156)				

LACMTA is exposed to the following risks generally associated with the interest rate swap agreements:

Credit Risk – The counterparty could experience weakening financial condition or insolvency, which could affect its ability to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. Further ratings deterioration by either party below levels agreed-to in each swap agreement could result in a termination event requiring a cash settlement. See "Termination Risk" below. To mitigate credit risk, LACMTA monitors the credit ratings of the counterparties on a quarterly basis. In addition, if the outstanding ratings of the counterparties fall to certain levels, the counterparties must post collateral with a third-party custodian to secure their potential termination payments above certain threshold amounts. Collateral must be in cash, U.S. Government securities or certain federal agency securities. As of June 30, 2013, no collateral was required to be posted.

Basis Risk – The variable interest rate paid by the counterparty under the swap agreement and the variable interest rate paid by LACMTA on the associated bonds may not be equal. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement would not fully reimburse LACMTA for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there would be a net benefit to LACMTA. LACMTA monitors the basis differential for its existing swaps on a monthly basis. Prior to entering into any new interest rate swaps, LACMTA and its swap advisor review the historical trading differentials between LACMTA's outstanding variable rate bonds and the proposed index. This allows LACMTA to structure its interest rate swaps to minimize basis risk.

Termination Risk – Under certain conditions, the swap agreement could be terminated and depending on current market interest rates, either LACMTA or the counterparty could be required to make a termination payment. LACMTA's swap agreements only permit the counterparty to terminate if an Event of Default or a Termination Event has occurred. Events of Default include non-payment, false or misleading representations, or the bankruptcy of LACMTA or the counterparty. Termination Events include, a downgrade of LACMTA's rating to below "BBB," an event of taxability, or conversion of bonds to fixed rate. To closely monitor the risk, LACMTA calculates its termination exposure for all existing and proposed swaps at market value monthly. A contingency plan is periodically updated identifying alternatives to finance a termination payment and/or replace or restructure the hedge. As of June 30, 2013, two of the swap agreements were terminated at LACMTA's option, under the terms of the swap termination provisions of the swap agreements in connection with the refunding of two bond issues for a net present value savings. The Proposition C Series 2009-C variable rate bonds, with a par amount outstanding of $89,625 at the time of refunding, were refunded on July 30, 2012, by the issuance of Proposition C Series 2012-B Refunding Bonds with fixed interest rate of 5% until final maturity. Proposition C Series 2009-A variable rate bonds, with a par amount of $165,625 outstanding, were refunded on May 30, 2013, by the issuance of $138,960 Proposition C Series 2013-A Refunding Bonds at fixed rates ranging from 2.0% - 5.00%. LACMTA paid swap termination fees of $2,470 for the swap associated with the Proposition C Series 2009-C Refunding Bonds and $953 for the swap associated with the Proposition C Series 2009-A Refunding Bonds.

Rollover Risk – When the notional amount under the swap agreement terminates prior to the final maturity of the hedged bonds, the governmental issuer would then be exposed to the current short-term bond interest rates, as well as to current swap pricing in order to continue the benefit of the synthetic fixed rate for the duration of the bond issue. As of June 30, 2013, LACMTA did not have any swap termination subject to exposure of rollover risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows. In certain circumstances, a swap can have the effect of increasing the risk of loss as a result of changes in interest rates, such as a swap from a fixed rate to a variable rate. As of June 30, 2013, LACMTA does not have any swaps that have any fixed to variable rate swaps.

Market-access Risk – Market-access risk is the risk that a government will not be able to enter credit markets or that credit will become more costly. If a governmental issuer were to enter into a derivative in anticipation of entering the credit market at a later date, but was ultimately unable to do so, there is a risk that the lack of market access would frustrate the purpose of the derivative and could result in a termination payment becoming due. As of June 30, 2013, LACMTA has not entered into a derivative in anticipation of entering the credit market at a later date.

Liquidity Risk – At some point in the future, LACMTA could be unable to obtain liquidity support for its variable rate bonds that require liquidity and are currently hedged with interest rate swaps. This situation could result in LACMTA incurring additional costs to convert the bonds to a different variable rate product that does not require liquidity support or to refund the bonds to a fixed rate mode, which would require the swaps to be either canceled or terminated. LACMTA periodically evaluates the expected availability of liquidity support for hedged and unhedged variable rate debt. As of June 30, 2013, LACMTA has sufficient liquidity support.

Annual debt service requirements on variable rate obligations and net swap payments on interest rate swaps outstanding at June 30, 2013 are as follows:

	Variable-rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2014	$ 1,650	$ 1,670	$ 10,678	$ 13,998
2015	8,325	1,645	10,523	20,493
2016	8,625	1,602	10,260	20,487
2017	16,775	1,538	9,866	28,179
2018	13,250	1,462	9,401	24,113
2019-2023	102,125	6,055	39,207	147,387
2024-2028	176,875	2,578	16,705	196,158
2029-2039	15,550	90	555	16,195
Total	$ 343,175	$ 16,640	$ 107,195	$ 467,010

As rates vary, variable rate bond interest payments and net swap payments will vary. The debt service requirements are reflected in the table of sales tax revenue bond debt service requirements to maturity and can be found on page 87.

Commodity Swap

In January 2011, the Board approved the updated CNG hedging program, adding commodity options and the use of cost stabilization reserves in addition to the continued use of commodity swaps. The addition of commodity options and the use of stabilization reserves enhance the mix of tools for use to hedge under various market conditions.

Subsequent to the update to the CNG hedging program, LACMTA has used a "costless collar" strategy to hedge approximately 102% fiscal year 2013 natural gas volume. As of June 30, 2013, approximately 12% of the planned natural gas volume for fiscal year 2014 had been hedged. Bids are periodically taken to establish the strike prices for the upper and lower limits that are referred to as the ceiling and the floor of the dollar. With the costless collar, there is no upfront cash outlay as the purchase price of the ceiling is exactly offset by the sale price of the floor. When using a costless collar, LACMTA retains exposure to the price movements between floor and ceiling.

As of June 30, 2013, the fair value of LACMTA's outstanding commodity swaps, along with the changes in fair values for the year then ended, the associated counterparties, and credit ratings are as follows:

Fair Value June 30, 2012	Change in Fair Value	Fair Value at June 30, 2013	Counterparty	Ratings Moody's	S&P	Fitch
$ (1,135)	$ 1,135	$ -	RBC-Capital Markets*	-	-	-
(622)	622	-	Citibank, N.A. New York*	-	-	-
(21)	21	-	Citibank, N.A. New York*	-	-	-
(117)	117	-	Merrill Lynch Commodities, Inc*.	-	-	-
(109)	136	27	Merrill Lynch Commodities, Inc.	Baa2	A-	A
$ (2,004)	$ 2,031	$ 27				

*The swap agreements expired on June 30, 2013.

The net changes in fair value of commodity swap are reported as Deferred Inflow of Resources under the bus and rail operations in the business-type activities on the Statement of Activities.

The fair value is the theoretical cost that LACMTA will receive to terminate the swap at the valuation date. The fair values were estimated by discounting the future monthly net cash flows that would be anticipated based on future pricing.

LACMTA is exposed to the following risks generally associated with commodity swap agreements:

Counterparty Risk – The risk that the counterparty fails to make required payments or otherwise comply with the terms of the swap agreement. This non-performance would usually result from financial difficulty, but could also occur for physical, legal, or business reasons. This risk is mitigated by establishing minimum credit quality criteria, establishing maximum credit limits and requiring collateral on counterparty downgrade. To mitigate credit risk, LACMTA monitors the credit ratings of the counterparties on a quarterly basis.

Basis Risk – The risk that there is a mismatch between the variable rate payment received from the swap counterparty and the variable rate paid for gas purchases. LACMTA mitigates this risk by conducting an extensive survey of relevant products and indices, and selecting one that has a strong correlation with the price changes of the cost of gas.

Termination Risk – The risk that there will be a mandatory early termination of the commodity swap that would result in LACMTA either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty or if LACMTA suffers degraded credit quality, illiquidity, bankruptcy, or failure to perform. LACMTA mitigates this risk by establishing minimum credit quality criteria, establishing maximum credit limits, requiring collateral on counterparty downgrade, and employing credit rating surveillance. LACMTA monitors the credit ratings of the counterparties on a quarterly basis. LACMTA calculates quarterly its termination exposure for all existing and proposed swaps at market value.

O. Leases

Operating Leases

LACMTA has entered into various lease agreements as "lessor" of various parcels of land located within the vicinity of the Red Line stations, including LA Union Station, which was acquired by LACMTA in April 2011. The majority of these leases will expire between 50 years and 99 years. These leases are considered operating leases for accounting purposes.

The carrying value of the land held for lease as of June 30, 2013, is $94,983 and is included under the Land caption in the capital assets section of the notes to the basic financial statements found on page 64.

The following is a schedule by years of minimum future rentals to be received on non-cancelable operating leases as of June 30, 2013:

Year Ending June 30	Amount
2014	$ 5,546
2015	7,973
2016	4,200
2017	4,322
2018-2022	22,018
2023-2027	20,654
2028-2032	23,425
2033-2037	26,972
2038-2042	31,046
2043-2047	35,754
2048-2052	41,533
2053-2057	39,860
2058-2062	26,224
2063-2067	26,170
2068-2072	28,802
2073-2077	31,953
2078-2082	33,847
2083-2087	37,916
2088-2092	39,186
2093-2097	39,487
2098-2102	45,805
2103-2106	38,518
Total	$ 611,211

LACMTA is committed under various leases as "lessee" of building and office spaces. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013 totaled $ 5,294. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	$ 1,862
2015	1,904
2016	1,810
2017	1,515
2018	1,590
Total	$ 8,681

P. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

LACMTA's commitments to vendors for capital projects, which are in various phases of development as of June 30, 2013 are as follows:

	Contract Commitments	
Project	Total	Remaining
Rail Projects	$ 2,352,552	$ 1,032,159
Bus Rapid Transitways	88,315	4,387
Bus Acquisition and Others	811,633	286,158
	$ 3,252,500	$ 1,322,704

LACMTA has entered into various Memoranda of Understanding (MOU) to fund local transportation projects. As of June 30, 2013, LACMTA has reserved Proposition A, Proposition C, Measure R, TDA, and STA funds totaling $1,758,029.

Q. Joint Powers

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the counties of Los Angeles, San Bernardino, Orange, Riverside, and Ventura. SCRRA's purpose is to plan, design, construct, and administer the operation of regional passenger rail lines serving the participating counties. SCRRA named the regional commuter rail system "Metrolink."

