

Comprehensive Annual Financial Report

For the Fiscal

Year Ended

June 30, 1997

Los Angeles

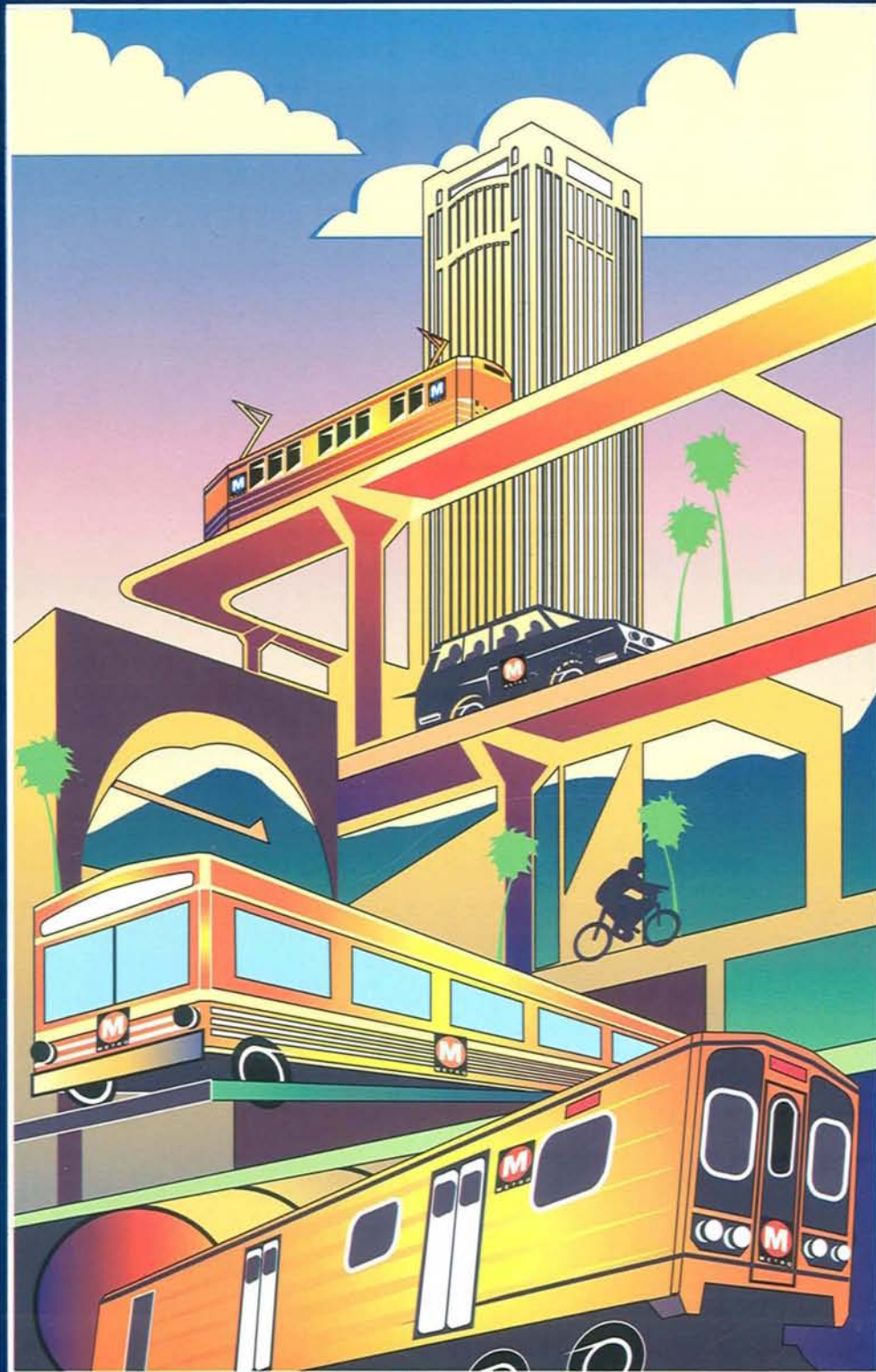
County

Metropolitan

Transportation

Authority

Los Angeles, CA





Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1997

Prepared by:
FINANCE

William B. Henderson, Controller
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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 1997

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December 19, 1997

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The Board of Directors
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Los Angeles, California

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (MTA) for the fiscal year ended June 30, 1997, is submitted herewith. Responsibility for both the accuracy of the data, completeness and fairness of the presentation, including all disclosures, rests with the MTA. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and result of operations of the various funds and account groups of the MTA. All material disclosures necessary to enable the reader to gain an understanding of the MTA's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the organizational chart and a list of principal officials. The financial section includes the auditor's report on the financial statements and schedules, the general purpose financial statements and related footnotes, and the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The MTA is required to undergo an annual single audit in conformity with the provisions of the single audit act of 1984 and U.S. Office of Management and Budget Circular A-133. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's report on the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, are set forth in a separate single audit report.

The Reporting Entity

The Los Angeles County Metropolitan Transportation Authority (MTA) was established on April 1, 1993 under the terms of State Assembly Bill 152, the former Southern California Rapid Transit District (SCRTD) and the former Los Angeles County Transportation Commission (Commission) were merged to form the MTA. The MTA is the nation's second largest provider of public transportation. The MTA is the principal transportation agency in Los Angeles County and is unique as a transportation agency with broad responsibilities in the areas of planning and programming, operations, and construction.

The MTA is responsible for planning and programming, operating, and constructing all aspects of ground transportation in Los Angeles County including (1) highway construction and traffic flow management; (2) public parking facilities; (3) rail construction; (4) bus, rail and ferry services; (5) alternative modes of transportation; (6) research and development of alternative energy sources for transit vehicles; and (7) air quality, environmental impact, land use and economic development decisions.

The MTA operates one of the largest bus systems in the United States providing service to over 1.2 million bus passengers daily with over 71.4 million annual vehicle service miles. The fleet is wheelchair-accessible and 20% of the fleet uses alternative fuels.

The MTA's Metro Rail system serves an estimated 100,000 rail passengers daily. The system currently consists of the following three lines:

- Metro Blue Line - 22-mile light rail system connecting Long Beach to Los Angeles.
- Metro Red Line - the 5.2-mile heavy rail system running through downtown Los Angeles from the Gateway Transit Center/Union Station to Wilshire Boulevard at Western Avenue.
- Metro Green Line - 20-mile light rail system linking Norwalk, the Metro Blue Line, El Segundo and Redondo Beach.

The MTA also funds various commuter/motorist assistance programs. One such program is the Freeway Service Patrol that provides free motorist assistance through a fleet of 144 tow trucks which patrol LA County freeways to alleviate congestion by assisting stalled vehicles. Another program is the Metro Call Box program servicing 4,000 call boxes along more than 500 miles of freeways and state highways.

Highway programs are a key element of MTA services. These programs include the development of High Occupancy Vehicle (HOV) lanes for carpools, buses and vanpools, and Smart Streets; computerized systems for monitoring traffic flow and providing information to adjust signals to maximize vehicle speeds.

The MTA provides countywide coordinated services for persons with disabilities through Access Services Incorporated. The MTA also supports an extensive system of bike lanes throughout the Los Angeles County service area, and park-and-ride centers strategically placed throughout the county for access to rail and bus service.

In 1995, the MTA opened the Gateway Transit Center at historic Union Station. The Gateway Transit Center continues the transformation of downtown Los Angeles into Southern California's commercial and transportation hub. The center connects Los Angeles County through regional and local bus service, and links Los Angeles to neighboring counties by providing easy connections for commuters using Metro Rail, Amtrak, Metrolink, the El Monte Busway, as well as vanpools, carpools and taxis. The Center also offers park-and-ride options for auto users. In addition to the federally funded transit center, the project also includes a new 27-floor high rise that serves as the MTA's headquarters. The building houses 1,800 MTA employees who were previously located at 13 other sites.

Major Initiatives and Achievements - Construction

The MTA completed the extension of the Metro Red Line into the Wilshire District in July 1996. The line provided service from Union Station/Gateway Transit Center to Wilshire Boulevard at Western Avenue. The opening of the extension capped five years of construction and brought to 44 the number of passenger rail stations within a network of approximately 48 connected miles of MTA's operated track.

In August 1995, the Metro Green Line officially began carrying passengers. The line is a 20-mile east-west route, that runs largely down the median of the I-105 Century Freeway. It connects Norwalk and Redondo Beach giving area residents a new transportation choice. The Metro Green Line is the third rail line to begin operation since 1990.

Commuting from south Los Angeles became easier with the opening of the Freeway Passenger Platform at the bottom level of the Metro Green Line Harbor/I-105 Station. The opening of the Freeway Passenger Platform is significant because it provides transit riders with direct connections to the Metro Green Line and various local and express buses operating between the South Bay and downtown Los Angeles. The project was completed with federal funding through a partnership between Caltrans and the MTA.

Construction in progress

Metro Red Line

- Continue tunneling and construction work on the North Hollywood extension of the Metro Red Line Segment 3 Project. This 6.4 mile project has three stations and begins just west of the Hollywood/Vine Station, and continues west under Hollywood Boulevard to the Hollywood/Highland Station and north under the Santa Monica mountains to its terminus in North Hollywood.

Metro Blue Line to Pasadena

- Construction of the 13.7 mile Pasadena light rail line commenced in April 1994. This line runs from Union Station in Downtown Los Angeles northeast to Sierra Madre Villa Avenue in Pasadena.

