

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 1989



LACTC

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Los Angeles, California



LACTC

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 1989

Prepared by:

Finance and Administration Division

**Richard P. Dominguez, Director
Annette Colfax, Manager of Finance
Oswaldo G. Yap, Budget Manager**

INTRODUCTORY SECTION

LOS ANGELES COUNTY TRANSPORTATION COMMISSION
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 1989

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Los Angeles County
Transportation
Commission
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Suite 500
Los Angeles
California 90014-3096
(213) 626-0370

December 27, 1989

The Honorable Commission Members
Los Angeles County Transportation Commission
Los Angeles, California

Dear Commissioners:

We are pleased to submit the Comprehensive Annual Financial Report for the Los Angeles County Transportation Commission (Commission) for the fiscal year ended June 30, 1989. This report has been prepared by the Finance Section in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board.

Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the Commission. We believe that the data as presented is accurate, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Commission as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain an understanding of the Commission's financial activity have been included.

The accompanying report consists of three parts. The Introductory Section includes this letter of transmittal from the Director of Finance and Administration, the Commission organization chart, and a list of Commissioners and Principal Officials. The Financial Section presents the Independent Auditor's Report, General Purpose Financial Statements, and Combining, Individual Fund, and Account Group Statements and Schedules. The Statistical Section sets forth selected financial and non-financial data relevant to the Commission.

The Reporting Entity

The Los Angeles County Transportation Commission was created by state law in 1976 as the regional transportation planning commission for Los Angeles County. It is responsible for setting policies, establishing priorities, and coordinating activities between the various transportation operators and agencies in the County.

The Commission is responsible for administering the Proposition A funds for public transit (an additional one-half cent sales tax approved by county voters in 1980), including design and construction of a 150 mile rail rapid transit system. It also administers funds provided through the State Transit Assistance Program; in addition, the Commission has elected to form itself as the Service Authority for Freeway Emergencies (SAFE) for the County, as permitted under state law, and so administers funding for the region's emergency call box system.

As the Board of Commissioners exercise financial and management oversight responsibility over these component units, they have been included as part of the reporting entity. The Commission is a separate entity from both the County and City of Los Angeles, each of which have independently elected boards.

Economic Condition and Outlook

The Los Angeles County economy is quite diverse, and surpasses all but very few of the national economies of the world in terms of size. Three-fifths of the jobs in Southern California are found in the County, and approximately 31% of California's total wages are earned here. Twenty-nine percent of taxable sales in the state are generated in Los Angeles County; between 1974 and 1988, taxable sales in the County grew at a compound annual rate of 8.2%.

Proposition A sales tax revenues, the Commission's largest funding source, have grown steadily over the last five years as shown below (in thousands):

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Percent Increase</u>
1988/89	\$372,021	6.7%
1987/88	348,726	9.9%
1986/87	317,324	3.9%
1985/86	305,371	4.0%
1984/85	293,716	-

Sales tax revenues for 1989/90 are projected to be \$395,000,000. First quarter 1989/90 actual receipts are slightly higher than projected.

The December 1989 UCLA Business Forecast for Los Angeles County projects continued growth in personal income: 7% in 1990, and 5.4% in 1991, compared to 8.3% in 1989. Taxable retail sales are projected to grow 5.4% in 1989, 5.8% in 1990, and 6% in 1991. The population is expected to continue growing between one and two percent per year during this period. These growth factors are expected to support continued growth in sales taxes, the primary local funding source for the Commission's activities.

Major Initiatives

During the fiscal year the Commission accomplished, made progress on, or initiated a number of projects in pursuit of its mission of improving mobility in the County.

Among the major initiatives to which the Commissioners and staff devoted their energies were:

Finance and Administration

Issuance of \$174 million in sales tax revenue refunding bonds, 1989 Series A with interest rates ranging from 6.2% to 7.3%. As a result of this refunding, \$91 million was released to the Construction Fund (i.e., made

available for rail projects) on July 16, 1989, and \$72 million will be available July 2, 1990.

Initiated a performance audit of the Commission as required triennially by State law. The Commission was found to be in compliance with all relevant laws and regulations established for transportation commissions and to have conducted its work in an effective and efficient manner.

Initiated a cross border leveraged lease transaction involving its light rail vehicles. This innovative financing technique is expected to provide savings of approximately 5% (net) on the rail car procurement.

Completed Phases I and II of a study of the Commission's long-term management information systems needs.

Transportation Programs

Published a bikemap of Los Angeles County and implemented the Combined Road Plan to expedite the expenditure of local road funds.

Completed actions resulting in the implementation of service in the San Gabriel Valley Transit Zone.

Executed a contract with the State for Petroleum Violation Escrow Account (PVEA) funding for a Smart Corridor demonstration project to improve traffic flow along the Santa Monica Freeway corridor.

Implemented a unified transit information telephone service.

Design and Construction

Reached approximately 80% completion of construction and installation on the Metro Blue Line project, a 22 mile light rail system linking downtown Long Beach and Los Angeles. The central control facility and shops are operational.

Took delivery of the first light rail vehicle for testing on the Metro Blue Line.

Reached approximately 55% completion on final design work for the Metro Green Line (running along the median of the Glenn Anderson Freeway from Norwalk to El Segundo).

Initiated preparations for rail activation with the Southern California Rapid Transit District for the Metro Blue Line.

Rail Development

Initiated environmental impact reports for Pasadena, San Fernando Valley and Coastal routes.

Initiated a grant application and full funding grant agreement negotiations with the Urban Mass Transit Agency (UMTA) for Phase II of the Metro Rail subway project.

Developed commuter rail policies and initiated implementation of commuter rail projects.

Government and Public Affairs

Initiated a public art program for the Metro Blue and Green rail lines.

Developed public participation programs for ten rail development projects, and four fiscal analysis and planning projects.

Sponsored legislation to allow the Commission to purchase rail vehicles through competitive negotiation and to raise the current restriction on bonding for the Metro Rail project from \$100 million to \$300 million.

Initiated a proposed countywide 1/2 cent sales tax increase for highway, street, and road purposes.

Initiated marketing programs for the Metro Blue Line and for Transportation Occupations Programs.

Financial Information

The Commission's accounting records for general, capital projects, and special revenue activities are maintained on the modified accrual basis, with the revenues being recorded when measurable and available. Expenditures are recorded when the services or goods are received and the liabilities incurred.

Consideration is given to the adequacy of internal controls in maintaining the Commission's accounting system. Internal controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires continuing estimates and judgments by management. We believe that the Commission's system of internal accounting controls continues to provide reasonable assurance that assets are adequately safeguarded and that financial transactions are properly recorded.

The Commission adopts annual budgets for the General Fund, Capital Projects Fund, SAFE Fund, and the Transportation Development Act (TDA) Administration Fund. Budgets are not adopted for other special revenue funds, or debt service funds as their activities are controlled by other means.

Comprehensive multi-year Program Plans, adopted when a rail project is approved for the final design and construction phase, provide project-length budgetary control.

The portion of costs expected to be incurred on each project during the fiscal year are included in the annual operating budget.

The annual budget is adopted on a GAAP basis, and expenditures may not exceed appropriations at the fund level. The Commission maintains an encumbrance accounting system, to facilitate budgetary integration and control.

Summary Schedule of Revenues

The amount of revenues and other financing sources received by the Commission (in all governmental fund types) and the increases/(decreases) over the prior year are shown below (in thousands):

<u>Revenues</u>	<u>1988/89</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) over 1987/88</u>
Sales tax	\$372,021	58%	\$23,295
Licenses	4,852	1	4,852
Intergovernmental	10,100	2	(7,326)
Use of money and property	80,865	13	(1,101)
Other charges and miscellaneous	<u>1,573</u>	<u>-</u>	<u>809</u>
Subtotal	469,411	74	20,529
Proceeds of refunding bonds	<u>170,032</u>	<u>26</u>	<u>55,647</u>
Total	<u>\$639,443</u>	<u>100</u>	<u>\$76,176</u>

Revenues from the Proposition A sales tax increased 6% with inflation and growth in taxable sales within Los Angeles County. License revenue represents collection of a one dollar fee imposed upon each motor vehicle registration in the County. This fee was first collected during the fiscal year, due to the Commission's election to form itself as the Service Authority for Freeway Emergencies (SAFE) for the County.

The decline in intergovernmental revenues represents a decrease in trading of Proposition A local return funds for FAU funds. These trades are negotiated on a case by case basis at the request of cities within the County, and proceeds are accounted for in the Commission's Ridesharing Fund. Proceeds fund Commuter Computer and represent the Commission's regional FAU discretionary contribution to commuter transportation services.

The decline in revenue from the use of money and property represents a decline in interest earnings on cash in the debt service fund, due to drawdowns of bond proceeds for the financing of construction activities. Other charges increased primarily due to the recovery of costs for construction services provided to other jurisdictions during construction of the Metro Blue Line. The increase results

from the completion certain portions of construction, at which time the costs are billed.

Proceeds of refunding bonds represent the Commission's series 1989A refunding of a portion of its Series 1986 Sales Tax Revenue bonds.

Summary Schedule of Expenditures

The amount of expenditures and other financing uses (other than interfund transfers) for all governmental fund types of the Commission, and the increase or decrease over the prior year are shown below:

<u>Expenditures</u>	<u>1988/89</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) over 1987/88</u>
Administration	\$10,695	1%	\$3,992
Transportation subsidy	243,320	32	11,424
Capital outlay	290,986	39	78,121
Debt service:			
Principal	-	-	(260,000)
Interest	<u>56,921</u>	<u>8</u>	<u>5,067</u>
Subtotal	\$601,922	80	(161,396)
Payment to refunded bond escrow agent	<u>154,037</u>	<u>20</u>	<u>154,037</u>
Total	<u>\$755,959</u>	<u>100</u>	<u>\$(7,359)</u>

The increase in administration costs are due to the establishment of the SAFE and its operating costs, and due to overall growth in Commission general government activities, such as funds allocation, support services, fiscal monitoring, and public information services relating to transit.

The increase in transportation subsidy reflects the allocation of increased sales tax dollars to cities and transit operators for numerous transportation programs throughout the region. The significant increase in capital outlay represents spending on construction of the Metro Blue Line, design on the Metro Green Line, and expenditures for other rail projects. The higher expenditure reflects progress made in developing multiple rail projects and the construction schedule.

In the fiscal year ended 1988, \$260 million of Series 1986 bonds were redeemed as a result of the issuance of refunding bonds, and shown as a debt service expenditure. On January 13, 1989, the Commission issued \$174.3 million in sales tax revenue refunding bonds, utilizing the net proceeds of \$154 million to purchase U.S. government securities. These were deposited with an escrow agent to provide for payments of the 1986-D and 1986-E series bonds. This transaction is reflected as a payment to the refunded bond escrow agent. These transactions are discussed in more detail in the accompanying notes to the general purpose financial statements.

Fiduciary Operations

The Commission contributes to the California Public Employees' Retirement System (PERS), for provision of retirement benefits for its employees. As of June 30, 1988, the most recent year for which information is available, the total net assets in excess of pension benefit obligation applicable to Commission employees was \$897,000.

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. At June 30, 1989, funds on deposit in the pooled plan credited to participants' accounts totalled \$518,000 at market value.