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California. LACMTA provides funding for the majority of Metrolink's operating and capital costs. As of June 30, 2013, the total outstanding payables and commitments were $2,514 and $41,294, respectively.

A summary of audited financial information for the SCRRA for the year ended June 30, 2012 (most recent data available) is as follows:

Current Assets	$ 154,047
Noncurrent Assets	59,517
Capital Assets, net	1,201,590
Total Assets	1,415,154
Total Liabilities	174,369
Net Position	$ 1,240,785
Total Revenues	$ 374,804
Total Expenses	(256,928)
Increase in Net Position	$ 117,876

Additional detailed financial information is available from the Office of Finance and Administration, SCRRA, One Gateway Plaza, 12th Floor, Los Angeles, CA 90012, or visit Metrolink's website at www.metrolinktrains.com.

R. Litigation and Other Contingencies

Litigation

LACMTA is named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of LACMTA.

Federal, State, and Other Governmental Funding

LACMTA receives significant funding from federal, state, and other governmental grant funds as reimbursement for costs incurred. Such grants are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

Excise Tax on Lease/Leaseback Transactions

On May 17, 2006, President Bush signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA). Pursuant to the 2005 Tax Act, a new Section 4965 was added to the Internal Revenue Code of 1986, as amended (Code). Section 4965 imposes a federal excise tax (New Excise Tax) on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. On February 7, 2007, the Internal Revenue Service (IRS) released Notice 2007-18, which addresses how the provisions of new section 4965 will be applied. This provision could impact LACMTA's leveraged leasing transactions. The proposed regulations clarified which transactions are subject to the New Excise Tax and the calculation of the New Excise

Tax. Based on the proposed regulations, LACMTA believes that the New Excise Tax will not have a material adverse effect on its financial condition or results of its operation.

S. Subsequent Events

State Public Employee Pension Reform Act (PEPRA)

In October 2012, the State Legislature adopted and the Governor signed into law the Public Employee's Pension Reform Act of 2013 (PEPRA). The new pension law increased local and state government employees' contributions and provided lower retirement benefits for workers who joined the public pension fund on or after January 1, 2013.

Several unions representing certain public transit employees in the State, including employees of LACMTA, asserted to the U.S. Department of Labor (DOL) that PEPRA is inconsistent with the collective bargaining provisions that are described under the former Section 13(c), now Section 5333, of the Federal Transit Act. Section 13(c) requires that employee protective arrangements must be certified by the DOL as being compliant with Section 13(c) before Federal transit funds can be released to a mass transit provider. By November 5, 2013, the DOL was withholding certification of $373.9 million in federal grants requested by LACMTA.

The California Legislature passed Assembly Bill 1222 in September 2013, temporarily exempting transit workers from PEPRA and assuring the resumption of federal grants to California transit agencies while the Federal Court considers if PEPRA violates union members' collective bargaining rights.

On November 6, 2013, the DOL certified ten federal grants applications from LACMTA totaling $264.5 million. LACMTA is waiting for the other grants awards from the Federal Transportation Administration (FTA).

Alameda Corridor East Working Capital Loan

In July 2013, LACMTA entered into an agreement with Alameda Corridor East (ACE) Construction Authority for the purpose of providing a working capital loan to ACE of up to $45 million. On behalf of ACE, LACMTA borrowed $20,000 under the Proposition C tax-exempt revolving credit facility in September, 2013 and another $25,000 Proposition C taxable revolving credit facility in November, 2013. The term of the working capital loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of i) 10 years from commencement date, or ii) the point in time where LACMTA has an outstanding obligation to fund its last $75,000 in Measure R or Proposition C funds.

Long-Term Debt

In December 2013, LACMTA issued Proposition C Sales Tax Revenue Bonds Senior Bonds Series 2013-B and Sales Tax Revenue Refunding Bonds Senior Bonds Series 2013-C for an aggregate par amount of $313,490 and $63,785, respectively. The Bonds were issued at a premium of $30,695 and $10,063, respectively. The proceeds from the Proposition C Bonds Series 2013-B are to be used to finance the development and construction of the rail, bus and highway transit system, including certain capital expenditures for EXPO Phase 1, certain expenditures of the Crenshaw Transit Corridor Project, and to finance highway capital project expenditures, as well as other Proposition C eligible capital expenditures. The net proceeds from the Proposition C Bonds Series 2013-C were used to partially refund $68,075 of the Proposition C Bonds Series 2004-A maturing on July 1, 2015 through July 1, 2026 to achieve a net present value savings of $7,966.

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Required Supplementary Information

Los Angeles County Metropolitan Transportation Authority
Required Supplementary Information
Schedule of Funding Progress – Pension Plans
For the Fiscal Year Ended June 30, 2013

The schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the pension funds contributed to by:

Valuation Date	Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll (a)-(b)/ (c)
PTSC *						
06/30/11	$ 403,848	$ 374,041	$ 29,807	92.62%	$ 125,814	23.69%
06/30/10	360,072	339,282	20,790	94.23%	132,749	15.66%
06/30/09	326,921	308,097	18,824	94.24%	131,782	14.28%
LACMTA **						
UTU						
12/31/12	605,421	389,041	216,380	64.26%	177,930	121.61%
12/31/11	546,643	386,459	160,184	70.70%	181,993	88.02%
12/31/10	534,042	379,137	154,905	70.99%	181,850	85.18%
TCU						
12/31/12	109,766	70,250	39,516	64.00%	28,735	137.52%
12/31/11	105,148	67,668	37,480	64.36%	26,975	138.94%
12/31/10	94,415	65,518	28,897	69.39%	26,410	109.42%
ATU						
12/31/12	404,114	252,788	151,326	62.55%	114,500	132.16%
12/31/11	339,989	224,261	115,728	65.96%	111,164	104.11%
12/31/10	323,366	218,179	105,187	67.47%	107,310	98.02%
Non-Contract						
12/31/12	144,423	99,654	44,769	69.00%	4,412	1,014.71%
12/31/11	144,895	103,523	41,372	71.45%	4,856	851.98%
12/31/10	134,022	110,488	23,534	82.44%	5,697	413.09%
AFSCME						
12/31/12	57,047	42,817	14,230	75.06%	4,598	309.48%
12/31/11	55,847	43,597	12,250	78.07%	5,213	234.99%
12/31/10	52,654	45,079	7,575	85.61%	5,561	136.22%
LACMTA TOTAL						
12/31/12	$ 1,320,771	$ 854,550	$ 466,221	64.70%	$ 330,175	141.20%
12/31/11	1,192,522	825,508	367,014	69.22%	330,201	111.15%
12/31/10	1,138,499	818,401	320,098	71.88%	326,828	97.94%

Annual Financial Report can be obtained by writing to:
* *CalPERS, PO BOX 942709, Sacramento, CA 94229-2709 or visit CalPERS's website at www.calpers.ca.gov*
** *Finance Department, LACMTA, One Gateway* Plaza, Los Angeles, CA 90012-2952.

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Required Supplementary Information
Schedule of Funding Progress – OPEB
For the Fiscal Year Ended June 30, 2013

The schedule of Funding Progress below shows the recent history of actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the OPEB fund established by LACMTA:

Actuarial Valuation Date	Projected Unit Credit Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
January 1, 2013						
LACMTA	$ 181,326	$ 35,736	$ 145,590	19.71%	$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
UTU	282,600	55,696	226,904	19.71%	246,765	91.95%
Total	$ 1,064,017	$ 209,700	$ 854,317	19.71%	$ 623,358	137.05%
January 1, 2011						
LACMTA	$ 172,997	$ 32,322	$ 140,675	18.68%	$ 159,974	87.94%
ATU	499,030	93,236	405,794	18.68%	154,401	262.82%
TCU	70,017	13,082	56,935	18.68%	38,139	149.28%
UTU	262,005	48,951	213,054	18.68%	257,023	82.89%
Total	$ 1,004,049	$ 187,591	$ 816,458	18.68%	$ 609,537	133.95%
January 1, 2009						
LACMTA	$ 148,150	$ 22,934	$ 125,216	15.48%	$ 165,924	75.47%
ATU	462,109	71,537	390,572	15.48%	142,512	274.06%
TCU	90,227	13,968	76,259	15.48%	35,372	215.59%
UTU	314,221	48,643	265,578	15.48%	236,341	112.37%
Total	$ 1,014,707	$ 157,082	$ 857,625	15.48%	$ 580,149	147.83%

**As of January 1, 2013, the actuarial value of assets is based on a five-year, moving average of expected and market values adjusted by recognition of gains or losses and limited to be no more than 120% and no less than 80% of market value. Please see related notes to the basic financial statements on pages 73 to 78.*

Annual Financial Report can be obtained by writing to:
Finance Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 30,268	$ 29,795	$ 30,948	$ 1,153
Investment income	4,060	4,060	3,412	(648)
Net decline in fair value of investments	-	-	(2,662)	(2,662)
Lease and rental	13,864	13,864	15,509	1,645
Licenses and fines	500	500	508	8
Other	608	608	32,658	32,050
TOTAL REVENUES	49,300	48,827	80,373	31,546
EXPENDITURES				
Current:				
Administration and other	99,097	115,655	90,664	24,991
Transportation subsidies	12,858	12,858	14,497	(1,639)
Debt and interest expenditures:				
Principal	1,060	1,060	1,080	(20)
Interest and fiscal charges	1,117	1,117	1,114	3
TOTAL EXPENDITURES	114,132	130,690	107,355	23,335
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(64,832)	(81,863)	(26,982)	54,881
OTHER FINANCING SOURCES (USES)				
Transfers in	25,334	25,334	78,046	52,712
Transfers out	(52,447)	(52,447)	(51,637)	810
TOTAL OTHER FINANCING SOURCES AND (USES)	(27,113)	(27,113)	26,409	53,522
NET CHANGE IN FUND BALANCES	(91,945)	(108,976)	(573)	108,403
Fund balances – beginning of year	475,596	475,596	475,596	-
FUND BALANCES – END OF YEAR	$ 383,651	$ 366,620	$ 475,023	$ 108,403