Major Initiative - Operations

The MTA's bus system serves over 1 million passengers daily. The operations units has a strategic plan and has developed the following goals and objectives to make the bus system better, safer, faster and more affordable, the MTA adopted a bus system improvement plan with 30 proposed projects/programs. The plan is designed to improve service to the transit dependent and expand mobility options throughout the county. The key elements of the plan includes the development of a detailed market research and public outreach program, redistributing service, and identifying new fare technology and methods of payment. The MTA also approved an annual program to improve service on overcrowded lines for the transit dependent as part of the bus system improvement plan. Four goals of the plan are:

- **Reduce Overcrowding:** By adding more buses, the MTA's load standards are higher than other local service providers. Goals have been set to reduce overcrowding by adding additional buses to it's fleet.
- **Improve Reliability:** Adherence to schedules and customer satisfaction.
- **Improve Fleet Cleanliness:** Reduce graffiti and discourage tagging.
- **Improve Operating Efficiency:** Do more with diminishing resources and increasing expectations.

Operation Scheduled Replacements

- The FY98 capital bus replacement program provides the funds for delivery of approximately 200 new CNG buses. In addition the MTA approved the purchase of 223 new buses that are scheduled for delivery in early 1999.
- The multi-year transit radio system program is for an integrated bus radio communication system and equipment. Over 750 buses are being outfitted with this communication equipment .
- The anti-graffiti bus interior cleaning program continues with the replacement of etched windows, replacement of soiled seats, and the purchase of equipment and modifications to bus cleaning shops at two divisions.
- The MTA's capital program also includes the tire lead and replacement program, the purchase of gearbox and other rail equipment, computer and diagnostic equipment, printing and cash counting equipment, replacement of support vehicles, information technology upgrades, upgrading the communications system and continued participation in a public/private joint venture between Northrop and the MTA for continued testing of the Advanced Technology Transit Bus (ATTB).

Industry Trends and Practices

The MTA is considered a leader in the industry in testing new technology and exploring new innovations in the world of public transportation. This year alone, the MTA proved to be on the cutting edge in several different areas.

After four years of research and development, the MTA in cooperation with Northrop Grumman Corporation and the Federal Transit Administration, unveiled the first prototype of the Advanced Technology Transit Bus (ATTB). Using advanced technologies developed in the aerospace industries, the ATTB is expected to be more reliable, fuel-efficient and produce lower emissions than a conventional CNG-powered bus. Ultimately, the ATTB is expected to provide longer service to the MTA and other transit operators around the country.

Considered by transportation officials nationwide as a significant step in achieving a new transportation vision for the 21st century, The Bike station, a full-service bicycle storage and rental facility began operation in Long Beach. The Bike station is adjacent to the Metro Blue Line and the downtown transit mall and is intended to encourage bicycle usage and transit ridership. The MTA, Federal Government, and City of Long Beach have subsidized The Bike station concept which is modeled after many successful examples operating today in Holland and Japan. The Long Beach station is the first of its kind in the United States.

The MTA recently celebrated the opening of the nation's first "Smart Transportation Corridor." This integration of communication resources using new and existing computer systems, video cameras and roadway sensors is a cooperative effort of Caltrans, California Highway Patrol (CHP) and the Los Angeles Department of Transportation (LADOT). Millions of motorists who travel along the Santa Monica Corridor every week will now get up-to-the-second information that should increase the average speed on the Santa Monica Freeway by 15 percent.

The opening of the Metro Blue Line TeleVillage successfully fulfilled one of the MTA's responsibilities of developing innovative telecommunications-based transportation projects. The TeleVillage has been hailed as the first of its kind facility that combines rail and bus public transit with telecommunications and information technologies. This community-based computing, teleconferencing, information and service center located at the Martin Luther King, Jr. Transit Center adjacent to the Metro Blue Line Compton Station. It is a public transit access point not only to the Internet but also to electronic transactions and commerce activities.

Long Range Plan

The Long Range Plan vision is to develop a multimodal system that better serves the needs of transit dependent riders, while also providing a network that will attract solo drivers out of their cars, primarily through faster transit speeds, improved quality of service and more commute choices.

Some of the major elements of the Long Range Plan include:

- maintaining existing revenue sources and aggressively pursuing new transportation revenues for Los Angeles County;
- improving bus transit service by targeting highly transit dependent areas with better, more frequent service; creating financial allowances, through the Mobility Allowance program, funding flexible transit options such as smart shuttles, vans, community based transit and various other alternatives; adding 300 buses to the total countywide peak bus fleet to improve service quality in high demand areas and, as additional rail lines open, eliminate duplicate bus routes and thereby reallocating buses for other needed service;
- continuing to develop Los Angeles County's rail network by building the Metro Blue Line to Pasadena, building a rail line in the San Fernando Valley and completing the eastern and western extensions of the Metro Red Line;
- improving highway transit speeds and service by constructing 279 miles of HOV lanes and gap closures on freeways and major streets, adding 130 miles of arterial bus lanes on surface streets and increasing traffic signal synchronization efforts throughout the county;
- using existing rights-of-way by enhancing commuter rail and bus service such as Glendale/Burbank, and the Metro Blue Line extension to Pasadena;
- participating as a financial partner in the Alameda Corridor Project to help ensure the economic success of the region by facilitating the efficient movement of goods;
- promoting changes in behaviors of the commuting public by exploring and advancing policies that discourage single occupancy vehicle travel and encourage greater reliance on public transportation, ridesharing and innovative alternatives such as telecommuting; and
- implementing cost savings measures to increase the cost efficient delivery of both transit services and capital projects.

The proposed plan represents an investment in Los Angeles County's transportation future that will be funded with a variety of local, state and federal revenues. The plan anticipated the majority of funding as coming from local sources. The delivery of all projects and programs in the Long Range Plan is dependent upon the availability of local, state and federal revenues at the levels projected. Major changes in state or federal policy or unanticipated shifts in the economy will impact the implementation of the plan.

Revenue Trends Economic Condition and Outlook

In determining the MTA's financial capacity to fund future transportation programs and projects, the agency makes projections on what will be available based on past funding levels, inflation, growth in sales tax, revenue from service and an assessment of state and federal funding possibilities. The MTA bases its future funding assumptions on economic projections used by various governmental and other agencies such as the annual UCLA Business Forecasting Project.

According to the UCLA Business Forecasting Project, Los Angeles County remains on track in its recovery with a steady rebound to pre-recession levels. Retail sales data released by the U.S. Department of Commerce indicates steady growth of approximately 4% from one year ago, while consumer confidence is at its highest point in six years. Unemployment has been inching its way down since reaching its 1996 peak of 8.5% in April. This general economic recovery in Southern California during the past two fiscal years is evident in higher Proposition A and Proposition C Sales Tax revenue. Modest sales tax increases are forecast for fiscal years 1998 and 1999. Proposition A and C sales tax revenue, the MTA's largest funding sources to date, are shown below (in thousands).

<u>Fiscal Year</u>	<u>Combined Prop A & C</u>
1991-92	\$720,348
1992-93	\$739,724
1993-94	\$715,117
1994-95	\$768,168
1995-96	\$811,472
1996-97	\$822,753

Since the adoption of the MTA Long Range Plan, some strategic revenue assumptions have not been achieved, such as Federal Section 3 New Starts and implementation of certain fare increases. The combination of these factors has adversely affected the MTA's long-term revenue outlook. The future economic outlook for the MTA is dependent on a number of factors. Future rail construction project such as the extension of the Metro Rail project to the eastside, mid cities and the valley extension is dependent on continued federal, state and local funding. The continued funding support from federal and state agencies is needed to enable the MTA to complete these projects along with improving bus services and adding additional buses to accommodate bus riders.

The MTA's revenue outlook was also affected by a Consent Decree filed in October 1996 between the MTA and class action plaintiffs represented by the NAACP Legal Defense and Education Fund, Inc. The Consent Decree calls for additional bus service, a commitment by the MTA to devote additional resources for security on the bus system, a continuation of the sale of the monthly bus pass and a rollback in price of passes from \$49 to \$42 for three years, off-peak discount fares to be established on selected bus lines and a two-year commitment by the MTA to maintain the current cash fare of \$1.35 and the cost of tokens at 90 cents. Funding to pay for these service improvements will be identified as the MTA updates its Long Range Plan.

Street and Highway Projects

In addition to bus and rail projects, the MTA has made commitments to improve highways.

The MTA commitments to improving and managing street and highway traffic includes funding the following project that are underway:

- **Tow Truck Service:** Tow trucks patrol, dispatched to the most congested corridors to rapidly relieve traffic tie-ups on freeways.
- **Call-Box System:** Upgrading and expanding on freeway emergency call-box system.
- **Connected Car Pool Lanes:** Designed to encourage ridesharing by allowing commuters to travel from freeway to freeway without leaving the car pool lane.
- **HOV Lanes:** Greatly expanding the HOV system, most of the new HOV freeway projects in Los Angeles County are funded by the MTA.
- **Park-and-Ride Lots:** Convenient and safe lots strategically placed to facilitate using public transportation systems such as rail and bus.
- **Bikeways:** Seeking ways to expand and improve the Counties' 500-mile bikeway system.

All of these projects are funded with MTA and state funds.

Budgeting Controls

The MTA budgetary controls the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budgets approved by the Board of MTA. Activities of the general fund, enterprise fund, debt service fund, capital project funds and certain special revenue funds are included in the annual appropriated budgets. Comprehensive multi-year construction program plans, adopted when rail projects are approved for the final design and construction phase, provide project-length budgetary control in the capital project funds. The portion of costs expected to be incurred on each project during the fiscal year are included in the annual capital project budget.

The MTA also maintains an encumbrance accounting system as another technique of accomplishing budgetary control. Encumbrances do not lapse at year-end. Encumbrances are reappropriated as part of the following year's budget.

Summary of Revenues

The following tabulation summarizes the MTA revenues and other financing sources (all governmental fund types), other than operating transfers, for the year ending June 30, 1997. Also presented is a comparison for such amounts with the prior year (in thousands).