Debt Administration

At June 30, 1989, the Commission had \$716 million in sales tax revenue bonds outstanding. Proceeds of the bonds are used for financing rail projects along the Proposition A corridors. As a result of the series 1989 refunding, \$91.7 million in proceeds were made available in July of 1989, and \$72.2 million will be available in July, 1990.

Annual debt service on all outstanding bonds increases to approximately \$62 million by fiscal year 1992, and remains roughly level thereafter. Commission policy precludes incurring debt service payments for rail in excess of 30% of Proposition A sales tax revenues, leaving 5% available for rail operations.

Cash Management

At June 30, 1989 \$585 million of the Commission's total cash and investments of \$678 million were deposited with the Los Angeles County Treasurer and California Local Agency Investment Fund in which cash balances are pooled and invested by the County and State treasurers. Interest earned on pooled investments is allocated to the participating funds based upon each fund's average daily deposit balance. Statutes authorize the County to invest in obligations of the United States Treasury, Federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's corporation or P-1 by Moody's, bankers' acceptances, repurchase agreements and reverse repurchase agreements.

Operating funds are maintained with Union Bank where idle balances are invested as permitted by State law in certificates of deposit, obligations of the United States Treasury, and commercial paper.

Risk Management

The Commission protects itself against the adverse consequences of material or financial loss through a balanced program of risk retention, risk transfers, and the purchase of commercial insurance. Loss exposures retained by the Commission and treated as normal operating expenses include building contents (property), employee theft and dishonesty, crime, fiduciary and public officials liabilities. Exposures for which insurance is purchased with various retention or deductible

levels include workers' compensation and employers liability, employee benefits, vehicle liability, and specified rail construction risks.

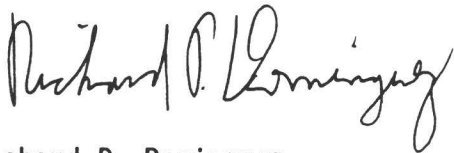
Rail construction projects are protected through the purchase of an owner controlled insurance program (OCIP). OCIP coverages include workers' compensation and employers liability, bodily injury and property damage liability, builders risk (property), and railroad protective liability.

Independent Audit

The Commission's Administrative Code requires an annual financial audit by independent certified public accountants. The independent auditor's report is included in the Financial Section of this report. During 1989 the Commission's first single audit was completed. Under the single-audit concept, one audit is performed which satisfies the requirements of all federal agencies. A single audit report has been issued under separate cover.

Acknowledgements

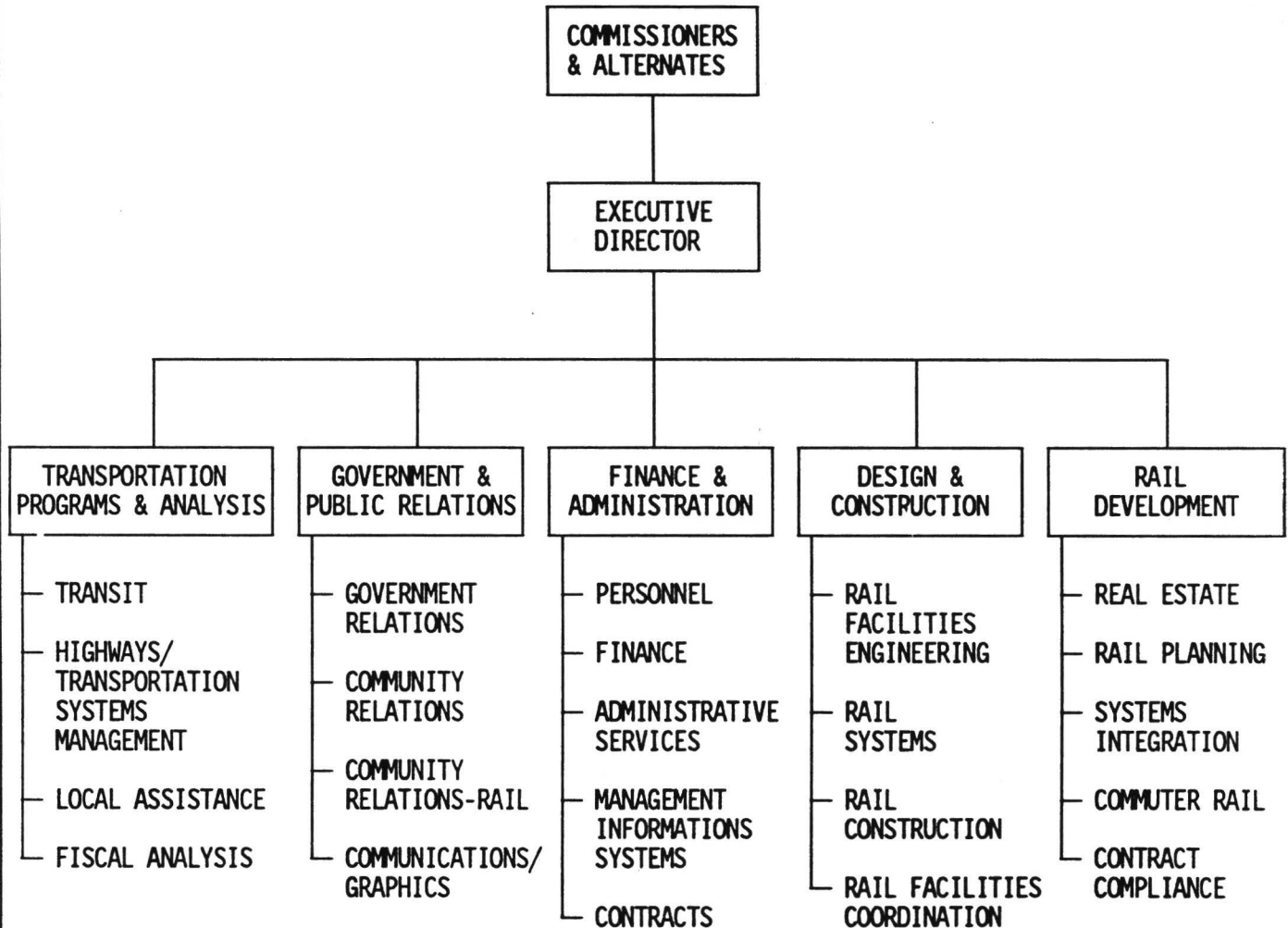
The preparation of this report was made possible by the dedicated service of the Finance Section staff, most notably Oswaldo Yap, Budget Manager and Annette Colfax, Finance Manager, as well as the professional assistance of our independent auditors, Peat Marwick Main & Co. in association with Gilbert Vasquez and Company. My special thanks are expressed to them for an exemplary effort.



Richard P. Dominguez
Director of Finance and Administration

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

ORGANIZATION CHART - FY 1988-89



LOS ANGELES COUNTY TRANSPORTATION COMMISSION

COMMISSIONERS AND PRINCIPAL OFFICIALS

June 30, 1989

COMMISSIONERS

MEMBERS

Christine E. Reed, Chair
Edmund D. Edelman, Vice Chair
Peter Schabarum
Kenneth Hahn
Deane Dana
Michael D. Antonovich
Tom Bradley
Nate Holden
Ray Gabrinski
Jacki Bacharach
Carole Stevens
Jerry B. Baxter (Ex-Officio
representing State of California

ALTERNATES

Robert White
Robert Geoghegan
Michael W. Lewis
Walter H. King
Barna Szabo
John T. La Follette
Ray Remy
Michael Woo
Clarence Smith
Harold Croyts
Eduardo Bermudez

PRINCIPAL OFFICIALS

TITLE

Executive Director
Director of Design and Construction
Director of Finance and Administration
Director of Government and Public Affairs
Director of Rail Development
Director of Transportation Programs
and Analysis

NAME

Neil Peterson
Edward McSpedon
Richard P. Dominguez
Susan Brown
Richard Stanger
Jim Sims

FINANCIAL SECTION

Independent Auditors' Report

The Honorable Board of Commissioners
Los Angeles County Transportation Commission:

We have audited the general purpose financial statements of the Los Angeles County Transportation Commission as of and for the year ended June 30, 1989, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles County Transportation Commission as of June 30, 1989 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Los Angeles County Transportation Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Peat Marwick Main & Co.
Gilbert Vasquez & Company*

September 15, 1989

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GENERAL PURPOSE FINANCIAL STATEMENTS

Los Angeles County Transportation Commission
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1989
 (With comparative totals for June 30, 1988)
 (Amounts expressed in thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Assets:				
Cash and investments (note 2)	\$1,475	\$506,943	\$0	\$93,049
Restricted cash and investments (note 2)	0	0	92,796	0
Receivables:				
Note (note 3)	350	0	0	0
Interest	11	8,121	0	1,956
Sales Tax	0	19,192	0	0
Intergovernmental	0	0	0	1,246
Miscellaneous	50	0	0	43
Due from other funds (note 7)	566	0	0	0
Prepaid items	3	0	0	1,657
Fixed assets (note 4)	0	0	0	0
Other debits:				
Amount available in debt service fund	0	0	0	0
Amount to be provided for retirement of general long term debt	0	0	0	0
Total assets and other debits	\$2,455	\$534,256	\$92,796	\$97,951
Liabilities, equity and other credit				
Liabilities:				
Accounts payable	\$305	\$1,191	\$0	\$35,280
Compensated absences payable (note 6)	147	0	0	192
Claims and judgments payable	0	0	0	0
Intergovernmental payable	0	12,247	0	0
Due to other funds (note 7)	0	342	0	224
Accrued interest payable	0	0	30,558	0
Deferred revenue	0	0	0	0
Capital lease obligations (notes 5 and 6)	0	0	0	0
Revenue bonds payable (note 6)	0	0	0	0
Deferred compensation benefits payable (note 9)	0	0	0	0
Total liabilities	452	13,780	30,558	35,696
Equity and other credit:				
Investment in general fixed assets	0	0	0	0
Fund balances:				
Reserved for encumbrances	213	70	0	56,873
Reserved for note receivable	350	0	0	0
Reserved for prepaid items	3	0	0	1,657
Reserved for debt service	0	0	62,238	0
Unreserved, designated for special purposes	0	520,406	0	0
Unreserved, designated for self-insurance	0	0	0	3,725
Unreserved, undesignated	1,437	0	0	0
Total equity and other credit	2,003	520,476	62,238	62,255
Total liabilities, equity and other credit	\$2,455	\$534,256	\$92,796	\$97,951

See accompanying notes to general purpose financial statements.