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition A Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 629,304	$ 629,304	$ 687,172	$ 57,868
Investment income	-	-	1,270	1,270
Net decline in fair value of investments	-	-	(1,046)	(1,046)
TOTAL REVENUES	629,304	629,304	687,396	58,092
EXPENDITURES				
Current:				
Transportation subsidies	253,160	253,160	275,057	(21,897)
TOTAL EXPENDITURES	253,160	253,160	275,057	(21,897) **
EXCESS OF REVENUES OVER EXPENDITURES	376,144	376,144	412,339	36,195
OTHER FINANCING SOURCES (USES)				
Transfers in	-	(94)	32,224	32,318
Transfers out	(384,828)	(372,066)	(414,610)	(42,544)
TOTAL OTHER FINANCING SOURCES AND (USES)	(384,828)	(372,160)	(382,386)	(10,226)
NET CHANGE IN FUND BALANCES	(8,684)	3,984	29,953	25,969
Fund balances – beginning of year	161,158	161,158	161,158	-
FUND BALANCES – END OF YEAR	$ 152,474	$ 165,142	$ 191,111	$ 25,969

** Budget prepared in accordance with GAAP*

***The variance was due to allowable expenditures budgeted for in the prior year which were incurred in the current year.*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition C Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts*				
	Original	Final	Actual Amounts	Variance with Final Budget	
REVENUES					
Sales taxes	$ 629,304	$ 629,304	$ 687,332	$ 58,028	
Intergovernmental	178,460	178,460	241,298	62,838	
Investment income	-	-	661	661	
Net decline in fair value of investments	-	-	(141)	(141)	
TOTAL REVENUES	807,764	807,764	929,150	121,386	
EXPENDITURES					
Current:					
Administration and other	214,751	213,769	275,403	(61,634)	
Transportation subsidies	413,663	413,678	445,353	(31,675)	
TOTAL EXPENDITURES	628,414	627,447	720,756	(93,309)	**
EXCESS OF REVENUES OVER EXPENDITURES	179,350	180,317	208,394	28,077	
OTHER FINANCING SOURCES (USES)					
Transfers in	8,142	8,142	2,419	(5,723)	
Transfers out	(271,057)	(280,800)	(305,408)	(24,608)	
TOTAL OTHER FINANCING SOURCES (USES)	(262,915)	(272,658)	(302,989)	(30,331)	
NET CHANGE IN FUND BALANCES	(83,565)	(92,341)	(94,595)	(2,254)	
Fund balances – beginning of year	134,652	134,652	134,652	-	
FUND BALANCES – END OF YEAR	$ 51,087	$ 42,311	$ 40,057	$ (2,254)	

**Budget prepared in accordance with GAAP*

***The variance was due to allowable expenditures budgeted for in the prior year which were incurred in the current year.*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Measure R Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 629,304	$ 629,304	$ 684,862	$ 55,558
Intergovernmental	1,336	1,147	1,253	106
Investment income	-	-	7,002	7,002
Net decline in fair value of investments	-	-	(5,752)	(5,752)
TOTAL REVENUES	630,640	630,451	687,365	56,914
EXPENDITURES				
Current:				
Administration and other	61,694	84,596	58,237	26,359
Transportation subsidies	213,097	200,097	187,189	12,908
TOTAL EXPENDITURES	274,791	284,693	245,426	39,267
EXCESS OF REVENUES OVER EXPENDITURES	355,849	345,758	441,939	96,181
OTHER FINANCING SOURCES (USES)				
Transfers in	9,998	8,498	31,886	23,388
Transfers out	(307,320)	(275,320)	(199,903)	75,417
TOTAL OTHER FINANCING SOURCES (USES)	(297,322)	(266,822)	(168,017)	98,805
NET CHANGE IN FUND BALANCES	58,527	78,936	273,922	194,986
Fund balances – beginning of year	915,357	915,357	915,357	-
FUND BALANCES – END OF YEAR	$ 973,884	$ 994,293	$ 1,189,279	$ 194,986

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
PTMISEA Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts *			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ -	$ -	$ 194,532	$ 194,532
Investment income	-	-	28	28
TOTAL REVENUES	-	-	194,560	194,560
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(266,991)	(294,906)	(67,799)	227,107
TOTAL OTHER FINANCING SOURCES AND (USES)	(266,991)	(294,906)	(67,799)	227,107
NET CHANGE IN FUND BALANCES	(266,991)	(294,906)	126,761	421,667
Fund balances – beginning of year	32,182	32,182	32,182	-
FUND BALANCES – END OF YEAR	$ (234,809)	$ (262,724)	$ 158,943	$ 421,667

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Transportation Development Act Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts* Original	Budgeted Amounts* Final	Actual Amounts	Variance with Final Budget	
REVENUES					
Sales taxes	$ 314,652	$ 314,652	$ 343,806	$ 29,154	
Investment income	-	-	1,958	1,958	
TOTAL REVENUES	314,652	314,652	345,764	31,112	
EXPENDITURES					
Current:					
Transportation subsidies	110,917	110,917	114,612	(3,695)	
TOTAL EXPENDITURES	110,917	110,917	114,612	(3,695)	**
EXCESS OF REVENUES OVER EXPENDITURES	203,735	203,735	231,152	27,417	
OTHER FINANCING SOURCES (USES)					
Transfers out	(207,188)	(208,188)	(203,829)	4,359	
TOTAL OTHER FINANCING SOURCES AND (USES)	(207,188)	(208,188)	(203,829)	4,359	
NET CHANGE IN FUND BALANCES	(3,453)	(4,453)	27,323	31,776	
Fund balances – beginning of year	297,064	297,064	297,064	-	
FUND BALANCES – END OF YEAR	$ 293,611	$ 292,611	$ 324,387	$ 31,776	

**Budget prepared in accordance with GAAP*
***The variance was due to allowable expenditures budgeted for in the prior year which were incurred in the current year.*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
State Transit Assistance Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts*				
	Original	Final	Actual Amounts	Variance with Final Budget	
REVENUES					
Sales taxes	$ 123,683	$ 123,683	$ 116,548	$ (7,135)	
Investment income	-	-	194	194	
TOTAL REVENUES	123,683	123,683	116,742	(6,941)	
EXPENDITURES					
Current:					
Transportation subsidies	17,139	17,139	24,531	(7,392)	
TOTAL EXPENDITURES	17,139	17,139	24,531	(7,392)	**
EXCESS OF REVENUES OVER EXPENDITURES	106,544	106,544	92,211	(14,333)	
OTHER FINANCING SOURCES (USES)					
Transfers out	(105,952)	(105,952)	(105,962)	(10)	
TOTAL OTHER FINANCING SOURCES AND (USES)	(105,952)	(105,952)	(105,962)	(10)	
NET CHANGE IN FUND BALANCES	592	592	(13,751)	(14,343)	
Fund balances – beginning of year	26,946	26,946	26,946	-	
FUND BALANCES – END OF YEAR	$ 27,538	$ 27,538	$ 13,195	$ (14,343)	

**Budget prepared in accordance with GAAP*
***The variance was due to allowable expenditures budgeted for in the prior year which were incurred in the current year.*

See accompanying independent auditors' report.

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Other Supplementary Information

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Amounts expressed in thousands)

	Special Revenue Funds		
	Service Authority For Fwy Emergency	Other	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 33,688	$ 2,167	$ 35,855
Investments	-	76,093	76,093
Receivables			
Interest	71	-	71
Intergovernmental	144	1,515	1,659
TOTAL ASSETS	$ 33,903	$ 79,775	$ 113,678
LIABILITIES			
Accounts payable and accrued liabilities	$ 474	$ 92	$ 566
Due to other funds	974	7,789	8,763
Deferred revenues	-	1,515	1,515
Other liabilities	-	23,075	23,075
TOTAL LIABILITIES	1,448	32,471	33,919
FUND BALANCES			
Restricted	32,455	47,304	79,759
TOTAL FUND BALANCES	32,455	47,304	79,759
TOTAL LIABILITIES AND FUND BALANCES	$ 33,903	$ 79,775	$ 113,678

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Special Revenue Funds		
	Service Authority For Fwy Emergency	Other	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	$ 61	$ 16,102	$ 16,163
Investment income	53	46	99
Net appreciation in fair value of investments	-	2	2
Licenses and fines	7,607	-	7,607
TOTAL REVENUES	7,721	16,150	23,871
EXPENDITURES			
Current:			
Administration and other	7,416	247	7,663
TOTAL EXPENDITURES	7,416	247	7,663
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	305	15,903	16,208
OTHER FINANCING SOURCES AND (USES)			
Transfers out	(933)	(10,258)	(11,191)
TOTAL OTHER FINANCING SOURCES AND (USES)	(933)	(10,258)	(11,191)
NET CHANGE IN FUND BALANCES	(628)	5,645	5,017
Fund balances – beginning of year	33,083	41,659	74,742
FUND BALANCES – END OF YEAR	$ 32,455	$ 47,304	$ 79,759

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual
Service Authority for Freeway Emergency Fund
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts* Original	Budgeted Amounts* Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ -	$ -	$ 61	$ 61
Investment income	500	500	53	(447)
Licenses and fines	8,063	8,063	7,607	(456)
TOTAL REVENUES	8,563	8,563	7,721	(842)
EXPENDITURES				
Current:				
Administration and other	12,494	12,494	7,416	5,078
TOTAL EXPENDITURES	12,494	12,494	7,416	5,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,931)	(3,931)	305	4,236
OTHER FINANCING SOURCES AND (USES)				
Transfers out	-	-	(933)	(933)
TOTAL OTHER FINANCING SOURCES AND USES	-	-	(933)	(933)
NET CHANGE IN FUND BALANCES	(3,931)	(3,931)	(628)	3,303
Fund balances – beginning of year	33,083	33,083	33,083	-
FUND BALANCES – END OF YEAR	$ 29,152	$ 29,152	$ 32,455	$ 3,303

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Other Special Revenue Funds
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ -	$ -	$ 16,102	$ 16,102
Investment income	-	-	46	46
Net appreciation in fair value of investments	-	-	2	2
TOTAL REVENUES	-	-	16,150	16,150
EXPENDITURES				
Current:				
Administration and other	-	-	247	(247)
TOTAL EXPENDITURES	-	-	247	(247)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	15,903	15,903
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(4,725)	(4,725)	(10,258)	(5,533)
TOTAL OTHER FINANCING SOURCES AND (USES)	(4,725)	(4,725)	(10,258)	(5,533)
NET CHANGE IN FUND BALANCES	(4,725)	(4,725)	5,645	10,370
Fund balances – beginning of year	41,659	41,659	41,659	-
FUND BALANCES – END OF YEAR	$ 36,934	$ 36,934	$ 47,304	$ 10,370