<u>Revenues</u>	<u>FY 97</u>	<u>Percent of Total</u>	<u>FY 96</u>	<u>Increase (Decrease)</u>
Sales Tax	\$1,050,496	69%	\$1,037,892	12,604
Intergovernmental	408,537	26%	679,630	(271,093)
Licenses	6,496	05%	7,192	(696)
Interest	59,954	4%	61,550	(1,596)
Lease & Other	<u>6,622</u>	<u>05%</u>	<u>15,759</u>	<u>(9,137)</u>
Total	<u>\$1,532,105</u>	<u>100%</u>	<u>\$1,802,023</u>	<u>(269,918)</u>

Sales tax revenue increases are due in part to the upturn in the Los Angeles County's economy. Sales tax revenue includes Proposition A and C and TDA and STA sales tax.

Intergovernmental revenue decreases are due in part to decreases in construction expenditures, revenues are on a cost reimbursement basis. In addition certain federal grants related to the MOS-II project have been completely drawn down and the remaining balance of this project requires local funding.

Summary of Expenditures

The amount of expenditures for all governmental fund types of the MTA are compared with the prior year in the following summary (dollars in thousands).

<u>Expenditures</u>	<u>FY 97</u>	<u>Percent of Total</u>	<u>FY 96</u>	<u>Increase (Decrease)</u>
Administration	\$ 96,448	7%	\$ 59,945	36,503
Transportation Subsidy	500,681	34%	506,500	(5,819)
Capital Outlay	677,586	45%	717,865	(40,279)
Debt Service/Other	<u>213,677</u>	<u>14%</u>	<u>223,892</u>	<u>(10,215)</u>
Total	<u>\$1,488,392</u>	<u>100%</u>	<u>\$1,508,202</u>	<u>(19,810)</u>

The increase in administrative costs are due primarily to increases in workers' compensation expenses and increases in post retirement medical benefits, along with increases in legal expenses.

Capital outlay expenses decreased due to delays in construction of the Pasadena Line and other rail lines.

Debt Service and other expenses decreased as refunding bond issues lowered the overall debt service interest expense.

Financial Information

Management of the MTA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the MTA are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Cash Management

The MTA's investment policy affords the MTA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Section 53600, et. seq. The MTA has invested in U. S. Treasury Securities, Commercial Paper, Corporate Notes and Bonds and other secure investments.

Operating funds are maintained in commercial banks where idle cash balances are invested as permitted by State law in certificates of deposit, and money market accounts and other highly liquid investments.

Restricted cash and investments with fiscal agents represent restricted monies held by the Trustee for payment of debt service principal and interest expense, also included are funds set aside for cost overruns on capital projects, and insurance reserves for workers' compensation claims.

Risk Management

The MTA protects itself against the adverse consequences of material and financial losses through a balanced program of risk retention, risk transfers, and the purchase of commercial insurance. Loss exposures retained by the MTA are treated as normal operating expenses including building contents (property), employee theft and dishonesty, crime, fiduciary and public official liabilities. Exposures for which insurance is purchased with various retention or deductible levels include public liability and property damages and specified rail construction risks.

Rail construction projects are protected through the participation in an owner controlled insurance program (OCIP). OCIP coverage includes workers' compensation and employer's liability, bodily injury and property damage liability, builders risk (property), and railroad protective liability.

Independent Audit

The Administrative Code of the MTA requires that an annual audit be made by independent certified public accountants. Coopers & Lybrand, LLP, and its sub-contractors Vargas, Lopez and Company and Hodges & Hammond and Company has been retained to meet this requirement. In addition to this annual audit, the examination of the records is designed to meet the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditors' report on the general purpose financial statements is included in the Financial Section of this report. The reports related specifically to the Single Audit have been issued under separate cover.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Los Angeles County Metropolitan Transportation Authority for its comprehensive annual financial reports for the fiscal years ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

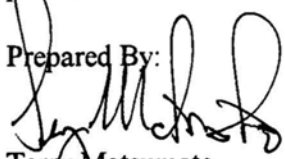
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

The undersigned sincerely appreciates the cooperation and assistance of many individuals who contributed directly or indirectly to the accumulation of the financial data included in this financial report. The leadership and understanding of the MTA's staff and management during the rapid-changing time were of great significance in this endeavor. Most of all, the timely preparation of this report was made possible primarily by the dedicated services of the entire staff of the Finance Section, who are to be commended for their high level of performance.

Prepared By:



Terry Matsumoto
Executive Officer, Finance



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County
Metropolitan Transportation
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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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Los Angeles County
Metropolitan Transportation Authority
Management Organization Chart
as of October 6, 1997
Published by Human Resources Department
(213) 922-7181
MTA Central Telephone (213) 922-6000

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MTA BOARD OF DIRECTORS

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Los Angeles County Metropolitan Transportation Authority

We have audited the accompanying general purpose financial statements of the Los Angeles County Metropolitan Transportation Authority (the "MTA") as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of MTA'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 and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 MTA as of June 30, 1997 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed further in Note 20 to the financial statements, MTA's management has recommended to the Board of Directors that all construction projects, excluding the Hollywood and North Hollywood segments of the Redline, be suspended until the MTA completes an ongoing assessment of the financial capacity to complete and operate new lines. The impact of this decision on the MTA's ability to acquire capital grant funding from the Federal Transit Administration and other sources is not known.

In accordance with Government Auditing Standards, we will also issue a report dated December 8, 1997 on our consideration of MTA's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the MTA, taken as a whole. The combining and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the MTA. 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.

The statistical data on pages 131 through 146 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the MTA. Such additional information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Coopers & Lybrand T. L. P.

Los Angeles, California
December 8, 1997

General Purpose Financial Statements

**Los Angeles County Metropolitan Transportation Authority
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1997
 (Amounts expressed in thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Assets:				
Cash and cash equivalents (Note 3)	\$ 6,375	\$ 420,563	\$ 1,400	\$ 276,204
Investments	-	-	-	26,021
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	614
Intergovernmental	13,806	51,145	-	343,987
Sales Tax	-	48,558	-	-
Notes	1,786	853	-	-
Interest	3	2,687	2,068	3,438
Benefit assessment	-	-	-	-
Leases and other	657	1	1,208	8,100
Advances due from other funds (Note 10)	-	65,962	-	19,556
Inventory	-	-	-	-
Prepaid items and other assets	4,130	-	-	3,164
Restricted assets:				
Cash and cash equivalents (Note 3)	-	-	118,621	28,245
Investments (Note 3)	-	-	279,133	10,259
Fixed assets - net (Note 4)	-	-	-	-
Assets held under deferred compensation plans (Note 11)	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debits	\$ 26,757	\$ 589,769	\$ 402,430	\$ 719,588

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Debt	
\$ 30,637	\$ 105,748	\$ -	\$ -	\$ -	\$ 840,927
-	-	-	-	-	26,021
21,830	-	-	-	-	22,444
34,411	-	-	-	-	443,349
-	-	-	-	-	48,558
-	-	-	-	-	2,639
255	174	5,419	-	-	14,044
-	-	2,348	-	-	2,348
105	334	2,607	-	-	13,012
9,399	230,377	-	-	-	325,294
47,712	-	-	-	-	47,712
3,288	6,155	-	-	-	16,737
14,843	27,906	21,816	-	-	211,431
17,831	53,699	723,164	-	-	1,084,086
3,114,011	154,786	-	3,781,529	-	7,050,326
-	-	126,312	-	-	126,312
-	-	-	-	289,329	289,329
-	-	-	-	3,126,056	3,126,056
\$ <u>3,294,322</u>	\$ <u>579,179</u>	\$ <u>881,666</u>	\$ <u>3,781,529</u>	\$ <u>3,415,385</u>	\$ <u>13,690,625</u>

**Los Angeles County Metropolitan Transportation Authority
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1997
 (Amounts expressed in thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, equity and other credits				
Liabilities:				
Accounts payable	\$ 3,481	\$ 12,748	\$ 435	\$ 34,207
Accrued liabilities	11,259	44,394	961	105,992
Claims and judgement payable	-	-	-	19,580
Advances due to other funds (Note 10)	-	84,218	-	10,699
Accrued interest payable	-	-	74,725	-
Compensated absences payable	-	-	-	-
Bonds and notes payable - current	-	-	36,980	-
Due to other governments	-	-	-	257
Deferred revenues	13,260	-	-	238,048
Other liabilities	8	-	-	5,718
Post-retirement benefits payable (Note 9)	-	-	-	-
Liabilities for retirement income plan	-	-	-	-
Liabilities for deferred compensation plan (Note 11)	-	-	-	-
Bonds and notes payable (Note 5)	-	-	-	-
Insurance reserves (Note 12)	-	-	-	-
Total liabilities	<u>28,008</u>	<u>141,360</u>	<u>113,101</u>	<u>414,501</u>
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings (deficit)	-	-	-	-
Capital grants (contributed capital):				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Fund balances:				
Reserve for memoranda of understanding (Note 14)	-	433,489	-	-
Reserved for encumbrances (Note 14)	-	-	-	1,108,469
Reserved for notes receivable (Note 14)	1,786	853	-	-
Reserve for prepaid and other assets (Note 14)	-	-	-	3,164
Reserved for debt service (Note 14)	-	-	289,329	-
Reserved for employee retirements (Note 14)	-	-	-	-
Unreserved, undesignated	(3,037)	14,067	-	(806,546)
Total equity (deficit) and other credits	<u>(1,251)</u>	<u>448,409</u>	<u>289,329</u>	<u>305,087</u>
Total liabilities, equity and other credits	<u>\$ 26,757</u>	<u>\$ 589,769</u>	<u>\$ 402,430</u>	<u>\$ 719,588</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Debt	
\$ 20,972	\$ 6,942	\$ 24,212	\$ -	\$ -	\$ 102,997
291	35,787	33,655	-	-	232,339
-	-	-	-	19,862	39,442
230,377	-	-	-	-	325,294
2,313	4,788	2,993	-	-	84,819
-	55,999	-	-	-	55,999
9,865	6,900	1,255	-	-	55,000
-	-	-	-	-	257
8,818	-	-	-	-	260,126
-	-	-	-	-	5,726
-	48,001	-	-	-	48,001
-	-	21,063	-	-	21,063
-	-	126,312	-	-	126,312
69,050	140,500	-	-	3,395,523	3,605,073
-	126,687	-	-	-	126,687
<u>341,686</u>	<u>425,604</u>	<u>209,490</u>	<u>-</u>	<u>3,415,385</u>	<u>5,089,135</u>
-	-	-	3,781,529	-	3,781,529
(97,841)	(1,211)	-	-	-	(99,052)
912,140	-	-	-	-	912,140
304,409	-	-	-	-	304,409
1,833,928	154,786	-	-	-	1,988,714
-	-	-	-	-	433,489
-	-	-	-	-	1,108,469
-	-	-	-	-	2,639
-	-	-	-	-	3,164
-	-	-	-	-	289,329
-	-	672,176	-	-	672,176
-	-	-	-	-	(795,516)
<u>2,952,636</u>	<u>153,575</u>	<u>672,176</u>	<u>3,781,529</u>	<u>-</u>	<u>8,601,490</u>
<u>\$ 3,294,322</u>	<u>\$ 579,179</u>	<u>\$ 881,666</u>	<u>\$ 3,781,529</u>	<u>\$ 3,415,385</u>	<u>\$ 13,690,625</u>