Exhibit 1

Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	1989	1988
\$0	\$0	\$0	\$601,467	\$543,704
518	0	0	93,314	538,540
0	0	0	350	0
0	0	0	10,088	2,015
0	0	0	19,192	19,372
0	0	0	1,246	0
0	0	0	93	133
0	0	0	566	385
0	0	0	1,660	2,898
0	607,322	0	607,322	375,307
0	0	62,238	62,238	514,526
0	0	654,862	654,862	317,002
<u>\$518</u>	<u>\$607,322</u>	<u>\$717,100</u>	<u>\$2,052,398</u>	<u>\$2,313,882</u>
\$0	\$0	\$0	\$36,776	\$37,591
0	0	0	339	326
0	0	1,301	1,301	0
0	0	0	12,247	0
0	0	0	566	385
0	0	0	30,558	23,730
0	0	0	0	18
0	0	56	56	89
0	0	715,743	715,743	831,439
518	0	0	518	283
<u>518</u>	<u>0</u>	<u>717,100</u>	<u>798,104</u>	<u>893,861</u>
0	607,322	0	607,322	375,307
0	0	0	57,156	1,777
0	0	0	350	0
0	0	0	1,660	2,898
0	0	0	62,238	514,526
0	0	0	520,406	435,421
0	0	0	3,725	0
0	0	0	1,437	90,092
0	607,322	0	1,254,294	1,420,021
<u>\$518</u>	<u>\$607,322</u>	<u>\$717,100</u>	<u>\$2,052,398</u>	<u>\$2,313,882</u>

Los Angeles County Transportation Commission
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types
 For the fiscal year ended June 30, 1989
 (With comparative totals for the fiscal year ended June 30, 1988)
 (Amounts expressed in thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Sales Taxes	\$0	\$372,021	\$0	\$0
Licenses	0	4,852	0	0
Intergovernmental	5,647	4,453	0	0
Use of money and property	148	37,660	31,795	11,262
Charges for construction services	0	0	0	718
Miscellaneous	502	0	0	353
Total revenues	6,297	418,986	31,795	12,333
Expenditures:				
Current:				
Administration	5,483	5,212	0	0
Transportation subsidy	0	243,320	0	0
Capital Outlay	422	0	0	290,564
Debt service:				
Principal	0	0	0	0
Interest and fiscal charges	0	0	56,921	0
Total expenditures	5,905	248,532	56,921	290,564
Excess (deficiency) of revenues over (under) expenditures	392	170,454	(25,126)	(278,231)
Other financing sources (uses):				
Operating transfers in	0	0	39,493	247,330
Operating transfers out	0	(90,964)	(195,859)	0
Proceeds of refunding bonds	0	0	170,032	0
Payment to refunded bond escrow agent	0	0	(154,037)	0
Total other financing sources (uses)	0	(90,964)	(140,371)	247,330
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	392	79,490	(165,497)	(30,901)
Fund balances, July 1	1,611	435,421	514,526	93,156
Prior period adjustments (note 12)	0	5,565	(286,791)	0
Fund balances, June 30	\$2,003	\$520,476	\$62,238	\$62,255

See accompanying notes to general purpose financial statements.

Exhibit 2

Totals (Memorandum Only)	
<u>1989</u>	<u>1988</u>
\$372,021	\$348,726
4,852	0
10,100	17,426
80,865	81,966
718	0
<u>855</u>	<u>764</u>
<u>469,411</u>	<u>448,882</u>
10,695	6,703
243,320	231,896
290,986	212,865
0	260,000
<u>56,921</u>	<u>51,854</u>
<u>601,922</u>	<u>763,318</u>
<u>(132,511)</u>	<u>(314,436)</u>
286,823	194,161
(286,823)	(194,161)
170,032	114,385
<u>(154,037)</u>	<u>0</u>
<u>15,995</u>	<u>114,385</u>
(116,516)	(200,051)
1,044,714	1,244,765
<u>(281,226)</u>	<u>0</u>
<u>\$646,972</u>	<u>\$1,044,714</u>

Los Angeles County Transportation Commission
 Combined Statement of Revenues, Expenditures & Changes in Fund Balances -
 Budget and Actual - General, Certain Special Revenue, and Capital Projects Funds
 For the fiscal year ended June 30, 1989
 (Amounts expressed in thousands)

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Licenses	\$0	\$0	\$0
Intergovernmental	6,251	5,647	(604)
Use of money and property	20	148	128
Charges for construction services	0	0	0
Miscellaneous	<u>5</u>	<u>502</u>	<u>497</u>
Total revenues	<u>6,276</u>	<u>6,297</u>	<u>21</u>
Expenditures:			
Current - Administration	6,166	5,483	683
Capital Outlay	<u>445</u>	<u>422</u>	<u>23</u>
Total expenditures	<u>6,611</u>	<u>5,905</u>	<u>706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(335)</u>	<u>392</u>	<u>727</u>
Other financing sources:			
Operating transfers in	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(335)</u>	<u>392</u>	<u>727</u>
Fund balances, July 1	<u>1,611</u>	<u>1,611</u>	<u>0</u>
Fund balances, June 30	<u>\$1,276</u>	<u>\$2,003</u>	<u>\$727</u>

See accompanying notes to general purpose financial statements.

Exhibit 3

Certain Special Revenue Funds (note 1)			Capital Projects Fund		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$4,718	\$4,852	\$134	\$0	\$0	\$0
367	367	0	0	0	0
0	170	170	10,540	11,262	722
0	0	0	0	718	718
0	0	0	391	353	(38)
<u>5,085</u>	<u>5,389</u>	<u>304</u>	<u>10,931</u>	<u>12,333</u>	<u>1,402</u>
5,085	1,605	3,480	0	0	0
0	0	0	412,958	290,564	122,394
<u>5,085</u>	<u>1,605</u>	<u>3,480</u>	<u>412,958</u>	<u>290,564</u>	<u>122,394</u>
0	3,784	3,784	(402,027)	(278,231)	123,796
0	0	0	308,907	247,330	(61,577)
0	0	0	308,907	247,330	(61,577)
0	3,784	3,784	(93,120)	(30,901)	62,219
0	0	0	93,156	93,156	0
<u>\$0</u>	<u>\$3,784</u>	<u>\$3,784</u>	<u>\$36</u>	<u>\$62,255</u>	<u>\$62,219</u>

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements

June 30, 1989

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Los Angeles County Transportation Commission (Commission) was established in 1977 under the State of California Transportation Development Act to coordinate the operation of all public transportation services within the County of Los Angeles. The Commission consists of an 11-member board composed of:

- o The five Los Angeles County Supervisors;
- o The Mayor of the City of Los Angeles;
- o The members appointed by the Mayor - a member of the City of Los Angeles City Council, and, traditionally, a private citizen;
- o A member of the Long Beach City Council; and
- o Two city council members appointed by the League of California Cities to represent other cities within the county.

Funding for the Commission is provided primarily through the county voter approved Proposition A, which provides an additional one-half cent sales tax to fund improvements to public transit. The Commission is also responsible for administering the funds provided through the State Transit Assistance Program and the Los Angeles County Service Authority for Freeway Emergencies which have been determined to be component financial reporting units of the Commission. As the Board of Commissioners exercise financial and management oversight responsibility over these component units, they have been included as part of the reporting entity. Other governmental entities provide services within the County of Los Angeles, however, these entities are governed by independently elected boards and are not considered within the scope of the Commission's general purpose financial statements. The Commission is a separate entity from both the County and the City of Los Angeles, each of which have independently elected boards.

The accounting policies of the Commission conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the significant policies.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

Basis of Presentation-Fund Accounting

The operations of the Commission are recorded in the following fund types and account groups:

Governmental Fund Types

Governmental funds are used to account for the Commission's expendable financial resources and related liabilities. The measurement focus is upon the determination of changes in financial position. The following are the Commission's governmental fund types.

General Fund - The general fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to specific purposes (i.e. Proposition A, State Transit Assistance Program, Ridesharing, Service Authority for Freeway Emergencies, Transportation Development Act Administration).

Debt Service Fund - The debt service fund is used to account for accumulation of resources for, and the payment of the tax revenue bonds principal, interest and related costs.

Capital Projects Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of transit facilities.

Fiduciary Fund

Agency Fund - The agency fund is used to account for assets of the deferred compensation plan that the Commission holds on behalf of its employees as their agent.

Account Groups

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the Commission.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the Commission.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

Basis of Accounting

The modified accrual basis of accounting is followed by the Commission. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues not considered to be available are recorded as deferred revenues. The Commission regards sales taxes, interest revenues and grant funds as susceptible to accrual. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and (2) principal on general long-term obligations which is recorded when due.

Budgetary Control Accounting

The Commission follows these procedures in establishing the budgetary data reflected in the general purpose financial statements:

- o The Executive Director submits a proposed budget to the Board of Commissioners by the last meeting in April.
- o Public hearings are conducted to obtain public comments on the proposed budget prior to its adoption by the Board by its last meeting in June.
- o Annual budgets are adopted on a basis consistent with the modified accrual basis of accounting for the general fund, Transportation Development Act Administration and Service Authority for Freeway Emergencies special revenue funds, and the capital projects fund. Budgets are not adopted for the Proposition A, State Transit Assistance and Ridesharing special revenue funds or the debt service fund as these funds are controlled by statute or bond indentures.
- o The level of control over appropriations is at the fund level. The Executive Director is authorized to transfer appropriations between cost centers within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Board of Commissioners. Budget amounts as reflected in the financial statements represent the final adjusted amounts which do not vary significantly from the adopted budget.
- o Unexpended appropriations lapse at year-end.

A reconciliation of the difference between the budgetary statement and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Special Revenue funds are as follows (in thousands):

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

	Combined Statement of Revenues, Expenditures and Changes in <u>Fund Balances</u>	Unbudgeted Special Revenue Funds	Combined Statement of Revenues, Expenditures and Changes in Fund Balances - <u>Budget and Actual</u>
Total revenues	\$418,986	\$413,597	\$5,389
Total expenditures	<u>248,532</u>	<u>246,927</u>	<u>1,605</u>
Excess of revenues over expenditures	170,454	166,670	3,784
Total other financing uses	<u>(90,964)</u>	<u>(90,964)</u>	<u>0</u>
Excess of revenues over expenditures and other uses	79,490	75,706	3,784
Fund balances, July 1, 1988	435,421	435,421	0
Prior period adjustment (note 12)	<u>5,565</u>	<u>5,565</u>	<u>0</u>
Fund balances, June 30, 1989	<u>\$520,476</u>	<u>\$516,692</u>	<u>\$3,784</u>

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of fund balance, is employed in governmental funds. Encumbrances do not constitute expenditures or liabilities.

Investments

Investments are stated at cost or amortized cost, which approximates market.

Prepaid Items

Payments made to vendors that will benefit periods beyond June 30, 1989, are recorded as prepaid items.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

General Fixed Assets

General fixed assets are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed asset account group. Contributed fixed assets are recorded at their estimated fair market value at the time received. Depreciation is not provided on general fixed assets.

Vacation and Sick Leave

Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are not reimbursed for unused sick leave.

The cost of accumulated vacation pay is expected to be paid from currently available resources and is recorded as a fund liability when earned.

Pension Plans

The Commission provides a defined benefit pension plan for its employees. It is the Commission's policy to fund normal cost plus employees' contribution.

Self-Insurance

The Commission is self-insured up to \$500,000 per occurrence for each bodily injury and property damage liability loss, and \$50,000 per occurrence for each builders risk (property) loss. As of June 30, 1989 the Commission has recorded bodily injury, property damage and builders risk (property) claims of \$1,301,000 (see note 6).