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Fiduciary Net Position – Employee Retirement Trust Funds
Fiduciary Funds
June 30, 2013
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Total
ASSETS						
Cash and cash equivalents	$ 6,944	$ 1,357	$ 4,773	$ 802	$ 1,683	$ 15,559
Investments						
Bonds	109,343	21,370	75,150	12,620	26,493	244,976
Domestic stocks	74,215	14,504	51,007	8,565	17,982	166,273
Non-domestic stocks	2,699	528	1,855	312	654	6,048
Pooled investments	281,435	55,003	193,428	32,481	68,189	630,536
Receivables						
Member contribution	339	44	139	-	-	522
Securities sold	18,147	3,547	12,472	2,094	4,397	40,657
Inter-plan receivable	-	-	-	1,424	767	2,191
Interest and dividends	1,896	371	1,304	219	460	4,250
Receivable from sponsor	-	65	120	55	388	628
Prepaid items and other assets	15	3	10	2	4	34
Total assets	495,033	96,792	340,258	58,574	121,017	1,111,674
LIABILITIES						
Accounts payable and other liabilities	574	168	387	133	208	1,470
Inter-plan payable	1,705	279	207	-	-	2,191
Securities purchased	30,353	5,932	20,862	3,503	7,354	68,004
Total liabilities	32,632	6,379	21,456	3,636	7,562	71,665
NET POSITION						
Held in trust for pension benefits	$ 462,401	$ 90,413	$ 318,802	$ 54,938	$ 113,455	$ 1,040,009

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Changes in Fiduciary Net Position– Employee Retirement Trust Funds
Fiduciary Funds
For the Year Ended June 30, 2013
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Total
ADDITIONS						
Contributions:						
Employer	$ 24,103	$ 5,270	$ 18,663	$ 1,816	$ 4,785	$ 54,637
Member	12,903	1,451	5,734	1,424	841	22,353
Total contributions	37,006	6,721	24,397	3,240	5,626	76,990
From investing activities:						
Net appreciation in fair value of investments	50,712	9,630	34,085	5,940	12,704	113,071
Investment income	5,745	1,097	3,876	671	1,430	12,819
Investment expense	(1,498)	(287)	(1,013)	(175)	(373)	(3,346)
Other income (expenses) – net	854	46	157	23	55	1,135
Total investing activities income	55,813	10,486	37,105	6,459	13,816	123,679
Total additions	92,819	17,207	61,502	9,699	19,442	200,669
DEDUCTIONS						
Retiree benefits	42,901	3,965	16,905	3,148	11,183	78,102
Administrative expenses	501	243	380	218	259	1,601
Total deductions	43,402	4,208	17,285	3,366	11,442	79,703
Increase in net position	49,417	12,999	44,217	6,333	8,000	120,966
Net Position – beginning of year	412,984	77,414	274,585	48,605	105,455	919,043
NET POSITION – END OF YEAR	$ 462,401	$ 90,413	$ 318,802	$ 54,938	$ 113,455	$ 1,040,009

See accompanying independent auditors' report.

Statistical Section

STATISTICAL SECTION

This section of LACMTA's comprehensive annual financial report presents trend information about LACMTA's financial results, major revenue sources, outstanding debt obligations, demographic statistics, and operating activities to help the reader understand LACMTA's overall financial condition.

Contents | Page

Los Angeles County Metropolitan Transportation Authority *Table 1*
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	$ 779,120	$ 779,046	$ 778,972	$ 772,905	$ 772,838	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 772,794
Restricted for other purpose	599,057	653,629	790,629	1,289,360	1,442,723	1,268,069	1,244,855	1,111,759	1,642,101	1,996,731
Unrestricted	265,283	214,841	244,136	297,103	132,436	100,240	234,401	499,084	486,403	514,563
Total governmental activities net position	1,643,460	1,647,516	1,813,737	2,359,368	2,347,997	2,141,103	2,252,050	2,383,637	2,901,298	3,284,088
Business-type activities:										
Net investment in capital assets	3,555,066	3,555,446	3,694,487	3,671,581	3,911,725	3,900,614	4,366,480	4,497,567	4,561,995	4,908,034
Restricted for debt service	266,586	298,187	313,622	289,669	321,823	419,282	446,878	440,892	431,009	469,027
Unrestricted	(263,936)	(137,312)	(24,924)	111,273	76,168	212,781	(1,909)	(130,868)	(30,488)	(318,227)
Total business-type activities net position	3,557,716	3,716,321	3,983,185	4,072,523	4,309,716	4,532,677	4,811,449	4,807,591	4,962,516	5,058,834
Primary government:										
Net investment in capital assets	4,334,186	4,334,492	4,473,459	4,444,486	4,684,563	4,673,408	5,139,274	5,270,361	5,334,789	5,680,828
Restricted for debt service	266,586	298,187	313,622	289,669	321,823	419,282	446,878	440,892	431,009	469,027
Restricted for other purpose	599,057	653,629	790,380	1,289,360	1,442,723	1,268,069	1,244,855	1,111,759	1,642,101	1,996,731
Unrestricted	1,347	77,529	219,212	408,376	208,604	313,021	232,492	368,216	455,915	196,336
Total primary government net position	$ 5,201,176	$ 5,363,837	$ 5,796,673	$ 6,431,891	$ 6,657,713	$ 6,673,780	$ 7,063,499	$ 7,191,228	$ 7,863,814	$ 8,342,922

Source: Comprehensive Annual Financial Report

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Table 2

Expenses	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Governmental activities:										
Transit operators programs	$ 169,882	$ 221,400	$ 202,964	$ 235,476	$ 209,299	$ 282,305	$ 201,354	$ 238,624	$ 220,782	$ 239,718
Local cities programs	-	-	-	-	-	-	370,177	401,957	442,409	431,470
Highway projects	271,007	303,969	306,532	320,629	318,492	300,113	247,715	108,511	234,690	312,807
Regional multimodal capital programs	69,393	60,619	117,483	103,286	316,631	188,316	102,084	80,221	96,174	146,528
Paratransit programs	66,913	35,010	11,397	12,440	14,355	14,208	25,283	16,456	10,227	13,097
Other transportation subsidies	49,335	55,471	66,234	49,997	57,711	79,910	88,180	56,504	63,875	130,964
Debt service interest	600	1,540	1,505	1,456	1,408	1,444	1,249	1,205	1,161	1,114
General government	95,553	101,610	119,157	132,228	165,783	200,523	218,380	257,433	167,134	218,637
Total government activities	722,683	779,619	825,272	855,512	1,083,679	$ 1,066,819	1,254,422	1,160,911	1,236,452	1,494,335
Business-type activities										
Transit operations	1,430,484	1,471,539	1,567,469	1,691,649	1,747,243	1,807,037	1,808,257	1,910,466	1,835,735	1,916,041
Union Station operations	-	-	-	-	-	-	-	1,052	4,167	6,586
Toll operations	-	-	-	-	-	-	-	-	-	10,102
Total business-type activities expenses	1,430,484	1,471,539	1,567,469	1,691,649	1,747,243	1,807,037	1,808,257	1,911,518	1,839,902	1,932,729
Total expenses	$ 2,153,167	$ 2,251,158	$ 2,392,741	$ 2,547,161	$ 2,830,922	$ 2,873,856	$ 3,062,679	$ 3,072,429	$ 3,076,354	$ 3,427,064
Program Revenues										
Governmental activities:										
Charges for services	$ 10,963	$ 10,945	$ 12,742	$ 13,311	$ 10,915	$ 10,101	$ 15,713	$ 16,302	$ 15,740	$ 23,770
Operating grants and contributions	64,132	20,054	30,477	343,003	191,046	162,387	267,306	169,261	401,651	502,374
Total governmental activities program	75,095	30,999	43,219	356,314	201,961	172,488	283,019	185,563	417,391	526,144
Business-type activities:										
Charges for services	233,757	284,682	299,966	313,000	357,857	357,895	342,087	375,168	375,917	382,003
Operating grants and contributions	116,201	217,043	207,683	186,003	198,443	214,285	239,835	261,068	289,517	272,951
Capital grants and contributions	470,393	245,860	467,665	302,613	200,575	424,732	411,392	182,378	207,509	135,653
Total business-type activities program	820,351	747,585	975,314	801,616	756,875	996,912	993,314	818,614	872,943	790,607
Total program revenues	$ 895,446	$ 778,584	$ 1,018,533	$ 1,157,930	$ 958,836	$ 1,169,400	$ 1,276,333	$ 1,004,177	$ 1,290,334	$ 1,316,751
Net (expense) / revenue:										
Governmental activities	$ (647,588)	$ (748,620)	$ (782,053)	$ (499,198)	$ (881,718)	$ (894,331)	$ (971,403)	$ (975,348)	$ (819,061)	$ (968,191)
Business-type activities	(610,133)	(723,954)	(592,155)	(890,033)	(990,368)	(810,125)	(814,943)	(1,092,904)	(966,959)	(1,142,122)
Total net expense	$ (1,257,721)	$ (1,472,574)	$ (1,374,208)	$ (1,389,231)	$ (1,872,086)	$ (1,704,456)	$ (1,786,346)	$ (2,068,252)	$ (1,786,020)	$(2,110,313)

Los Angeles County Metropolitan Transportation Authority

Table 2

Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes In Net Position										
Governmental activities										
Sales taxes	$ 1,478,408	$ 1,587,517	$ 1,738,996	$ 1,908,416	$ 1,801,291	$ 1,596,152	$ 2,085,370	$ 2,104,072	$ 2,386,439	$ 2,519,720
Investment income*	5,352	14,886	32,764	51,186	70,782	55,284	39,268	24,628	17,829	4,822
Miscellaneous	19,288	12,847	13,484	29,736	39,273	41,063	26,979	49,218	32,205	42,203
Transfers	(885,345)	(862,574)	(837,219)	(944,260)	(1,040,999)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)
Total government activities	617,703	752,676	948,025	1,045,078	870,347	687,437	1,082,350	1,106,935	1,336,722	1,350,981
Business-type activities:										
Investment income*	12,495	15,525	17,418	29,282	15,586	7,793	8,102	13,191	15,480	17,977
Miscellaneous	209	4,460	4,382	5,829	5,237	20,231	16,346	4,872	6,653	4,699
Transfers	885,345	862,574	837,219	944,260	1,040,999	1,005,062	1,069,267	1,070,983	1,099,751	1,215,764
Total business-type activities	898,049	882,559	859,019	979,371	1,061,822	1,033,086	1,093,715	1,089,046	1,121,884	1,238,440
Total primary government	$ 1,515,752	$ 1,635,235	$ 1,807,044	$ 2,024,449	$ 1,932,169	$ 1,720,523	$ 2,176,065	$ 2,195,981	$ 2,458,606	$ 2,589,421
Change in Net Position										
Governmental activities	$ (29,885)	$ 4,056	$ 165,972	$ 545,880	$ (11,371)	$ (206,894)	$ 110,947	$ 131,587	$ 517,661	$ 382,790
Business-type activities	287,916	158,605	266,864	89,338	71,454	222,961	278,772	(3,858)	154,925	96,318
Total primary government	$ 258,031	$ 162,661	$ 432,836	$ 635,218	$ 60,083	$ 16,067	$ 389,719	$ 127,729	$ 672,586	$ 479,108