Los Angeles County Metropolitan Transportation Authority
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the year ended June 30, 1997
 (Amounts expressed in thousands)

Exhibit 2

	Governmental Funds				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust Funds	
Revenues:						
Sales tax	\$ -	\$ 1,050,496	\$ -	\$ -	\$ -	\$ 1,050,496
Intergovernmental	1,360	50,827	1,559	354,791	-	408,537
Investment income	867	26,788	6,386	25,912	100,033	159,986
Lease and rental	-	-	-	6,551	-	6,551
Licenses and fines	273	6,223	-	-	-	6,496
Other	-	-	-	71	26,356	26,427
Total revenues	2,500	1,134,334	7,945	387,325	126,389	1,532,105
Expenditures:						
Current:						
Administration and other	20,676	7,645	-	68,127	3,709	100,157
Transportation subsidies	33,810	466,871	-	-	-	500,681
Capital Outlay	-	-	-	677,586	-	677,586
Debt service:						
Interest and fiscal charges	-	-	166,552	-	-	166,552
Bond issuance costs	-	-	5,710	-	-	5,710
Bond principal	-	-	40,200	-	-	40,200
Joint development expenditure	-	-	1,215	-	-	1,215
Benefits and contribution refund paid to participants and beneficiaries	-	-	-	-	96,158	96,158
Total expenditures	54,486	474,516	213,677	745,713	99,867	1,588,259
Excess (deficiency) of revenues over expenditures	(51,986)	659,818	(205,732)	(358,388)	26,522	43,713
Other financing Sources (Uses):						
Operating transfers in	44,114	21,899	222,885	62,350	2	351,250
Operating transfers out	(2)	(714,731)	(3,787)	(90,542)	(56)	(809,118)
Proceeds from financing	-	-	-	222,740	-	222,740
Proceeds of refunding bonds	-	-	442,605	-	-	442,605
Payment to refunding bond escrow agent	-	-	(378,147)	-	-	(378,147)
Total other financing sources (uses)	44,112	(692,832)	283,556	194,548	(54)	(170,670)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(7,874)	(33,014)	77,824	(163,840)	26,468	(100,436)
Fund balance - beginning of year	6,623	481,423	211,505	468,927	645,708	1,814,186
Fund (deficit) balance - end of year	\$ (1,251)	\$ 448,409	\$ 289,329	\$ 305,087	\$ 672,176	\$ 1,687,228

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



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

Los Angeles County Metropolitan Transportation Authority

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

All Governmental Fund Types

For the year ended June 30, 1997

(Amounts expressed in thousands)

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales tax	\$ -	\$ -	\$ -	\$ 1,114,292	1,050,496	\$ (63,796)
Intergovernmental	-	1,360	1,360	49,361	44,427	(4,934)
Investment income	-	867	867	14,000	26,673	12,673
Lease and rental	-	-	-	-	-	-
Licenses and fines	-	273	273	6,600	6,223	(377)
Other	1,050	-	(1,050)	3,800	-	(3,800)
Total revenues	1,050	2,500	1,450	1,188,053	1,127,819	(60,234)
Expenditures:						
Current:						
Administration and other	36,861	20,676	16,185	-	7,645	(7,645)
Transportation subsidies	99,812	33,810	66,002	613,148	465,453	147,695
Capital Outlay	-	-	-	-	-	-
Debt service:						
Interest and fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Bond principal	-	-	-	-	-	-
Joint development expenditure	-	-	-	-	-	-
Total expenditures	136,673	54,486	82,187	613,148	473,098	140,050
Excess (deficiency) of revenues over expenditures	(135,623)	(51,986)	83,637	574,905	654,721	79,816
Other financing Sources (Uses):						
Operating transfers in	128,785	44,114	(84,671)	-	21,899	21,899
Operating transfers out	-	(2)	(2)	(732,166)	(714,731)	17,435
Proceeds from financing	7,322	-	(7,322)	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	136,107	44,112	(91,995)	(732,166)	(692,832)	39,334
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	484	(7,874)	(8,358)	(157,261)	(38,111)	119,150
Fund balance - beginning of year	6,623	6,623	-	482,749	482,749	-
Fund (deficit) balance - end of year	\$ 7,107	\$ (1,251)	\$ (8,358)	\$ 325,488	\$ 444,638	\$ 119,150

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

Debt Service Fund			Capital Project Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,559	1,559	431,834	354,791	(77,043)
-	6,386	6,386	-	25,912	25,912
-	-	-	8,100	6,551	(1,549)
-	-	-	-	-	-
15,552	-	(15,552)	120	71	(49)
<u>15,552</u>	<u>7,945</u>	<u>(7,607)</u>	<u>440,054</u>	<u>387,325</u>	<u>(52,729)</u>
-	-	-	4,752	68,127	(63,375)
-	-	-	-	-	-
-	-	-	1,130,440	677,586	452,854
185,000	166,552	18,448	-	-	-
22,000	5,710	16,290	-	-	-
45,756	40,200	5,556	-	-	-
-	1,215	(1,215)	-	-	-
<u>252,756</u>	<u>213,677</u>	<u>39,079</u>	<u>1,135,192</u>	<u>745,713</u>	<u>389,479</u>
(237,204)	(205,732)	31,472	(695,138)	(358,388)	336,750
182,252	222,885	40,633	176,964	62,350	(114,614)
(10,236)	(3,787)	6,449	(14,957)	(90,542)	(75,585)
40,487	-	(40,487)	346,867	222,740	(124,127)
-	442,605	442,605	-	-	-
-	(378,147)	(378,147)	-	-	-
<u>212,503</u>	<u>283,556</u>	<u>71,053</u>	<u>508,874</u>	<u>194,548</u>	<u>(314,326)</u>
(24,701)	77,824	102,525	(186,264)	(163,840)	22,424
211,505	211,505	-	468,927	468,927	-
<u>\$ 186,804</u>	<u>\$ 289,329</u>	<u>\$ 102,525</u>	<u>\$ 282,663</u>	<u>\$ 305,087</u>	<u>\$ 22,424</u>

Los Angeles County Metropolitan Transportation Authority
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 All Proprietary Fund Types and Pension Trust Funds
 For the year ended June 30, 1997
 (Amounts expressed in thousands)

Exhibit 4

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum only)
	Enterprise	Internal Service	Pension Trusts	
Operating revenues:				
Passenger fares	\$ 214,519	\$ -	\$ -	\$ 214,519
Route subsidies	761	-	-	761
Investment income	-	-	100,033	100,033
Auxiliary transportation	5,207	-	-	5,207
Charges for services	-	331,055	-	331,055
Employer contributions	-	-	15,028	15,028
Employee contributions	-	-	11,328	11,328
Total operating revenues	220,487	331,055	126,389	677,931
Operating Expenses:				
Transportation	400,982	-	-	400,982
Vehicle maintenance	132,206	-	-	132,206
Non-vehicle maintenance	35,415	-	-	35,415
General and administrative	146,457	57,864	3,709	208,030
Depreciation	159,100	5,423	-	164,523
Salaries and wages	-	37,379	-	37,379
Fringe benefits	-	241,307	-	241,307
Benefits and contribution refunds paid to participants and beneficiaries	-	-	96,158	96,158
Total operating expenses	874,160	341,973	99,867	1,316,000
Operating income (loss)	(653,673)	(10,918)	26,522	(638,069)
Nonoperating revenues / (expenses):				
Local operating grants	4,895	-	-	4,895
Federal operating grants	28,476	-	-	28,476
Investment income	3,686	2,970	-	6,656
Interest expense	(5,318)	(9,858)	-	(15,176)
Loss on disposition of fixed assets	(260)	-	-	(260)
Other	2,676	652	-	3,328
Total nonoperating revenues	34,155	(6,236)	-	27,919
Income (loss) before operating transfers in(out)	(619,518)	(17,154)	26,522	(610,150)
Operating transfers in	457,868	9,858	-	467,726
Operating transfers out	(9,858)	-	-	(9,858)
Net Income (Loss) for the Year	(171,508)	(7,296)	26,522	(152,282)
Add back depreciation on assets acquired with capital grants	159,024	5,423	-	164,447
Increase (decrease) In Retained Earnings	(12,484)	(1,873)	26,522	12,165
Retained earnings (deficit) - Beginning of year	(85,357)	662	645,654	560,959
Retained earnings (deficit) - End of year	\$ (97,841)	\$ (1,211)	\$ 672,176	\$ 573,124

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

Los Angeles County Metropolitan Transportation Authority
 Combined Statement of Cash Flows - All Proprietary Fund Types
 For the year ended June 30, 1997
 (Amount expressed in thousands)