Total Columns

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

(2) CASH AND INVESTMENTS

Cash and investments at June 30, 1989 consisted of the following (in thousands):

Cash, overdraft, including savings and money market accounts	(\$110)
Certificates of deposit	7,500
Los Angeles County Treasurer's Investment Pool	507,044
Commercial paper	9,000
State Treasurer's Local Agency Investment Fund	<u>78,033</u>
	601,467
Restricted cash and investments:	
Cash held by escrow agent	24,825
Investments held by escrow agent	67,971
Deferred compensation plan (note 9)	<u>518</u>
	<u>\$694,781</u>

Cash and Non-Negotiable Certificates of Deposit

At June 30, 1989, the net carrying amount of the Commission's deposits was \$7,390,000 while the bank balance was \$9,977,000. Of the bank balance, \$336,000 was covered by Federal depository insurance and \$9,641,000 was covered by collateral held in the pledging bank's trust department or agent in the Commission's name.

The California Government Code requires California banks and savings and loan associates to secure public funds deposits by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be equal at least 100% of the public funds deposits. California law also allows financial institutions to secure public funds deposits by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits.

The Commission may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

Authorized Investments

The Commission invests its temporarily idle cash under the prudent investor rule (Civil Code Section 2261). The prudent investor rule states, in essence, that "in investing... property for the benefit of another, a trustee shall exercise the judgement and care, under the circumstances then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs..."

This affords the Commission a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under California Government Code Sections 53600 et seq.

Investments may be made using the following instruments:

- o Securities of the U.S. Government or its agencies
- o Certificates of deposit (or Time Deposits) placed with commercial banks and/or savings and loans
- o Bankers' Acceptances
- o State of California Local Agency Investment Fund or other authorized pooled investment programs
- o Passbook Savings Account Demand Deposits
- o Money Market Accounts
- o Commercial Paper.

Investments

Investments of the Commission are summarized below (in thousands). The investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follows: Category 1 includes investments that are insured or registered or for which securities are held by the Commission or its agent in the Commission's name; Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name; and Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Commission's name:

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

	Category			Uncategorized	Carrying Value	Market Value
	1	2	3			
Risk category:						
Commercial paper	\$9,000	\$0	\$0	\$0	\$9,000	\$9,000
Federal agency securities	0	67,971	0	0	67,971	68,061
Los Angeles County Treasurer's Investment Pool	0	0	0	507,044	507,044	507,044
Local Agency Investment fund	0	0	0	78,033	78,033	78,033
Pooled Deferred compensation plan (note 9)	0	0	0	518	518	518
Total investments	<u>\$9,000</u>	<u>\$67,971</u>	<u>\$0</u>	<u>\$585,595</u>	<u>\$662,566</u>	<u>\$662,656</u>

Cash and Investments - Deferred Compensation Plan

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The market value of the plan assets at June 30, 1989 is \$517,642. See note 9 for additional information about this plan.

(3) NOTE RECEIVABLE

During the fiscal year ended June 30, 1989, the Commission entered into an agreement to lend the Executive Director \$350,000, to be repaid in equal monthly installments in an amount sufficient to fully amortize the note over a term of thirty (30) years. The note is secured by a recorded first deed of trust on the real property for which the note was made. The interest on the note shall be adjusted annually at a rate equal to the rate of return of the Commission's investments over the previous six (6) month period. The interest payments will be forgiven during the five (5) year term of the employment agreement. The balance of the principal shall be due and payable upon the sale of the property, or the refinancing of the note, or within two (2) years of the expiration of the five (5) year term of the employment agreement, or within two (2) years of employee's earlier termination or resignation whichever occurs first.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

(4) GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows (in thousands):

	Balance <u>July 1, 1988</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 1989</u>
Land	\$51,733	\$5,265	\$0	\$56,998
Furniture and equipment, including capital leases	13,409	6,261	0	19,670
Leasehold improvements	143	80	0	223
Construction in progress	<u>310,022</u>	<u>264,980</u>	<u>44,571</u>	<u>530,431</u>
	<u>\$375,307</u>	<u>\$276,586</u>	<u>\$44,571</u>	<u>\$607,322</u>

The Commission has entered into contracts for the construction of the following rail transit projects, as of June 30, 1989 (in thousands):

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Further Financing Required</u>
Long Beach-Los Angeles (Blue Line)	\$836,352	\$521,894	\$213,769	None
Norwalk-El Segundo (Green Line)	<u>411,000</u>	<u>29,461</u>	<u>12,377</u>	None
Total	<u>\$1,247,352</u>	<u>\$551,355</u>	<u>\$226,146</u>	

(5) LEASE OBLIGATIONS

Operating Leases

The Commission leases its office space and certain autos and equipment under noncancelable operating leases, which expire at various dates through fiscal year 1990. Rentals for such leases were \$628,629 for the year ended June 30, 1989. Future minimum rental payments for the year ending June 30, 1990 is \$766,196.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

Additionally, the Commission subleases office space under noncancelable leases, which expire at various dates through fiscal year 1990. Rental income from such leases was \$69,899. Future rental income for the year ending June 30, 1990 is \$52,964.

Capital Lease

During fiscal years 1985 and 1986, the Commission entered into agreement to lease communications equipment under a term which expires in fiscal year 1991. The leases contain bargain purchase option provisions; accordingly, the leases are treated as capital leases for financial statement purposes. Future minimum lease payments under the capital leases together with the present value of the future minimum lease payments as of June 30, 1989 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
1990	\$47,122
1991	<u>20,875</u>
Total	67,997
LESS - Amount representing interest	<u>11,617</u>
Present value of future minimum lease payments	<u>\$56,380</u>

(6) LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Commission for the year ended June 30, 1989 (in thousands):

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

	Revenue Bonds Payable	Capitalized Lease Obligation (note 5)	Self- Insurance	Total
Balance, as previously reported, July 1, 1988	\$831,439	\$89	\$0	\$831,528
Restatement, prior year's defeasance of debt (note 12)	<u>(111,500)</u>	<u>0</u>	<u>0</u>	<u>(111,500)</u>
Restated Balance, July 1, 1988	719,939	89	0	720,028
Issuances	174,304	0	0	174,304
Accruals	0	0	1,301	1,301
Principal reduction	<u>(178,500)</u>	<u>(33)</u>	<u>0</u>	<u>(178,533)</u>
Balance, July 1, 1989	<u>\$715,743</u>	<u>\$56</u>	<u>\$1,301</u>	<u>\$717,100</u>

At June 30, 1989, the Commission had the following outstanding Sales tax Revenue Bonds:

\$157,615,000 sales tax revenue bonds, 1986 series A, serial bond due in annual installments from \$2,410,000 on July 1, 1992 up to \$12,805,000 on July 1, 2016. Interest at various rates ranging from 6.2% to 7.5% is payable semi-annually on January 1, and July 1. \$157,615,000

\$271,550,000 sales tax revenue refunding bonds, 1987 series A, bonds due in annual installments from \$3,790,000 beginning on July 1, 1992 to \$22,995,000 on July 1, 2017. Interest of various rates ranging from 6.0% to 7.9% is payable semi-annually on January 1, and July 1. 271,550,000

\$112,274,129 sales tax revenue refunding bonds, 1988 series A, bonds due in annual installments including annual sinking fund payments from \$2,345,000 on July 1, 1992 to \$9,535,000 on July 1, 2018. Interest at various rates ranging from 5.6% to 8.125% is payable semi-annually on January 1, and July 1. 112,274,129

\$174,303,858 sales tax revenue refunding bonds, 1989 series A, bonds due in annual installments including annual sinking fund payments from \$3,000,000 on July 1, 1992 to \$14,140,000 on July 1, 2019. Interest at various rates ranging from 6.2% to 7.3% is payable semi-annually on January 1, and July 1. 174,303,858

\$715,742,987

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

The above bonds are secured by a pledge of sales tax revenue. Bonds are subject to redemption at the option of the Commission on any interest payment date after July 1, 1997 at a redemption price of 103% to 100%.

Annual requirements to amortize the revenue bonds outstanding at June 30, 1989, including interest payments of \$1,038,770,000, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Amount</u>
1990	\$50,879
1991	50,879
1992	62,424
1993	62,436
1994	62,439
Thereafter	<u>1,465,186</u>
	<u>\$1,754,243</u>

Advance Refunding

On January 13, 1989, the Commission issued \$174.3 million in sales tax revenue refunding bonds with interest ranging from 6.2% to 7.4% to advance refund \$178.5 million of 1986-D and 1986-E series maturing on July 15, 1989 and July 1, 1990. The net proceeds of \$154 million (after payment of \$21.3 million in underwriting fees, original issue discount, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for payments on the 1986-D and 1986-E series bonds. As a result, both series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The Commission advance refunded the 1986-D and 1986-E series bonds to extend the ultimate maturity of the bonds by 30 years. As a result of the advance refunding, the Commission incurred an economic loss (difference between the present values of the debt service payments on the old and new debt), of \$4.4 million. This transaction resulted in the recognition of an accounting gain of \$24.5 million.

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Commission defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the 1986-B, 1986-C, 1986-D and 1986-E series bonds. Accordingly, the trust account assets and the liabilities for

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

the defeased bonds are not included in the Commission's financial statements. On June 30, 1989, \$178.5 million of bonds outstanding are considered defeased.

(7) Interfund Balances

The following is a table summarizing interfund receivables and payables at June 30, 1989 (in thousands):

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund:		
Proposition A special revenue fund	\$163	\$0
Service Authority for Freeway Emergencies (SAFE) special revenue fund	3	0
Transportation Development Act (TDA) Administration special revenue fund	176	0
Capital projects fund	<u>224</u>	<u>0</u>
	<u>566</u>	<u>0</u>
Special Revenue Funds due to General Fund:		
Proposition A	0	163
SAFE	0	3
TDA Administration	0	176
Capital projects fund due to General Fund	<u>0</u>	<u>224</u>
	<u>\$0</u>	<u>\$566</u>

(8) DEFINED BENEFIT PENSION PLAN

Plan Description

The Commission contributes to the California Public Employees' Retirement System (PERS), a defined benefit, agent multiple-employer PERS that acts as a common investment and administrative agent for participating public entities in California. The Commission's payroll for employees covered by PERS for the year ended June 30, 1989, was \$5,038,000 of a total payroll of approximately \$5,155,000.

All full-time employees are eligible to participate in PERS, and become vested in the system after five years of service. Upon vesting, employees who retire at age 60 are entitled to receive an annual retirement benefit.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

The benefit is payable monthly for life, in an amount equal to 2% of the employee's average salary during the last year of employment for each year of credited service. The system also provides death and disability benefits.

During fiscal year 1989, the Commission's contribution rate was 12.836% of annual salary. This includes the mandatory employee contributions of 7%, which have been assumed by the Commission. Effective, July 1, 1989, the rate will be 12.835% of annual salary.

PERS invests plan assets in a wide variety of investment vehicles including U.S. Government securities, bonds, stocks, and other types of investment instruments. It is the policy of PERS to avoid related party investments of its plan employer-participants. Plan investments conforming to California State laws have been determined to generally comply with Commission policy. Details of the PERS investment portfolio are published annually and may be found in the PERS annual report.

The term "pension benefit obligation" is a standardized disclosure measure of present value of pension benefits, as adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Commission's pension system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Commission's pension system.

The pension benefit obligation has been computed as part of an actuarial valuation performed as of June 30, 1988, but reflects all plan amendments adopted through June 30, 1989. Significant actuarial assumptions used in the valuation include:

- o A rate of return on the investment of present and future assets of 8.5% per year compounded annually.
- o Projected salary increases of 7% per year compounded annually, attributable to: inflation of 5%, additional projected merit increases of 1.5%, and other across the board increases of .5%.