Source: Comprehensive Annual Financial Report

** Including net appreciation/(decline) in fair value of investments*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority *Table 3*
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	$ 8,397	$ 6,727	$ 2,320	$ 3,047	$ 2,890	$ 1,780	$ 1,843	$ -	$ -	$ -
Unreserved	138,295	86,626	113,838	150,995	144,513	158,847	178,611	-	-	-
Restricted*	-	-	-	-	-	-	-	7,827	9,023	6,588
Committed*	-	-	-	-	-	-	-	46,564	3,492	8,877
Assigned*	-	-	-	-	-	-	-	986	6,818	11,403
Unassigned*	-	-	-	-	-	-	-	434,371	456,263	448,155
Total General Fund	$ 146,692	$ 93,353	$ 116,158	$ 154,042	$ 147,403	$ 160,627	$ 180,454	$ 489,748	$ 475,596	$ 475,023
All other governmental funds										
Reserved	$ 509,432	$ 535,519	$ 473,013	$ 542,896	$ 656,807	$ 825,140	$ 1,201,151	-	-	-
Unreserved:										
Proposition A	60,178	40,245	130,428	250,696	120,077	(18,093)	23,741	-	-	-
Proposition C	(3,858)	19,965	85,824	75,753	239,583	(44,054)	(871,854)	-	-	-
Measure R	-	-	-	-	-	-	349,183	-	-	-
PTMISEA	-	-	-	-	52,624	118,614	56,696	-	-	-
TCRP	-	-	-	317,434	-	-	-	-	-	-
Transportation Development Act	6,728	31,833	53,579	52,292	17,572	(8,529)	(1,107)	-	-	-
State Transit Assistance	13,960	16,088	32,756	36,505	7,684	33,613	160,797	-	-	-
Nonmajor Governmental	12,617	9,979	14,809	25,939	363,345	360,172	319,897	-	-	-
Restricted*										
Proposition A	-	-	-	-	-	-	-	69,049	161,158	191,111
Proposition C	-	-	-	-	-	-	-	116,912	134,652	40,057
Measure R	-	-	-	-	-	-	-	611,464	915,357	1,189,279
PTMISEA	-	-	-	-	-	-	-	-	32,182	158,943
Transportation Development Act	-	-	-	-	-	-	-	214,652	297,064	324,387
State Transit Assistance	-	-	-	-	-	-	-	49,714	26,946	13,195
Nonmajor Governmental	-	-	-	-	-	-	-	49,968	74,742	79,759
Total all other governmental funds	599,057	653,629	790,409	1,301,515	1,457,692	1,266,863	1,238,504	1,111,759	1,642,101	1,996,731
Total governmental funds	$ 745,749	$ 746,982	$ 906,567	$ 1,455,557	$ 1,605,095	$ 1,427,490	$ 1,418,958	$ 1,601,507	$ 2,117,697	$ 2,471,754

Source: Comprehensive Annual Financial Report

** Reclassification of fund balances with the implementation of GASB Statement No. 54 Fund Balance Reporting and Government Fund Type Definitions*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Table 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Sales taxes	$1,478,408	$1,587,517	$1,738,996	$1,908,416	$1,768,916	$1,628,527	$2,085,370	$2,104,072	$2,386,439	$2,519,720
Intergovernmental	64,132	20,054	26,955	343,003	194,565	162,387	151,046	228,469	413,262	484,194
Investment income*	5,352	14,886	32,764	51,186	70,782	55,284	39,268	24,628	16,812	5,025
Lease and rental	10,963	10,945	12,741	11,293	10,915	10,101	15,713	16,206	15,740	15,509
Licenses and fines	7,794	8,088	8,157	8,246	8,407	8,091	7,962	8,023	8,065	8,115
Other	9,343	2,608	3,170	26,784	28,706	30,811	16,820	34,071	13,095	32,658
Total revenues	1,575,992	1,644,098	1,822,783	2,348,928	2,082,291	1,895,201	2,316,179	2,415,469	2,853,413	3,065,221
Expenditures										
Current										
Administration and other	93,368	91,942	93,912	98,720	130,090	161,504	377,193	295,139	356,480	431,967
Transportation subsidies	620,571	686,070	729,780	754,733	759,447	903,971	875,977	864,528	878,796	1,061,239
Principal, interest, and fiscal charges	1,444	2,283	2,283	2,226	2,217	2,269	2,274	2,270	2,196	2,194
Total expenditures	715,383	780,295	825,975	855,679	891,754	1,067,744	1,255,444	1,161,937	1,237,472	1,495,400
Excess of revenues over expenditures	860,609	863,803	996,808	1,493,249	1,190,537	827,457	1,060,735	1,253,532	1,615,941	1,569,821
Other financing sources (uses)										
Transfers out, net of transfers in	(885,345)	(862,574)	(837,221)	(944,260)	(1,040,999)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)
Total other financing sources (uses)	(885,345)	(862,574)	(837,221)	(944,260)	(1,040,999)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)
Net change in fund balances	$ (24,736)	$ 1,229	$ 159,587	$ 548,989	$ 149,538	$ (177,605)	$ (8,532)	$ 182,549	$ 516,190	$ 354,057
Debt service expenditures expressed as a percentage of non-capital expenditures	0.20%	0.29%	0.28%	0.26%	0.25%	0.21%	0.18%	0.20%	0.18%	0.15%

Source: Comprehensive Annual Financial Report

** Includes net of appreciation (decline) in fair value of investments*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority *Table 5*
Governmental Activities
Sales Tax Revenues by Source
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Proposition A	Proposition C	Measure R		Transportation Development Act	Other		Total
2004	$ 576,651	$ 576,655	$ -		$ 294,016	$ 31,086		$ 1,478,408
2005	619,497	619,575	-		314,457	33,988		1,587,517
2006	668,984	669,025	-		338,742	62,245		1,738,996
2007	686,167	686,308	-		344,867	191,074	*	1,908,416
2008	683,352	683,530	-		340,548	61,486		1,768,916
2009	620,797	620,866	-		310,406	76,458		1,628,527
2010	565,746	565,787	551,480	**	285,270	117,087		2,085,370
2011	601,883	601,932	598,647		301,610	-	***	2,104,072
2012	648,692	648,776	645,026		326,883	117,062		2,386,439
2013	687,172	687,332	684,862		343,806	116,548		2,519,720

Source: Comprehensive Annual Financial Report

**The substantial increase was due to the State of California voter-approved Proposition 42, which requires existing revenues resulting from state sales and use tax on the sale of motor vehicle fuel to be used for transportation purposes as provided by law.*

***Measure R is a voter-approved half-cent sales tax that took effect in July 2009 for Los Angeles County to finance new Transportation projects and programs.*

***No *allocation from State of California due to budget deficit.*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Program Revenues by Source (Bus and Rail)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Table 6

Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies	Auxiliary Transportation/ Route Subsidies	Lease and Rental*	Toll Revenues**	Total
2004	$ 221,454	$ 115,219	$ 548,667	$ 12,534	$ -	$ -	$ 897,874
2005	269,518	216,599	480,369	15,164	-	-	981,650
2006	280,572	207,091	545,103	17,681	-	-	1,050,447
2007	293,368	185,108	617,855	18,288	-	-	1,114,619
2008	336,961	197,643	632,665	20,896	-	-	1,188,165
2009	333,989	213,478	629,242	23,906	-	-	1,200,615
2010	316,427	238,981	619,221	25,660	-	-	1,200,289
2011	345,973	259,871	554,808	28,000	1,195	-	1,189,847
2012	344,014	287,977	522,998	27,815	4,088	-	1,186,892
2013	340,010	272,199	625,955	24,543	4,459	12,991	1,280,157

Source: Comprehensive Annual Financial Report

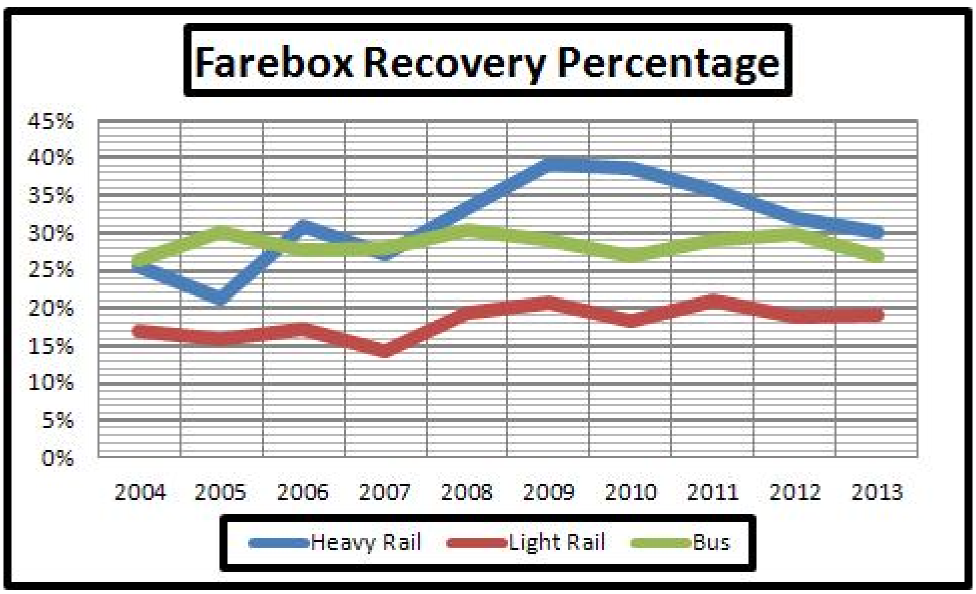
**LACMTA purchased Union Station property in April 2011.*
***Metro Express Lanes commenced revenue operations in November 2012 for I-110 and February 2013 on I-10*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years

Table 7

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
2004	26%	17%	26%	25%
2005	21%	16%	30%	28%
2006	31%	17%	28%	27%
2007	27%	14%	28%	26%
2008	33%	19%	30%	29%
2009	39%	21%	29%	28%
2010	39%	18%	27%	27%
2011	36%	21%	29%	28%
2012	32%	19%	29%	28%
2013	30%	19%	27%	26%