Exhibit 5

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Cash flow from operating activities:			
Operating loss	\$ (653,673)	\$ (10,918)	\$ (664,591)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Depreciation	159,100	5,423	164,523
Net effect of changes in:			
Accounts receivables	(2,729)	-	(2,729)
Leases and other receivables	4,114	411	4,525
Advances to other funds	72,062	50,999	123,061
Prepaid and other assets	823	(2,047)	(1,224)
Inventory	(1,676)	-	(1,676)
Accounts payable	(1,021)	(3,040)	(4,061)
Accrued liabilities	(1,345)	10,769	9,424
Compensated absences payable	-	1,064	1,064
Post retirement benefits payable	-	12,805	12,805
Advances from other funds	(63,210)	-	(63,210)
Insurance reserves	-	(4,053)	(4,053)
Deferred revenues	1,358	-	1,358
Other liabilities	-	(69)	(69)
Net cash used in operating activities	<u>(486,197)</u>	<u>61,344</u>	<u>(424,853)</u>
Cash flow from non-capital financing activities:			
Proceeds from operating grants	35,241	-	35,241
Operating transfers in from other funds	457,868	9,858	467,726
Operating transfers out to other funds	(9,858)	-	(9,858)
Repayment of matured Revenue Anticipation Notes	(30,000)	-	(30,000)
Interest paid on Revenue Anticipation Notes	(1,091)	-	(1,091)
Interest received on Revenue Anticipation Notes	1,040	-	1,040
Net cash provided by non-capital financing activities	<u>453,200</u>	<u>9,858</u>	<u>463,058</u>
Cash flow from capital and related financing activities:			
Proceeds from capital grants received	10,463	-	10,463
Proceeds from sale and leaseback of capital assets	38,464	-	38,464
Proceeds from sale/retirement of fixed assets	151	-	151
Defeasance of capital lease obligation	(33,247)	-	(33,247)
Payment of matured bonds and notes payable	(13,185)	(6,500)	(19,685)
Interest paid on bonds and notes payable	(4,931)	(9,752)	(14,683)
Net cash used in capital and related financing activities	<u>(2,285)</u>	<u>(16,252)</u>	<u>(18,537)</u>
Cash flow from investing activities:			
Proceeds from sales and maturity of investments	55,732	31,831	87,563
Purchase of investments	(10,898)	(73,940)	(84,838)
Interest received on investments	3,338	3,294	6,632
Net cash provided by investing activities	<u>48,172</u>	<u>(38,815)</u>	<u>9,357</u>
Net increase in cash and cash equivalents	12,890	16,135	29,025
Cash and cash equivalents, beginning of year	<u>32,590</u>	<u>117,519</u>	<u>150,109</u>
Cash and cash equivalents, end of year	<u>\$ 45,480</u>	<u>\$ 133,654</u>	<u>\$ 179,134</u>
Supplemental schedule of noncash investing and financing transactions:			
Transfer of fixed assets from General Fixed Assets Account Group	<u>\$ 104,208</u>	<u>\$ 14,670</u>	<u>\$ 118,878</u>

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



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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements

June 30, 1997

(1) Organization

General

The Los Angeles County (County) Metropolitan Transportation Authority (MTA) was created as a result of the merger of the former Los Angeles County Transportation Commission (Commission) and the former Southern California Rapid Transit District (District). The MTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness (bonded or otherwise), immunities and exemptions of the Commission and the District.

The MTA is governed by a 14-member Board of Directors (Board). The Board is composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, two public members and one member of the City Council of the City of Los Angeles, four members who are either a mayor or a member of a city council and have been appointed by the Los Angeles County City Selection Committee and a non-voting member appointed by the Governor of the State of California. The MTA Board members are permitted to appoint alternate members who can represent a regular member only if the regular member cannot attend an MTA meeting. Some alternate members, however, have only limited power to vote at such meetings.

Reporting Entity

Management has prepared the financial statements of the MTA and its component units. The component units discussed below are included as part of the reporting entity because of the significance of their operational or financial relationships with MTA.

The MTA administers four Defined Benefit Pension Plans - the Benefit Assessment Districts (BAD's), the Los Angeles County Transportation Land Preservation Corporation, and the LACMTA Leasing Authority. These activities are included in the accompanying financial statements as blended component units, and reported in the Proprietary and the Fiduciary Fund Type. Additional detailed financial information for each of these entities can be obtained from the MTA Treasury Department, One Gateway Plaza, Los Angeles, CA 90012-2932.

Bus and Rail Operations

The MTA serves as the main source of bus service in all of the County south of the San Gabriel Mountains, except Santa Catalina Island. The MTA operates a vehicle fleet of over 2,200 buses that covers a weekday total of 240,000 revenue service miles over a route system of approximately 3,800 miles carrying approximately 1.2 million weekday passengers.

The MTA also operates three metro rail lines. The Blue Line is a light rail system, which covers 22 miles between the cities of Los Angeles and Long Beach. The Green Line is a light rail system which covers 20 miles between the cities of Norwalk and El Segundo. The Metro

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1997

Red Line is a heavy rail system which covers 5.2 miles between Union Station/Gateway Transit Center to Wilshire Boulevard at Western.

Planning and Programming

The MTA is responsible for the programming and administration of all regional surface transportation funds in the County. In accordance with State regulations and Memoranda of Understanding with bus operators and local municipalities, the MTA is responsible for the disbursement of monies derived from the State Transportation Act (STA), the Transportation Development Act (TDA), and Sales Tax. The MTA coordinates the operation of all public transportation services including managing transit operating policies among the County's 17 municipal bus operators, developing light, heavy and commuter rail projects and programming regional funds for improvement to the County highway system.

Construction

The MTA is constructing an additional 38.4 miles of urban light and heavy rail in the County. The rail systems under construction are a 24.8 miles extension of the Red Line and 13.7 miles for the Pasadena Blue Line.

Joint Development

California statutes authorize the MTA to enter into agreements with public or private entities to plan, finance, and construct projects that are adjacent, or physically or functionally related to rail transit facilities or major bus plazas. The goal of these joint development projects is to secure the most appropriate private and public sector development which will enhance the design, construction and operation of a comprehensive transit system while achieving appropriate returns for the MTA on its investment. Such projects are compatible with, and supportive of plans and economic development objectives of local jurisdictions.

(2) Summary of Significant Accounting Policies

The financial statements of the MTA have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The more significant of the MTA's accounting policies are described below:

A. Fund Accounting

The MTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary, as described below.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

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

General Fund - The General Fund is used to account for those financial resources which are not required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The financial statements of those Special Revenue Funds that are not required to have a budget have been eliminated from the actual column of the Combined Statement of Revenues, Expenditures and Changes in fund Balances - Budget and Actual.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt 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 major capital assets.

Proprietary Funds are used to account for the MTA's ongoing operations and activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The MTA applied all applicable FASB pronouncements in accounting and reporting for its' proprietary operations. Proprietary Funds include the following fund types:

Enterprise Fund - The Enterprise Fund is used to account for operations which are financed and operated in a manner similar to private businesses where the intent is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be recovered primarily through user charges.

Internal Service Fund - The Internal Service Fund is used to account for the goods and services provided to MTA projects and funds on a cost reimbursement basis.

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

Expendable Trust Funds - Expendable trust funds are used to account for assets held by the MTA in a trustee capacity and are accounted for in essentially the same manner as the governmental fund types.

Pension Trust Funds - Pension trust funds account for the assets of the four Defined Benefit Pension Plans that the MTA administers, and are accounted for in essentially the same manner as the Proprietary Funds.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1997

Agency Funds - Agency Funds are custodial in nature and do not present results of operations or have a measurement focus.

Account Groups are used to establish accountability for certain assets and liabilities that are not recorded in specific funds because they do not directly affect net expendable available financial resources. The MTA uses the following account groups:

General Fixed Assets Account Group - This group is established to account for all fixed assets of the MTA, other than those accounted for in the Proprietary Funds.

General Long-Term Debt Account Group - The group is established to account for all long-term debt of the MTA except that which is a direct obligation of the Proprietary Funds.

B. Basis of Accounting

The modified accrual basis of accounting is used for all governmental and agency funds. Under the modified accrual basis of accounting, revenues (primarily from sales tax) are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

The accrual basis of accounting is utilized by all proprietary funds. Under this basis, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred.

The account groups are self-balancing balance sheet accounts and do not have a specified basis of accounting.

C. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that the MTA Board must approve annual operational and project budgets for certain governmental and proprietary funds. The Board also approves life of project budgets whenever new Capital projects are contemplated. Prior to adoption of the budgets, the Board conducts public hearings for discussion of the proposed annual budgets, and at the conclusion of the hearings, but not later than June 30, adopts the final budget. The legal level of control resides with the Board at the Authority level. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total budget.

The MTA employs the following practices and procedures in establishing budgetary data on a basis consistent with GAAP as reflected in the general purpose financial statements:

- Annual budgets are adopted on a basis consistent with the modified accrual basis of accounting for governmental fund types.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

- Annual budgets are adopted on the accrual basis for the Enterprise Fund.

D. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Under this method, purchase orders, contracts, memorandum of understanding (MOU), and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances and are carried forward.

E. Cash and Investments

Investments are stated at cost or amortized cost, except for investments in the deferred compensation plan, which are reported at market value.

The MTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes or other legal requirements. Each fund's positive equity in the pooled cash and investment account is presented as "Cash and Cash Equivalents" on the combined balance sheets. Negative equity balances have been reclassified and are reflected as advances due to/from other funds. Interest income earned and expenses incurred as a result of investing, are allocated to the various funds based on their average monthly equity balances. Gain or loss on each investment are recognized upon sale of the investment.

For purposes of the statement of cash flows, all highly liquid investments, including restricted assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents.

F. Interfund Receivables and Payables

Interfund receivables/payables are amounts owed to a particular fund by another fund for loans, advances, or goods or services rendered. The non-current portion of interfund loans are recorded as advances to/from other funds. All other outstanding interfund receivables and payables are recorded as due to/from other funds.