The total net assets in excess of pension benefit obligation applicable to the Commission employees was \$897,000 at June 30, 1988, as follows (in thousands):

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$117
Current Employees:	
Accumulated employee contributions including allocated investment earnings	1,100
Employer-financed vested	474
Employer-financed non-vested	<u>345</u>
Total Pension Benefit Obligation	2,036
Net Assets available for benefits at cost (market value is \$3,317,000)	<u>2,933</u>
Net Assets in Excess of Pension Benefit Obligation	<u>\$897</u>

For its valuation purposes and to determine a basis for funding contributions, PERS continues to use the Entry Age Normal Actuarial Cost Method. This method is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future, as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the Commission's total normal cost is expressed as a level percent of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability expires in the year 2011.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation, as previously described. There were no material changes in the basic actuarial assumptions used in this calculation in the prior year.

The total contribution to PERS for the year ended June 30, 1989 was approximately \$649,000 all of which was attributable to the Commission. Such contributions were made in accordance with actuarially determined requirements as computed by the latest PERS actuarial valuation. Such pension contribution represents funding for normal costs of \$649,000 which include employees' contribution of \$355,000.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical information is important to assist readers of the financial statements in assessing the Commission's progress in accumulating sufficient resources with PERS to pay pension benefits as they become payable. Such information is now being accumulated; however, historical information for periods prior to 1987 is not available.

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In Thousands)

<u>Fiscal Year</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation</u>	<u>% Funded</u>	<u>Net Assets in Excess of Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Net Assets in Excess of Pension Benefit Obligation as a % of Covered Payroll</u>	<u>Total Contributions</u>	<u>Contributions as a % of Annual Covered Payroll</u>
1987	\$2,184	\$1,424	153.4%	\$759	\$3,843	19.8%	\$471	12.3%
1988	2,933	2,036	144.1	897	4,637	19.3	535	11.5
1989	N/A	N/A	N/A	N/A	5,038	N/A	649	12.9

N/A = Information not available as of June 30, 1989.

(9) DEFERRED COMPENSATION

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plan assets are invested in a pooled deferred compensation plan. The plan, available to all Commission employees, permits them to defer a portion of their salary without penalty of income tax until future years. The compensation so deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commission (without being

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

restricted to the provisions of benefits under the plan), subject only to the claims of the Commission's general creditors. Participant's rights under the plan are equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred amount for each participant.

At June 30, 1989, funds on deposit and credited to participants' accounts, at market value, totalled \$517,642. The aforementioned amount is included in the accompanying general purpose financial statements as part of the fiduciary fund type - Agency Funds (Deferred Compensation Fund).

(10) RESERVED AND DESIGNATED FUND BALANCES

The following are descriptions of the Commission's reserved and designated fund balances.

Reserved for Note Receivable and Prepaid Items

These reserves were established to reserve a portion of fund balance to indicate that Note Receivable and Prepaid Items do not represent available spendable resources even though they are a component of assets.

Reserved for Encumbrances

This reserve was established to reserve a portion of fund balance for commitments related to unperformed contracts.

Reserved for Debt Service

This reserve has been established to reserve a portion of fund balance legally restricted to the payment of general long-term debt principal and interest maturing in future years.

Designated for Self-Insurance

This fund is designated to provide for general liability insurance in which the Commission is self-insured.

Designated for Special Purposes

These funds are designated for special revenue purposes as restricted by law or administrative action.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

(11) COMMITMENTS AND CONTINGENCIES

Proposition A/FAU Funds Trade Agreement

Under the Air Quality Management Plan, the Commission is required to include specified level of support for regional ridesharing in the Transportation Improvement Program (TIP). Traditionally, this was accomplished by programming Regional Federal Aid-Urban (FAU) funds to Commuter Computer. Beginning in 1986, the Commission established a policy of trading these Regional FAU funds to local jurisdictions in return for Proposition A Local Return funds. Local jurisdictions use the Regional FAU funds for street and road projects of regional significance. Proposition A funds received by the Commission are placed in an interest-bearing account, to be used for funding Commuter Computer.

This fiscal year, the Commission has committed \$3.6 million in Regional FAU funds to trade with local jurisdictions for Proposition A funds (equal to the amount allocated to Commuter Computer).

Minority Bond Guarantee Agreement

The Commission has an agreement with the City of Los Angeles (City) and the Southern California Rapid Transit District (SCRTD) to participate in a minority bond guarantee program. Such program consists of two principal components: 1) a bond reserve account which would be used to guarantee bonds for disadvantaged and women-owned business enterprises (DBE/WBE) subcontractors who cannot obtain bonds on their own financial strength; and 2) a working capital loan component which would generate the funds necessary to ensure or enhance the subcontractors' financial stability and performance under an awarded contract.

The agreement calls for the City and the Commission to each contribute \$7.5 million to the program. The \$15 million has been invested in certificates of deposit which are pledged for the minority bond guarantee program. The Commission's \$7.5 million contribution is included in the cash and investments account of the Capital Projects fund.

Metro Rail Funding Agreement

The first construction segment of the 18-mile Metro Rail project has been designated minimum operable segment one (MOS-1). The agreement between the Commission, the Urban Mass Transportation Administration (UMTA), and the Southern California Rapid Transit District (SCRTD) commits the Commission to:

1. Provide \$176.6 million as its portion of the requested financing plan for the project;

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Notes to General Purpose Financial Statements, (continued)

2. Provide \$203.7 million as the current shortfall of requested UMTA Section 3 funds. This funding commitment will be liquidated in whole or in part with any future authorized and appropriated Federal funds;
3. Establish a Capital Reserve Account for the payment of unbudgeted costs. This account is annually adjusted to equal 10% of the budgeted construction expenditures.
4. Provide funds needed by SCRTD to match UMTA funds made available for extraordinary costs.
5. Provide for funding of cost overruns to be shared equally between the Commission and the City.

A review of the Metro Rail MOS-1 project was performed to establish the financial condition of the project and the implications of any contract delays and claims against the project. As a result of the review, it is expected that the Metro Rail MOS-1 project will exceed budgeted expenditures by \$135 million. The Commission is contingently liable to fund 50% of such cost overruns.

(12) PRIOR PERIOD ADJUSTMENTS

In fiscal year ended June 30, 1988, the interest income on investments were understated by \$5,565,000 as follows (in thousands):

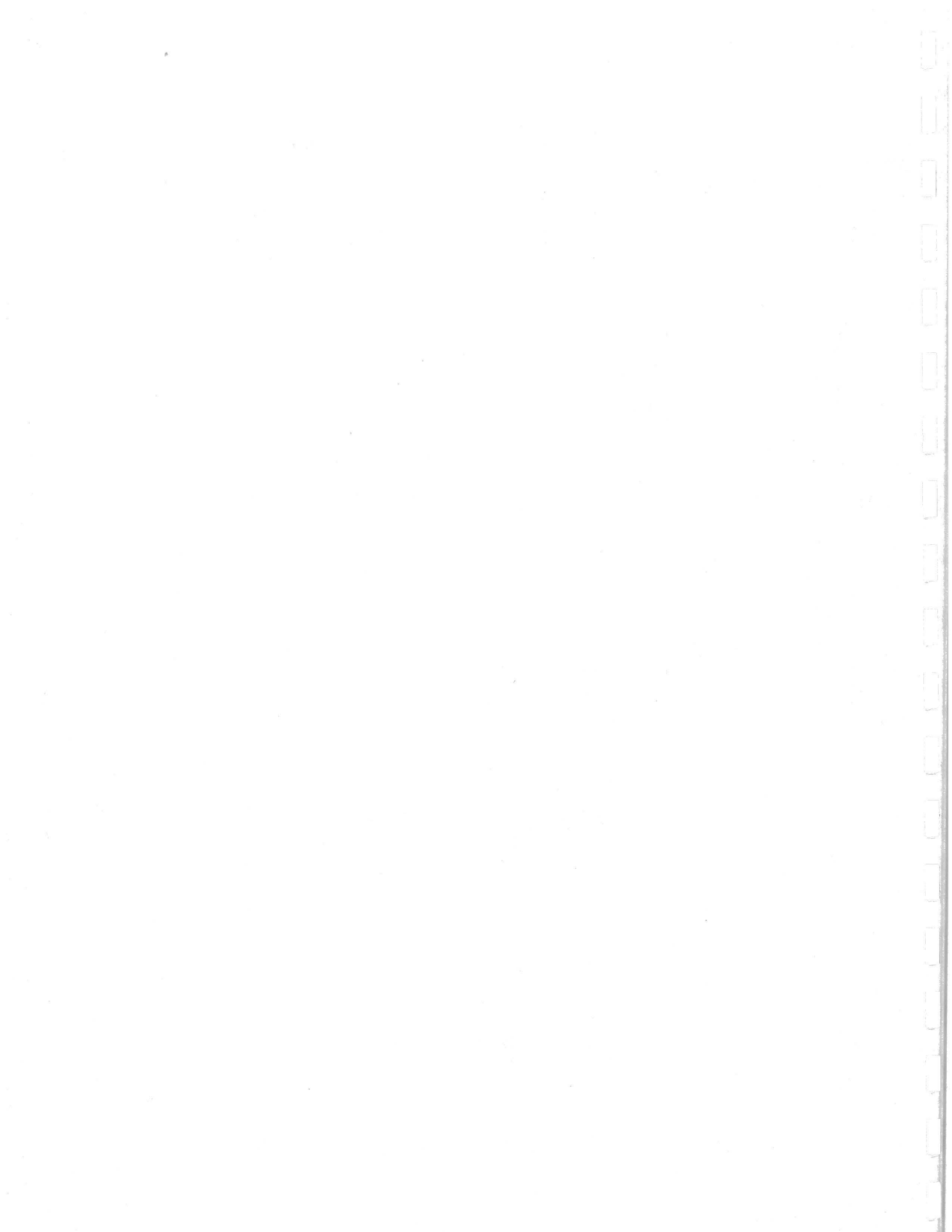
Special revenue funds:	
Proposition A	\$5,174
State Transit Assistance	184
Ridesharing	<u>207</u>
Total	<u>\$5,565</u>

Current year beginning fund balances have been adjusted to correct these understatements of prior year's revenue.