Source: National Transit Database Report

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority

Table 8

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years
(Amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Principal	$ 368,194	$ 209,357	$ 233,522	$ 195,023	$ 244,887	$ 293,606	$ 262,992	$ 325,173	$ 215,522	$ 180,432
Interest and others	163,141	134,216	174,312	156,680	161,976	169,737	137,187	148,131	157,942	134,724
Total debt service expenditures	$ 531,335	$ 343,573	$ 407,834	$ 351,703	$ 406,863	$ 463,343	$ 400,179	$ 473,304	$ 373,464	$ 315,156
Total general expenditures	$ 1,862,553	$ 1,975,716	$ 2,112,185	$ 2,574,205	$ 2,716,469	$ 3,168,395	$ 3,326,242	$ 3,397,117	$ 3,292,896	$ 3,608,561
Percent of debt service to general expenditures (%)	28.53%	17.39%	19.31%	13.66%	14.98%	14.62%	12.03%	13.93%	11.34%	8.73%

Source: Comprehensive Annual Financial Report

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Historical Debt Service Coverage Ratios – Proposition A, Proposition C, and Measure R
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 9

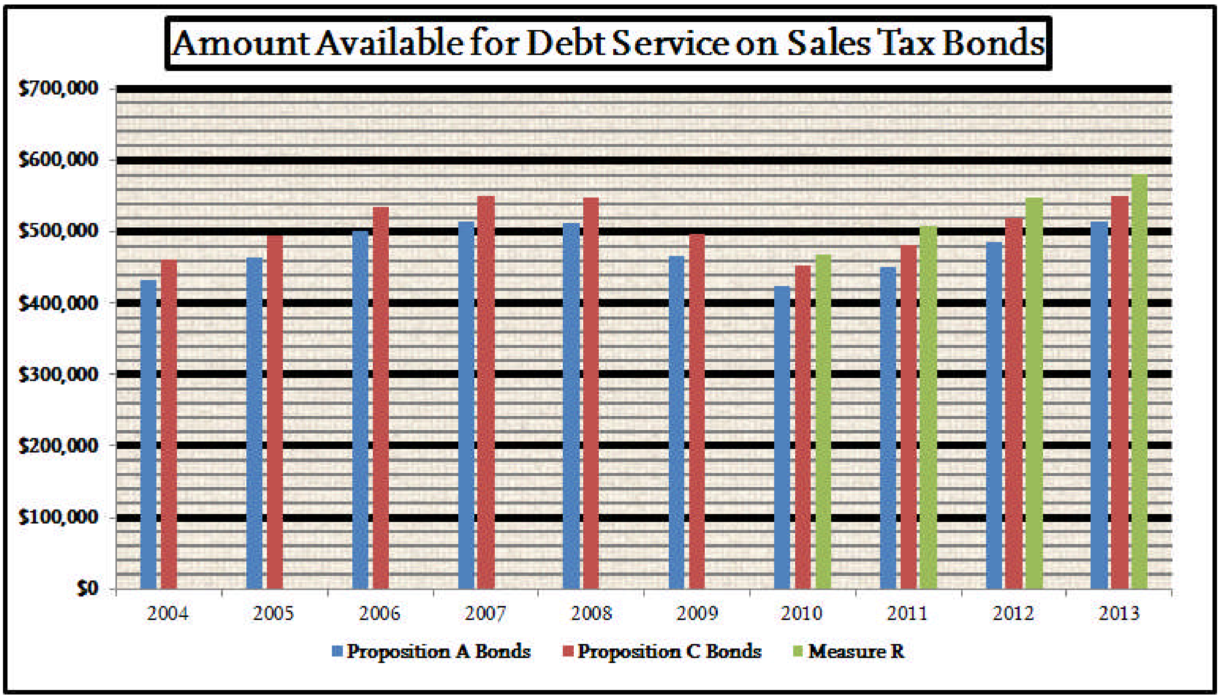
Source	Fiscal Year	Net Sales Tax Revenue	Less Local Return*	Amount Available for Debt Service On Sales Tax Bonds	Aggregate Debt Service Requirement	Debt Service Coverage Ratio
Proposition A	2004	$ 576,651	$ 144,163	$ 432,488	$ 137,142	3.15
	2005	619,497	154,874	464,623	140,075	3.32
	2006	668,984	167,246	501,738	151,529	3.31
	2007	686,167	171,542	514,625	143,017	3.60
	2008	683,352	170,838	512,514	148,065	3.47
	2009	620,797	155,199	465,598	153,777	3.03
	2010	565,746	141,437	424,309	166,380	2.55
	2011	601,883	150,471	451,412	152,480	2.96
	2012	648,692	162,173	486,519	160,071	3.04
	2013	687,172	171,793	515,379	151,261	3.41
Proposition C	2004	576,655	115,331	461,324	96,286	4.79
	2005	619,575	123,915	495,660	104,444	4.75
	2006	669,025	133,805	535,220	97,934	5.47
	2007	686,308	137,262	549,046	93,771	5.86
	2008	683,530	136,706	546,824	103,089	5.31
	2009	620,866	124,173	496,693	117,792	4.22
	2010	565,787	113,157	452,630	105,483	4.29
	2011	601,932	120,386	481,546	109,340	4.40
	2012	648,776	129,755	519,021	110,907	4.68
	2013	687,332	137,466	549,866	116,127	4.74
Measure R**	2010	551,480	82,722	468,758	-	-
	2011	598,647	89,797	508,850	25,303	20.11
	2012	645,026	96,754	548,272	53,659	10.22
	2013	684,862	102,729	582,133	53,649	10.85

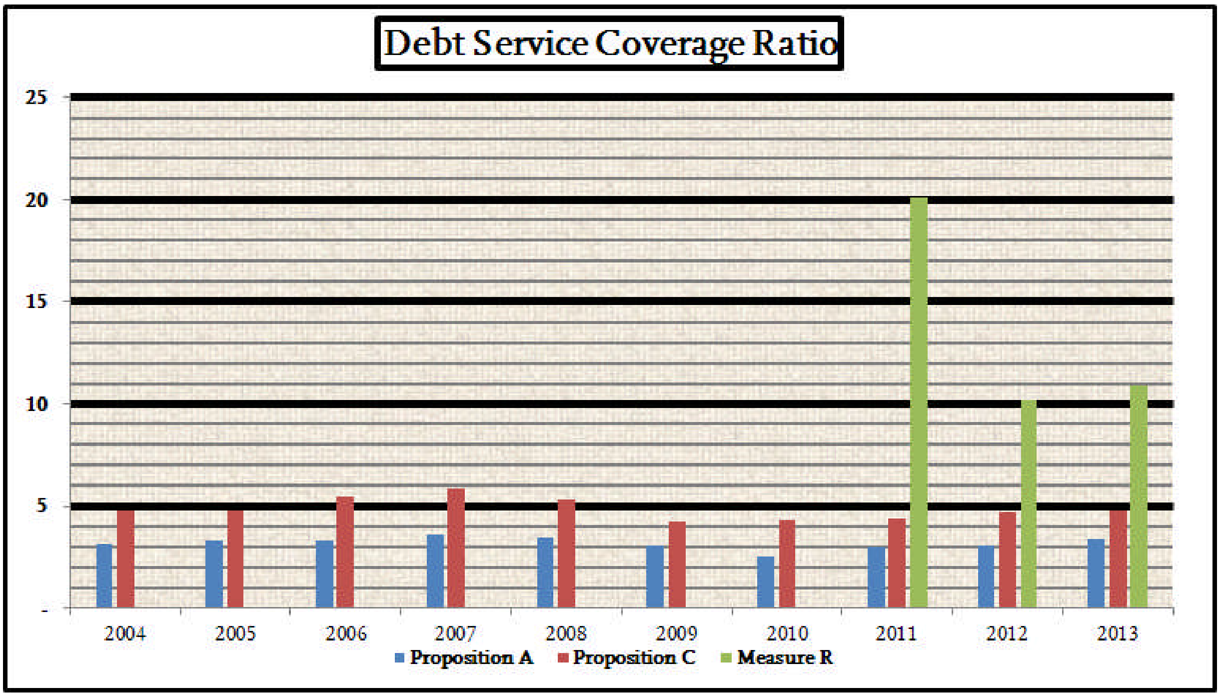
Source: Comprehensive Annual Financial Report

** % Local Return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%*
*** Measure R started in July 2010*

See accompanying independent auditors' report.

Graphical Presentation of Table 9
Proposition A, Proposition C, and Measure R Debt Service Coverage Ratios





See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Ratio of Outstanding Debt by Type
(Excluding Claims and Compensated Absences)
Last Ten Fiscal Years
(Amounts expressed in millions except per capita amount)

Table 10

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Redevelopment and housing bonds	$ 30	$ 28	$ 28	$ 27	$ 26	$ 25	$ 24	$ 23	$ 22	$ 21
Total governmental activities	30	28	28	27	26	25	24	23	22	21
Business-type activities:										
Sales tax revenue and refunding bonds	2,904	2,996	3,160	3,062	2,951	2,873	2,834	3,448	3,361	3,107
Sales tax revenue bonds – local allocation	11	8	7	4	2	-	-	-	-	-
Lease revenue bonds	14	12	9	-	-	-	-	-	-	-
Lease/leaseback obligation	868	888	811	814	845	871	912	851	785	815
General revenue bonds	274	269	252	236	221	203	185	166	161	155
Commercial paper	348	399	188	189	184	279	144	144	34	148
Certificates of participation	6	-	-	-	-	-	-	-	-	-
Capitalized lease	32	21	17	13	27	19	5	2	1	-
Capital grant receipts revenue bonds	-	-	265	240	217	132	90	-	-	-
Total business-type activities	4,457	4,593	4,709	4,558	4,447	4,377	4,170	4,611	4,342	4,225
Total primary government	$ 4,487	$ 4,621	$ 4,737	$ 4,585	$ 4,473	$ 4,402	$ 4,194	$ 4,634	$ 4,364	$ 4,246
Percentage of Personal Income*	1.36%	1.32%	1.28%	1.23%	1.03%	1.14%	1.04%	1.10%	0.99%	0.93%
Per Capita*	$ 450.00	$ 463.26	$ 473.17	$ 441.66	$ 454.27	$ 421.80	$ 427.79	$ 470.74	$ 440.98	$ 436.43