G. Inventories

Inventories, consisting primarily of bus and rail vehicle parts, are valued at weighted average cost. Inventory items are recorded as expenditures when consumed rather than when purchased.

H. Fixed Assets (Property, Plant and Equipment)

Fixed assets used in governmental fund types of the MTA are recorded in the General Fixed Asset Account Group at cost or estimated historical cost if purchased or constructed. Assets in the General Fixed Asset Account Group are not depreciated. Interest incurred during construction is not capitalized in the General Fixed Assets Account Group.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1997

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the General Fixed Asset Account Group or capitalized in the Proprietary Funds.

Property, plant and equipment in the Proprietary Funds are recorded at cost. Major outlays for capital assets and improvements are reflected as expenditures in the Capital Projects Funds.

Depreciation is recorded in the Enterprise Fund using the sum-of-the-years-digits method on all revenue-earning equipment which was acquired before July 2, 1988. Depreciation on all other property, plant and equipment is computed using the straight-line method. Both methods are based upon the estimated useful lives of individual assets. The estimated useful lives of fixed assets are as follows:

	<u>Years</u>
Buildings	30
Rail Cars	25
Buses	12
Other vehicles	5
Bus maintenance and office equipment, and other furnishing	10

Proprietary Fund assets acquired with federal, state and local capital grants are included in property, plant and equipment, and depreciation on these assets is included in the accompanying statements of operations, and added back to retained earnings.

I. Pension Plans

The MTA provides a defined benefit pension plan for former Commission employees through the California Public Employees' Retirement System (PERS) paid for by the MTA.

The MTA has a Single-Employer Public Employees Retirement System which includes four defined benefit pension plans for its former District employees and all new employees. All employees except non-contract employees contribute a specified percentage (as recommended by the Plans' actuary) of their annual salaries to the plan in which they participate. In 1997, these Define Benefit Pension Plans changed their method of accounting for investment to comply with the Statement No. 25 of the Government Accounting Standards Board. The financial statements for these pension plans are included in the Fiduciary Fund Type.

J. Compensated Absences

MTA union represented (contract) employees, which are made up of employees represented by the United Transportation Union (UTU), the Amalgamated Transportation Union (ATU) and the Transportation Communications Union (TCU), accumulate vacation pay and sick leave pay in varying amounts as services are provided based on memoranda of understanding with the various unions. All outstanding vacation is payable upon termination of employment. TCU employees may request payment of a limited amount of unused sick leave each year. Unused sick leave for contract employees is payable upon retirement or death.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

On January 1, 1995, the MTA implemented a combined sick leave/vacation program for non-contract employees. Under this program, sick and vacation leave are combined as time off with pay (TOWP) which accrues at varying rates throughout the year. Previously accumulated vacation and sick leave were considered frozen and remain on the books as a liability of the Internal Service Fund. As of January 1, 1997, frozen sick leave may be converted to TOWP, if the employee age is 55 and has five years or more service, at a value of 75%. Upon death, while in the service of MTA, or retirement, payment of all frozen sick leave will be at 100% to the employee's beneficiary.

K. Long-Term Obligations

The portion of long-term debt expected to be financed from available financial resources is reported as a fund liability of the Debt Service Fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Deferred Revenues

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the MTA before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the MTA has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

M. Total Column

The total column on the combined statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or statement of cash flow in conformity with GAAP. Such data is not comparable to a consolidation, since interfund eliminations have not been made.

N. Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying financial positions and operations. Also, certain accounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

(3) Cash and Investments

At June 30, 1997, the MTA's carrying amount of cash in checking and money market accounts was \$344,031,000 while the bank balance was \$345,603,000 with the difference represented primarily by outstanding checks. Two bank accounts were covered by Federal Depository

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

Insurance for up to \$100,000 each and \$345,403,000 was covered by collateral held in the pledging bank's trust department or agent, but not in the MTA's name.

The California Government Code requires California financial institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the Government Code for the State of California. California law also allows financial institutions to secure public fund deposits by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. (The MTA may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation).

The MTA 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 judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs...". This policy affords the MTA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et. Seq.

Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loans
- Bankers' acceptances
- Los Angeles County Treasurer or other authorized pooled investment programs
- Passbook savings account demand deposits
- Money market accounts
- Repurchase agreements
- Commercial paper
- Corporate notes
- Municipal Bonds

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

- Mutual funds
- Asset backed Securities
- Mortgage backed Securities

Restricted cash and investments are comprised of assets set aside for funding self-insurance claims, and for the repayment of Revenue Anticipation Notes, Certificates of Participation, Sales Tax Revenue Bonds and Sales Tax Revenue Refunding Bonds. Restricted cash for each of these purposes is held separately and is deposited in cash accounts or invested.

As required by GASB Statement No. 3, the MTA has categorized its investments to give an indication of the level of risk assumed:

Category 1: Insured or registered, or securities held by the Board or its agent in the MTA's name.

Category 2: Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the MTA'S name.

Category 3: Uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent but not in the MTA's name.

Investments at June 30, 1997 consisted of the following (in thousands):

	Categories			Book Value	Market Value
	1	2	3		
<u>Categorized Investments</u>					
Certificates of Deposits	\$ 1,485		\$ 2,999	\$ 4,484	\$ 4,484
U.S. Treasury Securities			323,009	323,009	322,871
U.S. Agency Securities			139,941	139,941	140,363
Commercial Paper			77,154	77,154	77,154
Corporate Notes & Bonds			69,710	69,710	69,749
State and Local Gov't Securities			13,648	13,648	14,064
Total Categorized Investments	\$ 1,485		\$ 626,461	627,946	628,685
<u>Non-Categorized Investments</u>					
Mutual Funds				144,647	144,647
Investment Contracts				86,797	86,797
Investment Pool				215,864	215,864
Deferred Compensation Plan Investments				126,312	126,312
Pension Plan Investments				743,180	743,180
Total Non-Categorized Investments				1,316,800	1,316,800
Total Investments				\$ 1,944,746	\$ 1,945,485

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

A reconciliation of Cash and Investments as shown on the Combined Balance sheet for all funds at June 30, 1997 are as follow (in thousands):

Cash	\$ 344,031
Investments	<u>1,944,746</u>
Total	<u>\$2,288,777</u>

Reported as:

Cash and cash equivalents	\$ 840,927
Investments	26,021
Restricted cash and cash equivalents	211,431
Restricted investments	1,084,086
Deferred compensation plans investments	<u>126,312</u>
Total	<u>\$2,288,777</u>

(4) Fixed Assets

A summary of changes in the General Fixed Asset Account Group for the year ended June 30, 1997 follows (in thousands):

	Balance July 1, 1996	Additions	Transfers	Balance June 30, 1997
Land	\$ 848,854	\$ 54,903	\$ (77)	\$ 903,680
Contributed Capital - SCRRA	125,811	8,986		134,797
Construction in Progress:				
Metro Rail, MOS 2 facilities	1,158,548	166,890		1,325,438
Metro Rail, MOS 3 facilities	451,198	266,568		717,766
Pasadena Line	158,403	21,235		179,638
Other construction in progress	442,802	208,048	(130,640)	520,210
Total	<u>\$ 3,185,616</u>	<u>\$ 726,630</u>	<u>\$ (130,717)</u>	<u>\$ 3,781,529</u>

The following is a summary of Enterprise Fund and Internal Service Fund fixed assets at June 30, 1997 (in thousands):

	<u>Enterprises</u>	<u>Internal Service</u>
Land	\$ 339,795	\$ -
Building and Structures	2,545,649	142,390
Vehicle	776,163	-
Bus Maintenance and Office Equipment	<u>481,009</u>	<u>21,434</u>
Total Cost	4,142,619	163,824
Less: Accumulated Depreciation	<u>1,028,605</u>	<u>9,038</u>
Net Fixed Assets	<u>\$3,114,011</u>	<u>\$154,786</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

5) Long-Term Debt

Long-term obligations of the MTA consist of sales tax revenue bonds, refunding bonds, certificates of participation, commercial paper notes, revenue anticipation notes and other liabilities payable from governmental and proprietary activities. Long-term obligations also consist of special assessment bonds which are payable from fiduciary (agency) fund activities.

General Long-Term Debt Account Group

A summary description of bonds, notes and other liabilities recorded in the General Long-Term Debt Account Group as of June 30, 1997 follows (see note 6):

Sales Tax Revenue Bonds - Sales Tax Revenue Bonds are primarily Proposition A and C bonds which were issued to provide funds for the acquisition and construction of major capital facilities.

Sales Tax Revenue Refunding Bonds - Sales Tax Revenue Refunding Bonds (Refunding Bonds) were issued to provide funds for retiring previously issued sales tax revenue bonds. Generally, Refunding Bonds are issued to reduce debt service costs of the MTA as a result of more favorable interest rates being available.

Leveraged Lease Revenue Bonds - Leveraged lease revenue bonds were issued to finance the purchase of light rail cars. Basic provision of the financing program called for the purchase price paid by the leasing agent to be paid 80% in U.S. Dollars and 20% in Yen. The lease arrangement has a purchase option equal to 10% of the original financing (\$3,300,000) which is payable at the end of the lease term.

Certificates of Participation - The MTA in association with the California Special Districts Association (CSDA), issued certificates of participation for the purpose of providing supplementary financing for the procurement of buses and other equipment. The MTA is obligated to make lease payments to CSDA, and subsequently subleases the buses to other governmental agencies. These agencies are required to make payments that will equal the amount of the lease payments to the CSDA. In the event the amount received from the governmental agencies does not equal the lease payment to the CSDA, the MTA is required to use other available resources to make such lease payments.