In addition, the following payments to refunded bond escrow agent for defeasance of long-term debt were recorded as an asset instead of as an other financing uses. As a result the beginning fund balances have been adjusted by the following amounts (in thousands):

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
1988	\$111,500
1987	<u>175,291</u>
Total	<u>\$286,791</u>

SUPPLEMENTARY INFORMATION



GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Los Angeles County Transportation Commission
 General Fund
 Comparative Balance Sheets
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit A-1

	<u>1989</u>	<u>1988</u>
Assets		
Cash and investments	\$1,475	\$1,410
Restricted cash and investments	0	283
Receivables:		
Note	350	0
Interest	11	0
Miscellaneous	50	75
Due from other funds:		
Proposition A fund	163	6
Service Authority for Freeway Emergencies (SAFE) fund	3	0
Transportation Development Act Administration fund	176	0
State Transit Assistance fund	0	3
Capital projects fund	224	376
Prepaid items	<u>3</u>	<u>2</u>
Total assets	<u>\$2,455</u>	<u>\$2,155</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$305	\$394
Compensated absences payable	<u>147</u>	<u>150</u>
Total liabilities	<u>452</u>	<u>544</u>
Fund balances:		
Reserved for encumbrances	213	155
Reserved for note receivable	350	0
Reserved for prepaid items	3	2
Unreserved, undesignated	<u>1,437</u>	<u>1,454</u>
Total fund balances	<u>2,003</u>	<u>1,611</u>
Total liabilities and fund balances	<u>\$2,455</u>	<u>\$2,155</u>

Los Angeles County Transportation Commission
 General Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit A-2

	<u>1989</u>	<u>1988</u>
Revenues:		
Intergovernmental:		
Proposition A	\$3,596	\$2,800
Transportation Development Act	1,907	1,918
Urban Mass Transportaion Administration	144	0
Use of money and property	148	110
Miscellaneous	<u>502</u>	<u>3</u>
Total revenues	<u>6,297</u>	<u>4,831</u>
Expenditures:		
Current:		
Administration:		
Salaries and benefits	3,004	2,515
Services and supplies	2,469	1,365
Other charges	10	13
Capital outlay	<u>422</u>	<u>215</u>
Total expenditures	<u>5,905</u>	<u>4,108</u>
Excess of revenues over expenditures	392	723
Fund Balances, July 1	<u>1,611</u>	<u>888</u>
Fund balances, June 30	<u>\$2,003</u>	<u>\$1,611</u>

Los Angeles County Transportation Commission
 General Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit A-3

	1989			1988		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental:						
Proposition A	\$4,192	\$3,596	(\$596)	\$3,148	\$2,800	(\$348)
Transportation Development Act	1,909	1,907	(2)	1,787	1,918	131
Urban Mass Transportation Administration	150	145	(5)	150	0	(150)
Use of Money and Property	20	148	128	50	110	60
Miscellaneous	5	501	496	36	3	(33)
Total revenues	<u>6,276</u>	<u>6,297</u>	<u>21</u>	<u>5,171</u>	<u>4,831</u>	<u>(340)</u>
Expenditures:						
Current:						
Administration:						
Salaries and benefits	3,135	3,004	131	2,917	2,515	402
Services and Supplies	3,013	2,469	544	1,878	1,365	513
Other charges	18	10	8	14	13	1
Capital Outlay	445	422	23	196	215	(19)
Total expenditures	<u>6,611</u>	<u>5,905</u>	<u>706</u>	<u>5,005</u>	<u>4,108</u>	<u>897</u>
Excess (deficiency) of revenues over expenditures	(335)	392	727	166	723	557
Fund balances, July 1	<u>1,611</u>	<u>1,611</u>	<u>0</u>	<u>888</u>	<u>888</u>	<u>0</u>
Fund balances, June 30	<u>\$1,276</u>	<u>\$2,003</u>	<u>\$727</u>	<u>\$1,054</u>	<u>\$1,611</u>	<u>\$557</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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: 25% to local jurisdictions for local transit; 35% to be set-aside for construction and operation of rail rapid transit system; 40% is allocated at the discretion of the Commission.

STATE TRANSIT ASSISTANCE (STA) - This fund is used to account for revenue received from the State Transit Assistance Program of the Transportation Development Act which provides formulas to determine the uses of the proceeds.

RIDESHARING - This fund is used to account for ridesharing contributions from various local governments, which are legally restricted for public transit.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES (SAFE) - This fund is used to account for revenues received from the Motor Vehicles Office generated by charging an additional \$1 to each car registration in Los Angeles County to improve freeway emergency call boxes operations.

TRANSPORTATION DEVELOPMENT ACT (TDA) ADMINISTRATION - This fund is used to account for revenues received from TDA fund allocation for TDA fund administration.

Los Angeles County Transportation Commission
Special Revenue Funds
Combining Balance Sheet
June 30, 1989
(With comparative totals for June 30, 1988)
(Amounts expressed in thousands)

	<u>Proposition A</u>	<u>State Transit Assistance</u>	<u>Ride Sharing</u>
Assets			
Cash and investments	\$474,461	\$12,277	\$15,128
Receivables:			
Interest	7,531	223	290
Sales Tax - Proposition A	<u>19,192</u>	<u>0</u>	<u>0</u>
Total assets	<u>\$501,184</u>	<u>\$12,500</u>	<u>\$15,418</u>
Liabilities and fund balances			
Liabilities:			
Vouchers payable	\$0	\$0	\$0
Intergovernmental payable	11,464	783	0
Due to general fund	163	0	0
Deferred revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>11,627</u>	<u>783</u>	<u>0</u>
Fund balances:			
Reserved for encumbrances	0	0	0
Unreserved, designated for special purposes	<u>489,557</u>	<u>11,717</u>	<u>15,418</u>
Total fund balances	<u>489,557</u>	<u>11,717</u>	<u>15,418</u>
Total liabilities and fund balances	<u>\$501,184</u>	<u>\$12,500</u>	<u>\$15,418</u>

Exhibit B-1

Service Authority for Freeway Emergencies	Transportation Development Act Administration	Totals	
		1989	1988
\$4,710	\$367	\$506,943	\$416,063
77	0	8,121	0
<u>0</u>	<u>0</u>	<u>19,192</u>	<u>19,372</u>
<u>\$4,787</u>	<u>\$367</u>	<u>\$534,256</u>	<u>\$435,435</u>
\$1,143	\$48	\$1,191	\$0
0	0	12,247	0
3	176	342	9
<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
<u>1,146</u>	<u>224</u>	<u>13,780</u>	<u>14</u>
3	67	70	0
<u>3,638</u>	<u>76</u>	<u>520,406</u>	<u>435,421</u>
<u>3,641</u>	<u>143</u>	<u>520,476</u>	<u>435,421</u>
<u>\$4,787</u>	<u>\$367</u>	<u>\$534,256</u>	<u>\$435,435</u>

Los Angeles County Transportation Commission
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the fiscal year ended June 30, 1989
(With comparative totals for the fiscal year ended June 30, 1988)
(Amounts expressed in thousands)

	<u>Proposition A</u>	<u>State Transit Assistance</u>	<u>Ride Sharing</u>
Revenues:			
Sales taxes	\$372,021	\$0	\$0
Licenses	0	0	0
Intergovernmental	631	885	2,570
Use of money and property	<u>35,122</u>	<u>1,072</u>	<u>1,296</u>
Total revenues	<u>407,774</u>	<u>1,957</u>	<u>3,866</u>
Expenditures:			
Current:			
Administration	3,607	0	0
Transportation subsidy	<u>239,343</u>	<u>831</u>	<u>3,146</u>
Total expenditures	<u>242,950</u>	<u>831</u>	<u>3,146</u>
Excess of revenues over expenditures	<u>164,824</u>	<u>1,128</u>	<u>720</u>
Other financing uses:			
Operating transfers out	<u>(89,174)</u>	<u>(1,790)</u>	<u>0</u>
Total other financing uses	<u>(89,174)</u>	<u>(1,790)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing uses	75,650	(664)	720
Fund balances, July 1	408,733	12,197	14,491
Prior period adjustments	<u>5,174</u>	<u>184</u>	<u>207</u>
Fund balances, June 30	<u>\$489,557</u>	<u>\$11,717</u>	<u>\$15,418</u>

Exhibit B-2

Service Authority for Freeway Emergencies	Transportation Development Act Administration	Totals	
		1989	1988
\$0	\$0	\$372,021	\$348,727
4,852	0	4,852	0
0	367	4,453	13,107
<u>170</u>	<u>0</u>	<u>37,660</u>	<u>29,000</u>
<u>5,022</u>	<u>367</u>	<u>418,986</u>	<u>390,834</u>
1,381	224	5,212	2,810
<u>0</u>	<u>0</u>	<u>243,320</u>	<u>231,896</u>
<u>1,381</u>	<u>224</u>	<u>248,532</u>	<u>234,706</u>
<u>3,641</u>	<u>143</u>	<u>170,454</u>	<u>156,128</u>
<u>0</u>	<u>0</u>	<u>(90,964)</u>	<u>(62,101)</u>
<u>0</u>	<u>0</u>	<u>(90,964)</u>	<u>(62,101)</u>
3,641	143	79,490	94,027
0	0	435,421	341,394
<u>0</u>	<u>0</u>	<u>5,565</u>	<u>0</u>
<u>\$3,641</u>	<u>\$143</u>	<u>\$520,476</u>	<u>\$435,421</u>

Los Angeles County Transportation Commission
 Proposition A Special Revenue Fund
 Comparative Balance Sheets
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit B-3

	<u>1989</u>	<u>1988</u>
Assets		
Cash and investments	\$474,461	\$389,368
Interest receivable	7,531	0
Sales tax receivable	<u>19,192</u>	<u>19,371</u>
Total assets	<u>\$501,184</u>	<u>\$408,739</u>
Liabilities and fund balances		
Liabilities:		
Intergovernmental payable	\$11,464	\$0
Due to general fund	<u>163</u>	<u>6</u>
Total liabilities	<u>11,627</u>	<u>6</u>
Fund balances:		
Unreserved, designated for special purposes	<u>489,557</u>	<u>408,733</u>
Total liabilities and fund balances	<u>\$501,184</u>	<u>\$408,739</u>

Los Angeles County Transportation Commission
 Proposition A Special Revenue Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit B-4

	<u>1989</u>	<u>1988</u>
Revenues:		
Sales taxes	\$372,021	\$348,726
Intergovernmental	631	400
Use of money and property	<u>35,122</u>	<u>26,005</u>
Total revenues	<u>407,774</u>	<u>375,131</u>
Expenditures:		
Current:		
Administration	3,607	2,810
Transportation subsidy	<u>239,343</u>	<u>228,478</u>
Total expenditures	<u>242,950</u>	<u>231,283</u>
Excess of revenues over expenditures	<u>164,824</u>	<u>143,843</u>
Other financing uses:		
Operating transfers out:		
Debt service fund	(39,493)	0
Capital projects fund	<u>(49,681)</u>	<u>(47,249)</u>
Total other financing uses	<u>(89,174)</u>	<u>(47,249)</u>
Excess of revenues over expenditures and other financing uses	75,650	96,594
Fund balances, July 1	408,733	312,139
Prior year adjustment	<u>5,174</u>	<u>0</u>
Fund balances, June 30	<u>\$489,557</u>	<u>\$408,733</u>

Los Angeles County Transportation Commission
 State Transit Assistance Special Revenue Fund
 Comparative Balance Sheets
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit B-5

	<u>1989</u>	<u>1988</u>
Assets		
Cash and investments	\$12,277	\$12,200
Interest receivable	<u>223</u>	<u>0</u>
Total assets	<u>\$12,500</u>	<u>\$12,200</u>
Liabilities and fund balances		
Liabilities:		
Due to general fund	\$0	\$3
Intergovernmental payable	<u>783</u>	<u>0</u>
Total liabilities	<u>783</u>	<u>3</u>
Fund balances:		
Unreserved, designated for special purposes	<u>11,717</u>	<u>12,197</u>
Total liabilities and fund balances	<u>\$12,500</u>	<u>\$12,200</u>

Los Angeles County Transportation Commission
 State Transit Assistance Special Revenue Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit B-6