Source: Comprehensive Annual Financial Report

** See the Schedule of Demographic and Economic Statistics for population and personal income data*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority *Table 11*
Demographic and Economic Statistics
Last Ten Fiscal Years
(Amounts and population expressed in thousands)

Fiscal Year	(1) Population County of Los Angeles	(1) Population State of California	(2) Taxable Sales County of Los Angeles	(3) Personal Income County of Los Angeles	(3) Per Capita Personal Income County of Los Angeles	(4) Unemployment Rate County of Los Angeles
2004	10,078	36,199	$ 122,533,104	$ 326,402,466	$ 32	6.5%
2005	10,163	36,675	130,722,373	346,423,416	34	5.3%
2006	10,223	37,115	136,162,552	369,174,348	37	4.7%
2007	10,276	37,559	137,820,418	398,228,369	39	5.3%
2008	10,364	38,049	131,881,774	429,568,942	41	7.3%
2009	10,393	38,293	112,744,727	392,579,8555	38	12.6%
2010	9,825	37,309	116,942,334	403,144,483	41	12.6%
2011	9,861	37,570	126,440,737	420,913,463	43	12.3%
2012	9,912	37,826	135,939,140	439,465,628	44	11.1%
2013	9,963	38,082	145,437,543	458,017 ,793	46	10.2%

Sources:
(1) California Department of Finance, data estimates as of January 1, 2009
(2) State Board of Equalization
(3) U.S. Department of Commerce, Bureau of Economic Analysis
(4) State Department of Employment Development for the County of Los Angeles – not seasonally adjusted August 2009

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years

Table 12

Major Employers	2004 * Number of Employees	2004 * Percent of Total Employment	2006 ** Number of Employees	2006 ** Percent of Total Employment	2011* Number of Employees	2011* Percent of Total Employment
County of Los Angeles	93,354	2.10%	93,200	2.02%	95,700	2.21%
Los Angeles Unified School District	78,085	1.75%	74,632	1.62%	73,300	1.70%
Federal Government	56,100	1.26%	53,200	1.15%	48,100	1.11%
University of California, Los Angeles	36,354	0.82%	35,543	0.77%	41,000	0.95%
City of Los Angeles	35,895	0.81%	53,471	1.16%	47,700	1.10%
State of California (non-education)	32,300	0.73%	30,200	0.65%	30,400	0.70%
Kaiser Permanente	27,635	0.62%	32,180	0.70%	36,500	0.84%
Northrop Grumman Corp	n/a	n/a	21,000	0.46%	18,000	0.42%
Boeing	23,468	0.53%	15,825	0.34%	n/a	n/a
Kroger Co. (formerly Ralph's Grocery)	17,211	0.39%	14,000	0.30%	n/a	n/a
University of Southern California	n/a	n/a	n/a	n/a	16,600	0.38%
Target Corp.	n/a	n/a	n/a	n/a	14,200	0.33%
Total	400,402	9.01%	423,251	9.17%	421,500	9.74%
Total Employment in LA County ***	4,454,100		4,613,200	-	4,323,000	-

Sources:
** Los Angeles Almanac research*
*** City-Data Los Angeles Economy Report*
**** California Employment Development Department, Labor Market Information Division*
n/a Data not available

Note: Information for 2005, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 are not available

See accompanying independent auditors' report.

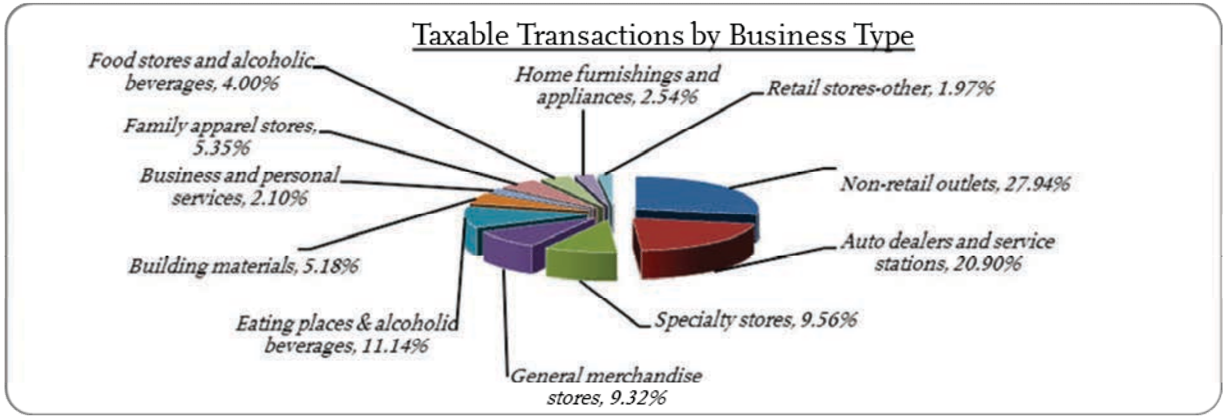
Los Angeles County Metropolitan Transportation Authority

Table 13

Los Angeles County Taxable Transactions by Type of Business
Last Ten Fiscal Years
(Amounts expressed in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013**
Non-retail outlets	$ 30,761	$ 35,240	$ 35,218	$ 36,316	$ 36,759	$ 34,301	$ 34,767	$ 37,189	$ 39,611	$ 42,033
Auto dealers and service stations	26,519	26,908	29,162	29,387	29,746	20,431	22,298	26,081	29,864	33,647
Specialty stores	13,027	14,045	14,333	14,703	14,882	12,896	13,125	13,543	13,961	14,379
General merchandise stores	12,592	13,322	13,729	13,825	13,994	10,059	10,369	10,866	11,363	11,860
Eating places and alcoholic beverages	12,036	12,516	13,751	14,473	14,650	13,877	14,291	15,287	16,283	17,279
Building materials	7,311	6,722	7,872	7,495	7,586	5,755	6,130	6,307	6,484	6,661
Business and personal services	5,275	6,017	5,391	5,409	5,475	-	-	-	-	-
Family apparel stores	4,807	4,836	5,527	5,829	5,901	7,146	7,608	8,357	9,106	9,855
Food stores and alcoholic beverages	4,222	4,938	4,680	4,912	4,972	5,411	5,405	5,591	5,777	5,963
Home furnishings and appliances	4,031	4,114	4,307	4,287	4,339	2,058	2,158	2,322	2,486	2,650
Retail stores – other	1,952	2,064	2,193	1,184	1,198	811	791	897	1,003	1,109
Total	$ 122,533	$ 130,722	$ 136,163	$ 137,820	$ 139,502	$ 112,745	$ 116,942	$ 126,440	$ 135,938	$ 145,436

Source: California State Board of Equalization
**Data not available, estimates only based on % change from FY10 to FY11*
***Data not available, estimates only based on % change from FY11 to FY12*



See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Operating Indicators by Mode
Last Ten Fiscal Years
(Amounts expressed in thousands except Buses, Rail Cars, and Passenger Stations)

Table 14

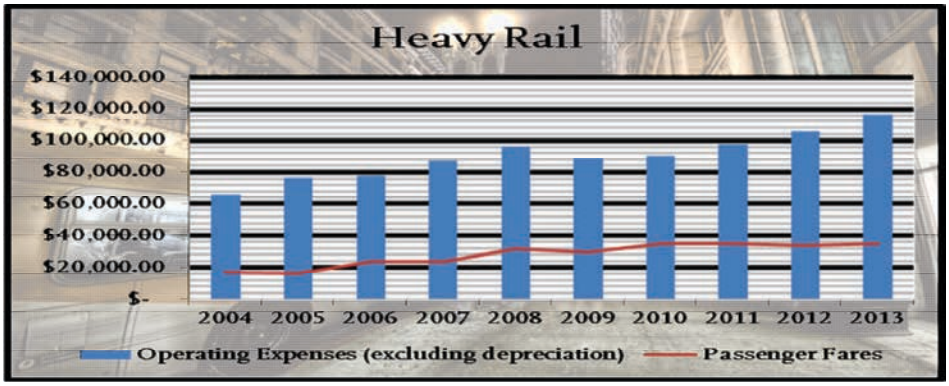
	2004	2005(1)	2006	2007(2)	2008	2009	2010	2011	2012	2013
PASSENGER FARES:										
Heavy Rail	$ 16,895	$ 16,298	$ 24,015	$ 23,739	$ 31,843	$ 29,402	$ 34,983	$ 34,789	$ 33,665	$ 34,753
Light Rail	18,900	19,912	22,657	20,752	29,690	28,682	30,725	36,627	37,778	44,565
Bus*	185,659	233,028	233,900	248,877	275,428	275,906	250,719	274,557	272,571	260,692
OPERATING EXPENSES:										
(excluding depreciation)										
Heavy Rail	$ 65,829	$ 76,373	$ 77,541	$ 87,368	$ 95,930	$ 88,793	$ 90,320	$ 97,631	$ 105,620	$ 116,829
Light Rail	111,654	126,123	132,397	144,466	153,267	150,108	167,915	174,704	201,416	239,047
Bus*	707,369	772,907	841,210	892,512	919,541	939,248	945,990	956,784	924,512	962,155
PASSENGER MILES:										
Heavy Rail	152,629	173,935	193,020	194,032	217,965	227,657	231,936	226,974	231,684	237,760
Light Rail	241,217	268,981	297,477	291,158	306,848	327,341	333,334	337,518	366,233	408,032
Bus*	1,270,902	1,414,359	1,474,733	1,497,245	1,462,317	1,517,647	1,486,802	1,492,820	1,519,263	1,496,480
REVENUE VEHICLE MILES:										
Heavy Rail	5,399	5,877	5,867	5,986	6,003	6,078	5,885	5,908	6,156	6,865
Light Rail	7,704	8,114	8,047	8,688	8,812	9,051	9,646	10,155	11,153	13,239
Bus*	82,498	92,054	92,937	84,700	90,282	88,535	87,128	81,489	76,390	75,465
BUSES AND RAIL CARS:										
Heavy Rail	104	104	104	104	104	104	104	104	104	104
Light Rail	121	121	121	121	121	145	158	167	169	171
Bus*	2,714	2,856	2,870	2,733	2,738	2,460	3,010	2,712	2,536	2,362
PASSENGER STATIONS:										
Heavy Rail	16	16	16	16	16	16	16	16	16	16
Light Rail	49	49	49	49	49	49	53	53	66	66