Commercial Paper Notes - The MTA issued commercial paper notes (CPN), taxable and tax exempt, with original maturity dates ranging from seven to 200 days at various interest rates. Under the terms of the notes, MTA can rollover or extend the principal amounts due for one year periods thereafter. It is the intention of the MTA to pay the accrued interest and roll over or reissue the principal amounts as they mature, on a year by year basis. The proceeds from the CPNs were used to finance operating activities including rail construction and land acquisitions.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

Redevelopment and Housing Bonds - As part of the MTA's commitment to assist in the revitalization of certain areas in the County, the MTA entered into an agreement with the Community Redevelopment Financing Authority (CRFA) of the Community Redevelopment Agency of the City of Los Angeles (CRA) for financing the Grand Central Square Multi-family Housing and Redevelopment Project. Under this agreement, a housing bond and a redevelopment bond were issued, secured by real property of the Grand Central Square Project. The project is completed and MTA is currently making payments for the debt service related to these bonds.

General Revenue Bonds - These bonds were issued to finance the cost of the 27-story headquarters building for the MTA, including parking and related improvements.

The following schedule summarizes the changes, which occurred during the year ended June 30, 1997, in the liabilities reported in the General Long-Term Debt Account Group (in thousands):

	<u>Balance</u> <u>July 1, 1996</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 1997</u>
Sales Tax Revenue Bonds and Refunding Bonds	\$2,594,930	\$258,043	\$99,335	\$2,753,638
Grand Central Square Bonds				
Redevelopment Bonds	21,665			21,665
Lease Revenue Bonds	9,448			9,448
General Revenue Bonds	169,500	185,735	169,500	185,735
Lease Revenue Bonds	29,862	273	1,650	28,485
Total Bonded Debt	<u>2,825,405</u>	<u>444,051</u>	<u>270,485</u>	<u>2,998,971</u>
Commercial Paper Notes	303,712	222,740	143,600	382,852
Certificates of Participation	15,565		1,865	13,700
Total	<u>3,144,682</u>	<u>666,791</u>	<u>415,950</u>	<u>3,395,523</u>
Claims and Judgements		19,862		19,862
Total	<u>\$3,144,682</u>	<u>\$686,653</u>	<u>\$415,950</u>	<u>\$3,415,385</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

At June 30, 1997, the MTA has outstanding debt as listed below in the General Long-Term Debt Account Group (in thousands):

Description	Date of Issue	Final Maturity	Interest Rate	Original Amount	Balance Outstanding
Sales Tax Revenue Refunding Bonds, Series 1997-A	1997	2027	5.125%-8.375%	\$ 256,870	\$ 256,870
Sales Tax Revenue Refunding Bonds, Series 1988-A	1988	1998	6.80%	112,274	3,345
Sales Tax Revenue Refunding Bonds, Series 1989-A	1989	2019	6.2%-7.4%	174,304	160,793
Sales Tax Revenue Bonds, Series 1991-A	1991	2003	5.85%-6.9%	500,000	20,095
Sales Tax Revenue Refunding Bonds, Series 1991-B	1991	2018	4.9%-6.5%	281,425	269,790
Sales Tax Revenue Refunding Bonds, Series 1992-A	1992	2012	5.86%	98,700	98,700
Sales Tax Revenue Refunding Bonds, Series 1992-B	1992	2004	5.0%-6.0%	107,665	104,300
Sales Tax Revenue Bonds Series 1996-A	1996	2026	4.40%-6.0%	110,580	110,580
Sales Tax Revenue Refunding Bonds, Series 1996	1996	2026	5.50%-6.18%	104,715	103,760
Sales Tax Revenue Proposition C Second Sr. Bonds, Series 1992-A	1992	2023	3.75%-6.75%	516,885	309,815
Sales Tax Revenue Proposition A Refunding Bonds, Series 1993-A	1993	2021	3.5%-6.25%	560,570	553,990
Sales Tax Revenue Proposition C Refunding Bonds, Second Sr. Bonds, Series 1993-A	1993	2020	Variable	204,095	203,900
Sales Tax Revenue Proposition C Second Sr. Bonds, Series 1993-B	1993	2023	4.75%-8.0%	312,350	307,700
Sales Tax Revenue Proposition C Second Sr. Bonds, Series 1995-A	1995	2025	4.40%-5.75%	250,000	250,000
Grand Central Square Redevelopment Bonds, Series 1993-A	1993	2027	5.90%	21,665	21,665
Grand Central Square Housing Bonds, Series 1993-A	1993	2027	5.75%-5.85%	9,448	9,448
General Revenue Bonds, Series 1995-A	1995	2025	Variable	169,500	185,735
Lease Revenue Bonds	1990	2006	7.38%	26,400	19,030
Yen Obligation	1991	2006	4.94%	6,600	9,455
Certificates of Participation, Series 1991-G	1991	2004	4.9%-6.5%	19,340	11,655
Certificates of Participation, Series 1992-C	1992	2004	2.9%-6.0%	3,390	2,045
Commercial Paper Notes	1991	Various	Various	345,000	382,852
Total					\$3,395,523

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

The annual funding requirements (principal and interest) for the General Long-Term Debt Account Group liability at June 30, 1997 are as follows (in thousands):

Year Ending June 30	Bonded Debt	Other Debt	Governmental Funds Debt
1998	\$ 214,083	\$ 19,905	\$ 233,988
1999	211,286	19,819	231,105
2000	221,564	19,726	241,290
2001	221,287	19,628	240,915
2002	214,599	19,532	234,131
Thereafter	4,752,332	387,271	5,139,603
Total principal and interest	5,835,151	485,881	6,321,032
Less: Amount representing interest and accreted value	2,836,180	89,329	2,925,509
Total	\$ 2,998,971	\$ 396,552	\$ 3,395,523

Proprietary Fund Types

The portion of outstanding debt related to operations of the Enterprise Fund and the Internal Service Fund are included in the accounts of the Proprietary Fund Types. A summary of debt service requirements, including principal and interest as of June 30, 1997, are as follows:

Certificates of Participation (1990 Issue) - In July 1990, the MTA issued \$160,000,000 of Adjustable Rate Demand Certificates of Participation due in annual installments from \$6,100,000 beginning on July 1, 1995 to \$15,100,000 due July 1, 2010. The 1990 certificates were converted in 1991 from an adjustable rate to a fixed rate of interest. The fixed interest rates range from 5.2% to 7.7% for the period 1995 to 2010. The purpose of these certificates are to provide a multiple-year worker's compensation self-insurance fund for the MTA. The total principal amount outstanding as of June 30, 1997 is \$140,500,000.

Certificates of Participation (1992 issue) - On June 29, 1992, the MTA participated in a \$118,375,000 issuance of California Transit Finance Corporation Certificates of Participation 1992, Series B to finance the acquisition of 333 buses and related equipment to be operated by the MTA. The MTA is required to make annual lease payments that are funded in part from Federal Transit Administration (FTA) Section 9 Capital Grant funds received by the MTA (80%) and from Transportation Development Act funds (20%). The percentages may change in the future and the FTA grants available for such payments are subject to future Congressional appropriation and authorization. Interest rates range from 3.25% (1993) to 6.25% (2004). The total principal amount outstanding at June 30, 1997 is \$69,050,000.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

The annual funding requirements (principal and interest) for the Long-term Debt outstanding of the Proprietary Fund Type at June 30, 1997 are as follows (in thousands):

Year Ending <u>June 30</u>	<u>Certificates of Participation</u>
1998	\$ 30,563
1999	29,992
2000	29,352
2001	28,637
2002	27,968
Thereafter	<u>150,082</u>
Total Principal and Interest	296,594
Less: Amount representing interest	<u>87,044</u>
Total	<u>\$209,550</u>
Enterprise Fund	\$ 69,050
Internal Service fund	<u>140,500</u>
Total	<u>\$209,550</u>

Fiduciary Fund Type

Included in the Fiduciary Fund Type are accounts related to the BADs. The BADs have issued revenue bonds as described below:

Benefit Assessment District's Revenue Bonds - The Special Benefit Assessment District A1 Revenue Bonds, Series 1992-A (A1 Bonds), and Benefit Assessment District A2 Revenue Bonds, Series 1992-A (A2 Bonds), were issued to assist in the financing of the private sector portion of the County-wide Rail Rapid Transit System (Metro Rail Project). The A1 and A2 Bonds total \$152,985,000 and \$8,065,000, respectively, and are solely payable from assessments paid by owners of assessable property within Districts A1 and A2, respectively, against which assessments have been or will be levied on such property.

The bonds do not constitute an indebtedness of the MTA and are payable solely from payments received on assessments against the levied properties. In the opinion of MTA officials, the total outstanding debt of \$158,690,000 is not payable from any revenue or asset of the MTA. Accordingly, no liability has been recorded in the accompanying financial statements.

(6) Advance Refunding of Debt

The MTA advance refunded bond issues by issuing \$256,870,000 Refunding Series 1997-A to refund \$158,250,000 aggregate principal amount of Commercial Paper Notes, and to provide

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

resources to purchase U.S. Government securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$62,650,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce total debt service payment over the next 20 years by \$5,880,000 and resulted in an economic gain of \$3,945,000.

(7) Lease/Leaseback

In January 1997, the MTA entered into a head lease agreement to lease 30 Breda Heavy rail vehicles, currently in service on the Red Line with a carry value of \$38.5 million. The MTA then simultaneously entered into a lease agreement to lease the vehicles back. MTA received payments under the head lease from the investor of approximately \$38.5 million, of which it used \$33.2 million to place two investments in irrevocable trusts, as agreed, which will be used to make the principal and interest payments on the finance obligations under the lease agreement. MTA placed \$27 million in a fixed rate deposit and invested \$6.2 million in U.S. Government zero coupon bonds. The interest earned on the deposit, together with the principal amount of the deposit and the maturities of the zero-coupon bonds, are sufficient to cover the financial obligations due under the lease agreement. As a result, obligations under this sale-leaseback transaction are considered to be defeased in substance and therefore, the related debt, as well as the trust assets, have been excluded from the MTA's financial statements. MTA intends to exercise a buy-out option on January 22, 2022.