	<u>1989</u>	<u>1988</u>
Revenues:		
Intergovernmental		
State	\$585	\$2,467
Local	300	0
Use of money	<u>1,072</u>	<u>2,212</u>
Total revenues	<u>1,957</u>	<u>4,679</u>
Expenditures:		
Transportation subsidy	<u>831</u>	<u>785</u>
Excess of revenues over expenditures	<u>1,126</u>	<u>3,894</u>
Other financing uses:		
Operating transfers out:		
Capital projects fund	<u>(1,790)</u>	<u>(14,851)</u>
Deficiency of revenues under expenditure and other financing uses	(664)	(10,957)
Fund balances, July 1	12,197	23,154
Prior year adjustment	<u>184</u>	<u>0</u>
Fund balances, June 30	<u>\$11,717</u>	<u>\$12,197</u>

Los Angeles County Transportation Commission
Ridesharing Special Revenue Fund
Comparative Balance Sheets
June 30, 1989 and 1988
(Amounts expressed in thousands)

Exhibit B-7

	<u>1989</u>	<u>1988</u>
Assets		
Cash and investments	\$15,128	\$14,491
Interest receivable	<u>290</u>	<u>0</u>
Total assets	<u>\$15,418</u>	<u>\$14,491</u>
Fund balances		
Unreserved, designated for special purposes	<u>\$15,418</u>	<u>\$14,491</u>

Los Angeles County Transportation Commission
 Ridesharing Special Revenue Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit B-8

	<u>1989</u>	<u>1988</u>
Revenues:		
Intergovernmental - local	\$2,570	\$10,240
Use of money	<u>1,296</u>	<u>784</u>
Total revenues	<u>3,866</u>	<u>11,024</u>
Expenditures:		
Current:		
Transportation subsidy	<u>3,146</u>	<u>2,633</u>
Excess of revenues over expenditures	720	8,391
Fund balances, July 1	14,491	6,100
Prior year adjustment	<u>207</u>	<u>0</u>
Fund balances, June 30	<u>\$15,418</u>	<u>\$14,491</u>

Los Angeles County Transportation Commission
 Service Authority for Freeway Emergencies (SAFE)
 Special Revenue Fund
 Comparative Balance Sheets
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit B-9

	<u>1989</u>	<u>1988</u>
Assets		
Cash and investments	\$4,710	\$5
Interest receivable	<u>77</u>	<u>0</u>
Total assets	<u>\$4,787</u>	<u>\$5</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$1,143	\$0
Due to general fund	3	0
Deferred revenue	<u>0</u>	<u>5</u>
Total liabilities	<u>1,146</u>	<u>5</u>
Fund balances:		
Reserved for encumbrances	3	0
Unreserved, designated for special purposes	<u>3,638</u>	<u>0</u>
Total fund balances	<u>3,641</u>	<u>0</u>
Total liabilities and fund balances	<u>\$4,787</u>	<u>\$5</u>

Los Angeles County Transportation Commission
Service Authority for Freeway Emergencies (SAFE)
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the fiscal year ended June 30, 1989
(Amounts expressed in thousands)

Exhibit B-10

Revenues:	
Licenses (motor vehicles registration)	\$4,852
Use of money	<u>170</u>
Total revenues	<u>5,022</u>
Expenditures:	
Current:	
Administration:	
Salaries and benefits	13
Services and supplies	1,366
Other charges	<u>2</u>
Total expenditures	<u>1,381</u>
Excess of revenues over expenditures	3,641
Fund balance, July 1, 1988	<u>0</u>
Fund balance, June 30, 1989	<u>\$3,641</u>

Los Angeles County Transportation Commission
 Service Authority for Freeway Emergencies (SAFE)
 Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - Budget and Actual
 For the fiscal year ended June 30, 1989
 (Amounts expressed in thousands)

Exhibit B-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Licenses (motor vehicles registration)	\$4,718	\$4,852	\$134
Use of money	<u>0</u>	<u>170</u>	<u>170</u>
Total revenues	<u>4,718</u>	<u>5,022</u>	<u>304</u>
Expenditures:			
Current:			
Administration:			
Salaries and benefits	16	13	3
Services and supplies	4,700	1,366	3,334
Other charges	<u>2</u>	<u>2</u>	<u>0</u>
Total expenditures	<u>4,718</u>	<u>1,381</u>	<u>3,337</u>
Excess of revenues over expenditures	0	3,641	3,641
Fund balance, July 1	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, June 30	<u>\$0</u>	<u>\$3,641</u>	<u>\$3,641</u>

Los Angeles County Transportation Commission
Transportation Development Act (TDA) Administration
Special Revenue Fund
Balance Sheet
June 30, 1989
(Amounts expressed in thousands)

Exhibit B-12

Assets	
Cash and investments	<u>\$367</u>
Total assets	<u>\$367</u>
 Liabilities and fund balance	
Liabilities:	
Accounts payable	\$48
Due to general fund	<u>176</u>
Total liabilities	<u>224</u>
 Fund balance:	
Reserved for encumbrances	67
Unreserved, designated for special purposes	<u>76</u>
Total fund balance	<u>143</u>
 Total liabilities and fund balance	<u>\$367</u>

Los Angeles County Transportation Commission
Transportation Development Act (TDA) Administration
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
For the fiscal year ended June 30, 1989
(Amounts expressed in thousands)

Revenues:	
Intergovernmental - TDA	<u>\$367</u>
Total revenues	<u>367</u>
Expenditures:	
Current:	
Administration:	
Salaries and benefits	39
Services and supplies	182
Fixed assets	<u>3</u>
Total expenditures	<u>224</u>
Excess of revenues over expenditures	143
Fund balance, July 1, 1988	<u>0</u>
Fund balance, June 30, 1989	<u>\$143</u>

Los Angeles County Transportation Commission
 Transportation Development Act (TDA) Administration
 Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - Budget and Actual
 For the fiscal year ended June 30, 1989
 (Amounts expressed in thousands)

Exhibit B-14

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental - TDA	<u>\$367</u>	<u>\$367</u>	<u>\$0</u>
Total revenues	<u>367</u>	<u>367</u>	<u>0</u>
Expenditures:			
Current:			
Administration:			
Salaries and benefits	95	39	56
Services and supplies	256	182	74
Other charges	1	0	1
Fixed Assets	<u>15</u>	<u>3</u>	<u>12</u>
Total expenditures	<u>367</u>	<u>224</u>	<u>143</u>
Excess of revenues over expenditures	0	143	143
Fund balance, July 1	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, June 30	<u>\$0</u>	<u>\$143</u>	<u>\$143</u>

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DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of sales tax revenue bond principal and interest from the Proposition A special revenue fund.

Los Angeles County Transportation Commission
 Debt Service Fund
 Comparative Balance Sheets
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit C-1

	<u>1989</u>	<u>1988</u>
Assets		
Restricted cash and investments	<u>\$92,796</u>	<u>\$538,256</u>
Total assets	<u>\$92,796</u>	<u>\$538,256</u>
Liabilities and fund balances		
Liabilities:		
Accrued interest payable	<u>\$30,558</u>	<u>\$23,730</u>
Total liabilities	<u>30,558</u>	<u>23,730</u>
Fund balances		
Reserved for debt services	<u>62,238</u>	<u>514,526</u>
Total fund balances	<u>62,238</u>	<u>514,526</u>
Total liabilities and fund balances	<u>\$92,796</u>	<u>\$538,256</u>

Los Angeles County Transportation Commission
 Debt Service Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit C-2

	<u>1989</u>	<u>1988</u>
Revenues:		
Use of money	<u>\$31,795</u>	<u>\$43,783</u>
Total revenues	<u>31,795</u>	<u>43,783</u>
Expenditures:		
Debt service:		
Principal	0	260,000
Interest	56,574	51,854
Refunding bond issuance costs	<u>347</u>	<u>0</u>
Total expenditures	<u>56,921</u>	<u>311,854</u>
Deficiency of revenues under expenditures	<u>(25,126)</u>	<u>(268,071)</u>
Other financing sources (uses):		
Operating transfers in -		
Proposition A fund	39,493	0
Operating transfers out -		
Capital projects fund	(195,859)	(132,061)
Proceeds of refunding bonds	170,032	114,385
Payment to refunded bond escrow agent	<u>(154,037)</u>	<u>0</u>
Total other financing sources (uses):	<u>(140,371)</u>	<u>(17,676)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>(165,497)</u>	<u>(285,747)</u>
Fund balances, July 1	514,526	800,273
Prior period adjustments	<u>(286,791)</u>	<u>0</u>
Fund balances, June 30	<u>\$62,238</u>	<u>\$514,526</u>

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CAPITAL PROJECTS FUND

The capital projects fund is used to account for the planning, design and construction of rail transit systems in Los Angeles County financed by 35% of Proposition A special revenue fund.

Los Angeles County Transportation Commission
 Capital Projects Fund
 Comparative Balance Sheets
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit D-1

	<u>1989</u>	<u>1988</u>
Assets		
Cash and investments	\$93,049	\$126,232
Receivables:		
Interest	1,956	2,015
Intergovernmental	1,246	0
Miscellaneous	43	57
Prepaid items	<u>1,657</u>	<u>2,898</u>
Total assets	<u>\$97,951</u>	<u>\$131,202</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$35,280	\$37,546
Compensated absences payable	192	110
Due to general fund	224	376
Deferred revenue	<u>0</u>	<u>14</u>
Total liabilities	<u>35,696</u>	<u>38,046</u>
Fund balances:		
Reserved for encumbrances	56,873	90,258
Reserved for prepaid items	1,657	2,898
Unreserved, designated for self-insured	<u>3,725</u>	<u>0</u>
Total fund balances	<u>62,255</u>	<u>93,156</u>
Total liabilities and fund balances	<u>\$97,951</u>	<u>\$131,202</u>

Los Angeles County Transportation Commission
 Capital Projects Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

Exhibit D-2

	<u>1989</u>	<u>1988</u>
Revenues:		
Use of money and property	\$11,262	\$9,195
Charges for construction services	718	0
Miscellaneous	<u>353</u>	<u>240</u>
Total revenues	<u>12,333</u>	<u>9,435</u>
Expenditures:		
Capital outlay:		
Rail development	<u>290,564</u>	<u>212,650</u>
Total expenditures	<u>290,564</u>	<u>212,650</u>
Deficiency of revenues under expenditures	<u>(278,231)</u>	<u>(203,215)</u>
Other financing sources:		
Operating transfers in:		
Debt service fund	195,859	132,061
Proposition A fund	49,681	47,249
State Transit Assistance fund	<u>1,790</u>	<u>14,851</u>
Total other financing sources	<u>247,330</u>	<u>194,161</u>
Deficiency of revenues and other financing sources under expenditures	<u>(30,901)</u>	<u>(9,054)</u>
Fund balances, July 1	<u>93,156</u>	<u>102,210</u>
Fund balances, June 30	<u>\$62,255</u>	<u>\$93,156</u>

Los Angeles County Transportation Commission
 Capital Project Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual
 For the fiscal years ended June 30, 1989 and 1988
 (Amounts expressed in thousands)