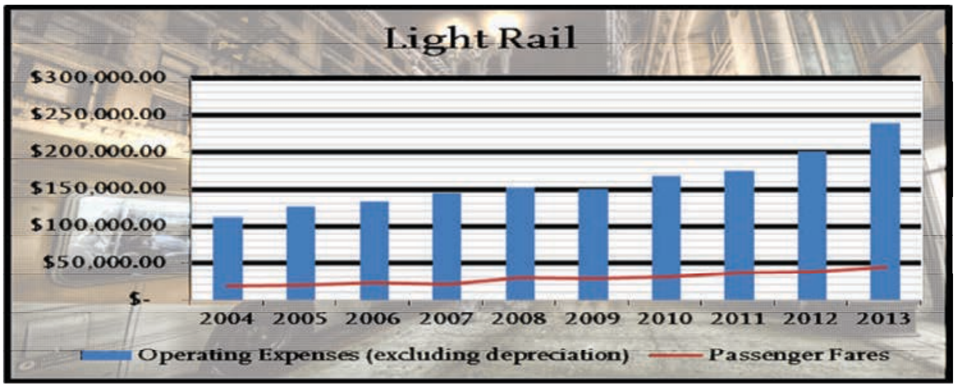
Source: National Transit Database Report

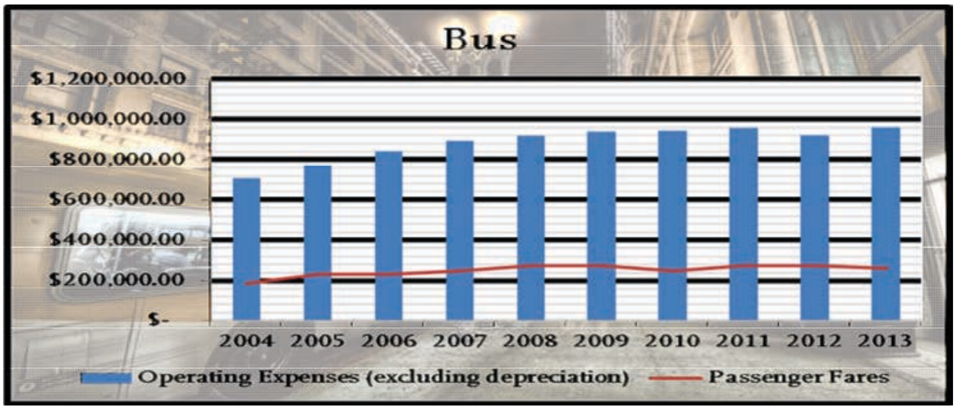
** Includes Purchased Transportation and Orange Line*
(1) There was a 33-day strike during this period thereby reducing miles and revenue fares.
(2) More stations added due to opening of new segment

See accompanying independent auditors' report.

Graphical Presentation of Table 14
Passenger Fares and Operating Expenses by Mode







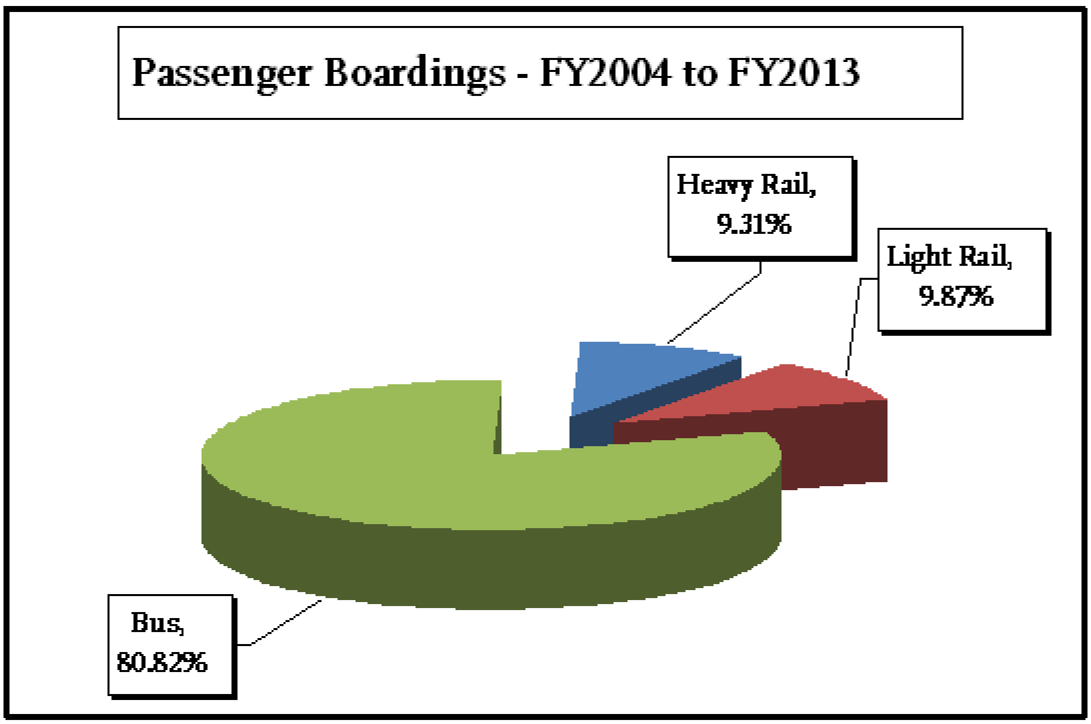
See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority *Table 15*
Business-type Activities – Transit Operations
Passenger Boardings by Mode
Last Ten Fiscal Years
(Boardings expressed in thousands)

Fiscal Year	Heavy Rail	Light Rail	Bus*	Total
2004	30,870	32,852	329,875	393,597
2005	36,273	37,970	377,268	451,511
2006	40,277	42,021	400,518	482,816
2007	40,883	41,345	413,645	495,873
2008	43,585	43,123	387,520	474,228
2009	46,891	46,028	386,029	478,948
2010	47,906	46,409	365,975	460,290
2011	46,454	49,252	357,221	452,927
2012	47,736	53,781	346,437	447,954
2013	49,516	63,652	359,504	472,672

Source: National Transit Database Report

**Includes Purchased Transportation*



See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority *Table 16*
Business-type Activities – Transit Operations
Operating Expenses by Function (Bus and Rail)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Depreciation	Total
2004	$ 464,017	$ 182,178	$ 60,616	$ 186,231	$ 347,629	$ 1,240,671
2005	536,067	205,090	69,839	167,404	335,533	1,313,933
2006	582,576	222,520	72,485	173,567	345,298	1,396,446
2007	605,438	231,722	84,609	203,371	405,731	1,530,871
2008	653,224	237,643	90,562	187,308	410,476	1,579,213
2009	654,760	248,215	91,010	184,164	455,575	1,633,724
2010	694,967	259,109	90,749	173,831	432,856	1,651,512
2011	674,215	259,813	95,630	210,793	512,776	1,753,227
2012	680,907	276,187	109,919	178,797	436,820	1,682,630
2013	678,111	276,009	111,725	258,347	465,787	1,789,979

Source: National Transit Database Report

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years
(Not in thousands)

Table 17

	Full-Time Equivalent Employees									
Function	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
LACMTA Operations	7,540	7,591	7,641	7,701	7,789	7,834	7,678	7,324	7,344	7,477
Countywide Planning & Development	130	110	104	104	116	119	124	84	103	98
Construction Project Management	135	106	88	86	86	93	118	128	171	157
Communications	256	235	215	214	216	221	228	210	196	199
Support Services	831	788	757	750	755	792	831	713	722	757
Chief Executive Office	98	76	67	67	75	73	179	175	209	285
Board of Directors	55	47	46	45	45	45	43	37	38	38
Total	9,045	8,953	8,918	8,967	9,082	9,177	9,201	8,671	8,783	9,011

Source: Adopted Budget

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Revenues and Operating Assistance
Comparison to Transit Industry Trend
Percent to Total
Last Ten Fiscal Years

	Operations			Operating Assistance				
Fiscal Year	Passenger Fares	Other	Subtotal	Federal	State	Local	Subtotal	Total
Transportation Industry (1)								
2004	33%	17%	50%	7%	22%	21%	50%	100%
2005	32%	7%	39%	8%	24%	29%	61%	100%
2006	33%	7%	40%	8%	23%	29%	60%	100%
2007	31%	7%	38%	7%	24%	31%	62%	100%
2008	31%	7%	38%	6%	26%	30%	62%	100%
2009	32%	6%	38%	8%	25%	29%	62%	100%
2010	32%	6%	38%	9%	25%	28%	62%	100%
2011	33%	5%	38%	10%	24%	28%	62%	100%
2012	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
LACMTA (2)								
2004	24%	2%	26%	12%	1%	61%	74%	100%
2005	24%	2%	26%	19%	1%	54%	74%	100%
2006	23%	2%	25%	17%	3%	55%	75%	100%
2007	25%	3%	28%	16%	13%	43%	72%	100%
2008	28%	3%	31%	17%	6%	46%	69%	100%
2009	24%	3%	27%	15%	5%	53%	73%	100%
2010	24%	3%	27%	17%	4%	52%	73%	100%
2011	25%	3%	28%	18%	17%	37%	72%	100%
2012	25%	2%	27%	20%	10%	43%	73%	100%
2013	24%	3%	27%	18%	7%	48%	73%	100%

1) APTA 2009 Public Transportation Fact Book
2) National Transit Database Report
** Data not available*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Business-type Activities – Transit Operations
Operating Expenses by Function
Comparison to Transit Industry Trend
Percent to Total
Last Ten Fiscal Years

Table 19

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total**
Transportation Industry (1)						
2004	45%	18%	10%	14%	13%	100%
2005	46%	17%	10%	13%	14%	100%
2006	46%	18%	9%	13%	14%	100%
2007	46%	18%	9%	14%	13%	100%
2008	46%	17%	9%	14%	14%	100%
2009	46%	17%	9%	14%	14%	100%
2010	45%	17%	9%	15%	14%	100%
2011	46%	17%	9%	15%	13%	100%
2012	*	*	*	*	*	*
2013	*	*	*	*	*	*
LACMTA (2)						
2004	50%	20%	7%	20%	3%	100%
2005	53%	20%	7%	17%	3%	100%
2006	53%	21%	7%	16%	3%	100%
2007	53%	20%	7%	17%	3%	100%
2008	54%	20%	8%	15%	3%	100%
2009	53%	20%	8%	15%	4%	100%
2010	54%	21%	7%	14%	4%	100%
2011	52%	20%	8%	16%	4%	100%
2012	52%	22%	9%	13%	4%	100%
2013	49%	20%	8%	19%	4%	100%

1) APTA 2013 Public Transportation Fact Book
2) National Transit Database Report
** Data not available*
*** Excluding depreciation*

See accompanying independent auditors' report.

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