	1989		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Use of money and property	\$10,540	\$11,262	\$722
Charges for construction services	0	718	718
Miscellaneous	<u>391</u>	<u>353</u>	<u>(38)</u>
Total revenues	<u>10,931</u>	<u>12,333</u>	<u>1,402</u>
Expenditures:			
Capital Outlay:			
Rail development	<u>412,958</u>	<u>290,564</u>	<u>122,394</u>
Total expenditures	<u>412,958</u>	<u>290,564</u>	<u>122,394</u>
Deficiency of revenues over expenditures	(402,027)	(278,231)	123,796
Other financing sources			
Operating transfers in:			
Debt service fund	195,859	195,859	0
Proposition A fund	111,123	49,681	(61,442)
State Transit Assistance fund	<u>1,925</u>	<u>1,790</u>	<u>(135)</u>
Total other financing sources	<u>308,907</u>	<u>247,330</u>	<u>(61,577)</u>
Deficiency of revenues and other financing sources under expenditures	(93,120)	(30,901)	62,219
Fund balances, July 1	<u>93,156</u>	<u>93,156</u>	<u>0</u>
Fund balances, June 30	<u>\$36</u>	<u>\$62,255</u>	<u>\$62,219</u>

Exhibit D-3

<u>1988</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$9,195	\$9,195
0	0	0
<u>0</u>	<u>240</u>	<u>240</u>
<u>0</u>	<u>9,435</u>	<u>9,435</u>
<u>306,344</u>	<u>212,650</u>	<u>93,964</u>
<u>306,344</u>	<u>212,650</u>	<u>93,964</u>
(306,344)	(203,215)	103,129
132,061	132,061	0
84,395	47,249	(37,146)
<u>14,851</u>	<u>14,851</u>	<u>0</u>
<u>231,307</u>	<u>194,161</u>	<u>(37,146)</u>
(75,037)	(9,054)	65,983
<u>102,210</u>	<u>102,210</u>	<u>0</u>
<u>\$27,173</u>	<u>\$93,156</u>	<u>\$65,983</u>

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AGENCY FUND

Agency fund is used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Deferred Compensation Fund - This fund is used to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 457.

Los Angeles County Transportation Commission
Deferred Compensation Agency Fund
Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 1989
(Amounts expressed in thousands)

Exhibit E-1

	<u>Balance</u> <u>July 1, 1988</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1989</u>
Assets				
Investments	<u>\$0</u>	<u>\$518</u>	<u>\$0</u>	<u>\$518</u>
Liabilities				
Deferred compensation benefits payable	<u>\$0</u>	<u>\$518</u>	<u>\$0</u>	<u>\$518</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

Exhibit F-1

Los Angeles County Transportation Commission
 Comparative Schedules of General Fixed Assets by Source
 June 30, 1989 and 1988
 (Amounts expressed in thousands)

	<u>1989</u>	<u>1988</u>
General fixed assets:		
Land	\$56,998	\$51,733
Leasehold improvements	223	143
Equipment and fixtures	19,670	13,409
Construction in progress	<u>530,431</u>	<u>310,022</u>
Total general fixed assets	<u>\$607,322</u>	<u>\$375,307</u>
Investment in general fixed assets by source:		
General fund	\$2,544	\$2,073
Special revenue funds	0	15,820
Capital projects fund	<u>604,778</u>	<u>357,414</u>
Total investment in general fixed assets	<u>\$607,322</u>	<u>\$375,307</u>

Los Angeles County Transportation Commission
 Schedule of General Fixed Assets - By Function and Activity
 June 30, 1989
 (Amounts expressed in thousands)

Exhibit F-2

<u>Function and Activity</u>	<u>Land</u>	<u>Leasehold Improvements</u>	<u>Equipment and Fixtures</u>	<u>Construction In Progress</u>	<u>Total</u>
Administration	<u>\$56,998</u>	<u>\$223</u>	<u>\$19,670</u>	<u>\$0</u>	<u>\$76,891</u>
Construction in progress:					
Construction	0	0	0	342,773	342,773
Professional services	0	0	0	168,821	168,821
Administration	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,837</u>	<u>18,837</u>
Total construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>530,431</u>	<u>530,431</u>
Total general fixed assets	<u>\$56,998</u>	<u>\$223</u>	<u>\$19,670</u>	<u>\$530,431</u>	<u>\$607,322</u>

Los Angeles County Transportation Commission
 Schedule of Changes in General Fixed Assets - By Function and Activity
 For the fiscal year ended June 30, 1989
 (Amounts expressed in thousands)

Function and Activity	General Fixed Assets July 1, 1988	Additions	Deletions	General Fixed Assets June 30, 1989
Administration	<u>\$65,285</u>	<u>\$11,606</u>	<u>\$0</u>	<u>\$76,891</u>
Construction in progress:				
Construction	175,798	211,346	44,370	342,773
Professional services	121,177	47,845	201	168,821
Administration	<u>13,048</u>	<u>5,789</u>	<u>0</u>	<u>18,837</u>
Total construction in progress	<u>310,023</u>	<u>264,980</u>	<u>44,571</u>	<u>530,431</u>
Total general fixed assets	<u>\$375,308</u>	<u>\$276,586</u>	<u>\$44,571</u>	<u>\$607,322</u>

STATISTICAL SECTION

Los Angeles County Transportation Commission
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 1

<u>Fiscal Year</u>	<u>Administration</u>	<u>Transportation Subsidy</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1979-80	\$1,274	\$0	\$0	\$0	\$1,274
1980-81	1,490	0	0	0	1,490
1981-82	1,488	0	0	0	1,488
1982-83	4,455	177,884 (2)	0	0	182,339
1983-84	6,612	232,293	0	0	238,905
1984-85	7,423	263,146	7,168	0	277,737
1985-86	5,972	196,506	65,219	0	267,697
1986-87	6,819	183,188	73,500	37,280	300,787
1987-88	6,918	231,896	212,650	311,854	763,318
1988-89	10,695	243,320	290,986	56,921	601,922

Source: Annual combined audited financial statements.

Notes:

- (1) Includes all governmental fund types.
- (2) Voter-approved one-half cent sales tax started in fiscal year 1982-83.

Los Angeles County Transportation Commission
 General Governmental Revenues by Source (1)
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 2

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Licenses</u>	<u>Inter-Governmental</u>	<u>Use of Money and Property</u>	<u>Miscellaneous</u>	<u>Total</u>
1979-80	\$0	\$0	\$1,177	\$114	\$0	\$1,291
1980-81	0	0	1,186	107	0	1,293
1981-82	0	0	1,299	152	0	1,451
1982-83	195,128 (2)	0	3,356	1,006	0	199,490
1983-84	251,233	0	32,750	8,324	146	292,453
1984-85	293,716	0	30,760	11,955	24	336,455
1985-86	305,371	0	29,692	14,819	38	349,920
1986-87	317,324	0	9,365	35,377	176	362,242
1987-88	348,726	0	17,826	82,087	242	448,881
1988-89	372,021	4,852	10,100	80,865	1,573 (3)	469,411

Source: Annual combined audited financial statements.

Notes:

- (1) Includes all governmental fund types.
- (2) Voter-approved one-half cent sales tax started in fiscal year 1982-83.
- (3) Includes \$718,000 charges for construction services.

Los Angeles County Transportation Commission
 Demographic Statistics
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 3

Fiscal Year	Population County of Los Angeles (1)	Population State of California (1)	Population United States (1)	Taxable Sales County of Los Angeles (2)	Unemployment Rate % (3)
1979-80	7,478	23,669	226,505	\$45,661,155	6.6%
1980-81	7,552	24,013	229,307	49,109,330	6.9
1981-82	7,699	24,423	230,508	48,018,486	9.3
1982-83	7,764	24,959	233,267	50,782,822	9.7
1983-84	7,867	25,415	235,226	57,473,587	7.9
1984-85	7,953	25,858	237,318	61,656,383	7.0
1985-86	8,155	26,637	240,778	62,378,720	6.7
1986-87	8,404	27,292	241,077	66,078,267	5.9
1987-88	8,556	28,019	245,231	70,185,491	4.9
1988-89	8,650	28,662	247,635	75,136,462 (4)	(5)

Sources:

- (1) California Department of Finance.
- (2) State Board of Equalization.
- (3) State Department of Employment Development for the County of Los Angeles.
- (4) Estimated (7% over previous year).
- (5) Not available.

Los Angeles County Transportation Commission
 Population of the County of Los Angeles by City
 Estimated as of January 31, 1989

Table 3A

Incorporated Cities:

Agoura Hills	19,410	Los Angeles	3,400,485
Alhambra	74,888	Lynwood	53,714
Arcadia	49,112	Manhattan Beach	35,142
Artesia	14,970	Maywood	24,634
Avalon	2,486	Monrovia	34,002
Azusa	38,227	Montebello	58,233
Baldwin Park	63,279	Monterey Park	64,645
Bell	28,271	Norwalk	90,775
Bellflower	60,900	Palmdale	45,859
Bell Gardens	38,319	Palos Verdes Estates	15,009
Beverly Hills	34,304	Paramount	44,466
Bradbury	930	Pasadena	132,171
Burbank	93,837	Pico Rivera	57,292
Carson	88,783	Pomona	119,934
Cerritos	58,372	Rancho Palos Verdes	45,984
Claremont	36,530	Redondo Beach	64,720
Commerce	11,706	Rolling Hills	2,092
Compton	93,007	Rolling Hills Estate	7,865
Covina	43,249	Rosemead	47,707
Cudahy	20,685	San Dimas	32,520
Culver City	40,960	San Fernando	20,720
Downey	86,839	San Gabriel	34,925
Duarte	21,326	San Marino	13,817
El Monte	95,420	Santa Clarita	115,722
El Segundo	15,768	Santa Fe Springs	16,415
Gardena	50,876	Santa Monica	96,461
Glendale	166,093	Sierra Madre	11,230
Glendora	47,404	Signal Hill	8,150
Hawaiian Gardens	12,361	South El Monte	18,683
Hawthorne	67,359	South Gate	79,208
Hermosa Beach	19,764	South Pasadena	24,488
Hidden Hills	1,950	Temple City	31,925
Huntington Park	51,217	Torrance	142,153
Industry	371	Vernon	81
Inglewood	102,252	Walnut	26,424
Irwindale	1,228	West Covina	94,229
La Canada-Flintridge	20,809	West Hollywood	38,381
La Habra Heights	5,452	Westlake Village	8,035
Lakewood	76,512	Whittier	74,147
La Mirada	42,595		
Lancaster	82,182		
La Puente	33,564	Total incorporated	7,643,894
La Verne	30,484		
Lawndale	27,287	Unincorporated	<u>1,006,443</u>
Lomita	20,294		
Long Beach	419,819	Total Population	<u>8,650,337</u>

Source: California Department of Finance

Table 4

Los Angeles County Transportation Commission
Miscellaneous Statistics
June 30, 1989

Date Organized:	1977
Form of Government:	County Transportation Commission Created by Transportation Commission Act
Number of Employees:	137.5
Area of County:	4083.21 square miles
Fiscal Year:	July 1 - June 30
Geographical Location:	The County of Los Angeles is located in the southern portion of California and is bordered on the east by Orange and San Bernadino Counties, on the north by Kern County, on the west by Ventura County and on the south by the Pacific Ocean.
Altitude:	9 feet below sea level at Wilmington to 10,080 feet above sea level at Mt. San Antonio.

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