(8) Operating Leases

The MTA is committed under various leases for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1997 were \$1,248,000. Future minimum lease payments for these leases are as follows (in thousands):

Year Ending	
<u>June 30,</u>	
1998	\$ 1,728
1999	1,817
2000	1,322
2001	1,020
2002	992
Thereafter	<u>575</u>
Total	\$ <u>7,454</u>

(9) Pensions and Post-Retirement Benefits

The MTA currently has pension plans that cover the former Commission employees and the former District employees and new employees. MTA's total payroll for the year ended June 30, 1997 was \$ 460,788,000. A further breakdown of the payroll as it relates to the plans is noted below.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

Former Commission Employees

The MTA contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for participating public entities in California. The MTA's payroll for employees covered by PERS for the year ended June 30, 1997 was \$21,989,000 out of a total payroll of \$25,598,000 for this group of employees.

Former Commission full-time employees are covered members under PERS and become fully vested in their accrued benefits after 5 years of credited service. Normal retirement is at age 60 with 5 years of credited service. The form of the normal benefit is a modified straight line annuity equal to 2% (benefit factor) of final average compensation (last consecutive 36 months of employment) times years of credited service. Other optional benefits are available at a reduced amount. Early retirement is available at age 50 with 5 years of credited service. The benefit factor is actuarially reduced for retirement prior to age 60 and actuarially increased after age 60 up to age 63. The plan provides for survivor and disability benefits.

For the year ended June 30, 1997, the MTA's contribution rate was 12.536% of covered payroll. This rate included the mandatory employee contribution of 7.0%, which has been assumed by the MTA. The rate is comprised of the following on the respective dates:

	July 1, 1997	August 1, 1997
Employer current cost	4.01%	6.86%
Employee cost	7.00%	7.00%
Total	<u>11.01%</u>	<u>13.86%</u>

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 void third party investments. Plan investments conforming to California State laws have been determined to generally comply with MTA 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 the 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 MTA's pension system on a going-concern basis, assessing progress made in accumulating sufficient assets to pay benefits when due and making 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 MTA's pension system.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1997

The pension benefit obligation has been computed as part of an actuarial valuation performed as of June 30, 1995 (the latest information available) and reflects all plan amendments adopted through June 30, 1995. Significant actuarial assumptions used in the valuation include:

- A rate of return on the investment of present and future assets of 8.5% per year compounded annually.
- Projected salary increases of 4.5% per year compounded annually, attributable to inflation.

Net assets in excess of pension benefit obligation applicable to MTA employees at June 30, 1995 are as follows (in thousands):

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,328
Current employees: Accumulated employee contributions including allocated investment earnings	11,319
Employer financed vested	5,158
Employer financed non-vested	<u>2,351</u>
Total Pension Benefit Obligation	21,156
Less: Net Assets available for benefits at cost (market value is \$31,432,000)	<u>29,569</u>
Net Assets in Excess of Pension Benefit Obligation	<u>\$ 8,413</u>

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

According to the Entry Normal Age Actuarial Cost Method, the normal cost for an employee is the level amount that 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 MTA'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 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 from the prior year.

Total contributions to PERS for the year ended June 30, 1997 were \$2,780,000, all of which was attributable to the MTA. Such contributions were made in accordance with the latest PERS

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

actuarial valuation. These pension contributions for normal costs include the employees' portion of \$1,539,000 for the year ended June 30, 1997.

Trend information shows the progress made in accumulating sufficient assets to pay benefits when due. Historical information is provided to assist readers of the financial statements in assessing the MTA'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 fiscal year 1987, is not available.

The following required historical trend information for the nine years ended June 30, 1996, the only years that such information is available for PERS, is presented below (in thousands):

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	% Funded	Net Assets in Excess of Pension Benefit Obligation	Annual Covered Payroll	Net Assets in Excess of Pension Benefit Obligation as a % of Covered Payroll	Total Contribution	Contributions as a % of Annual Covered Payroll
1987	\$ 2,184	\$ 1,425	153.3	\$ 759	\$ 3,843	19.8	\$ 471	12.3
1988	2,933	2,036	144.1	897	4,637	19.4	535	11.5
1989	3,398	2,802	121.3	596	5,792	10.3	649	11.2
1990	4,668	4,029	115.9	639	9,717	6.6	896	9.2
1991	6,688	6,055	110.5	633	19,307	3.3	1,885	9.8
1992	10,512	9,704	108.3	808	30,199	2.7	3,313	11.0
1993	16,136	14,325	112.6	1,811	37,199	4.9	4,571	12.3
1994	24,201	17,215	140.6	6,986	33,271	21.0	4,350	13.1
1995	29,569	21,156	139.8	8,413	27,565	30.5	3,786	13.7

Former District and New Employees

The MTA has a Single-Employer Public Employees Retirement System which includes four defined benefit pension plans (Plans) covering substantially all employees, which provides retirement, disability and death benefits. Generally, employees' rights to retirement benefits vest after five years for non-contract employees and 10 years for contract employees and are based on the individual employee's years of service, age, final compensation and for bargaining units, disability status. The benefit provisions and all other requirements are established by state statute, ordinance, collective bargaining agreements or Board of Directors' actions.

The amount of payroll used for pension coverage under the Plans for the year ended December 31, 1996 was \$427,353,000. The MTA's total payroll for employees covered by these Plans for the year ended June 30, 1997 was \$435,190,000. Generally, the differences between covered and total payrolls are a result of the exclusion of most overtime hours and of part-time employees.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

At December 31, 1996 (the most recent actuarial valuation date), employee membership data related to the plans was as follows:

	<u>TCU</u>	<u>UTU</u>	<u>ATU</u>	<u>Non- Contract</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	129	1,201	387	359	2,076
Active participants:					
Vested	531	3,171	1,514	1,409	6,625
Non Vested	<u>116</u>	<u>318</u>	<u>215</u>	<u>460</u>	<u>1,109</u>
Total	<u>776</u>	<u>4,690</u>	<u>2,116</u>	<u>2,228</u>	<u>9,810</u>

All employees, except non-contract employees, contribute specified percentages, as recommended by the Plan's actuary, of their annual compensation to the plan in which they participate.

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step rate benefits estimated to be payable in the future as a result of employee service to date. This measure is intended to help users assess the funding status of the Plans on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparison among employers. The measure is the actuarial present value of credit projected benefits and is independent of the actuarial funding method used.

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1996. The significant actuarial assumptions used in the valuation to compute the pension benefit obligation was an assumed rate of return on investment assets of 8%, annual salary increase of 5% and no post-retirement benefit increases.

In 1997, the Plans changed their method of accounting for investment to comply with the Statement No. 25 of the Government Accounting Standards Board, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans*. The statement requires Plan investments to be reported at their fair value at the reporting date. Certain reclassifications have been made to the 1996 financial statements, notes to financial statement, and related exhibits.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

Total unfunded (overfunded) pension benefit obligation applicable to the MTA at December 31, 1996 was as follows (in thousands):

	<u>TCU</u>	<u>UTU</u>	<u>ATU</u>	<u>Non-Contract</u>	<u>Total</u>
Pension Benefit Obligation: Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 11,925	\$ 97,836	\$ 34,896	\$ 49,533	\$ 194,190
Current employees: Accumulated employee contributions, including allocated investment income	5,778	54,622	20,265	7,941	88,606
Employer financed vested	6,841	71,812	32,432	39,381	150,466
Employer financed non-vested	<u>15,849</u>	<u>117,335</u>	<u>55,678</u>	<u>25,577</u>	<u>214,439</u>
Total pension benefit obligations	40,393	341,605	143,271	122,432	647,701
Net assets available for benefits	<u>43,927</u>	<u>334,424</u>	<u>146,009</u>	<u>151,519</u>	<u>675,879</u>
Unfunded Pension Benefit Obligation	<u>\$ (3,534)</u>	<u>\$ 7,181</u>	<u>\$ (2,738)</u>	<u>\$ (29,087)</u>	<u>\$ (28,178)</u>

The funding policy of the Plans provides for actuarially determined periodic contributions by the MTA at rates such that sufficient assets will be available to pay plan benefits when due. The contribution rate for normal cost is determined by using the projected unit credit method. This method is also used to amortize the surplus of net assets available for benefits in excess of the pension benefit obligation over a thirty-year period. The assumptions used to compute the actuarially determined contribution are the same as those used to compute the pension benefit obligation. The MTA's contributions to the Plans for the year ended June 30, 1997 were made in accordance with the actuarially determined requirements computed as of December 31, 1996.

The annual Pension Plans report has the ten-year information and is available from MTA's. This report includes the following information: net assets available for benefits, pension benefit obligation, unfunded pension benefit obligation and annual covered payroll.

Post-Retirement Benefits

The MTA provides post-retirement benefits which consist of health care and life insurance benefits for retired employees and families. Substantially all retirees of the MTA may become eligible for those benefits if they reach the appropriate eligibility requirements for retirement while working for the MTA. The benefit provisions and all other requirements are established by collective bargaining agreements and/or Board actions. The cost of providing these benefits for approximately 2,700 participants was \$13,805,000 for the year ended June 30, 1997 and MTA contributions are funded on a pay-as-you-go basis. The outstanding liability for the Post-Retirement Benefits as at June 30, 1997 is \$48,001,000.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

Compensated Absences

The following is a summary of the compensated absences payable at June 30, 1997 (in thousands):

	<u>Contract</u>	<u>Non-Contract</u>	<u>Total</u>
Vacation	\$ 17,893	\$ 4,114	\$ 22,007
Sick Leave	14,062	3,807	17,869
TOWP	-	<u>16,123</u>	<u>16,123</u>
Total	\$ <u>31,955</u>	\$ <u>24,044</u>	\$ <u>55,999</u>

(10) Advance Due From/To Other Funds

The following is a table summarizing Advances due from and to other funds at June 30, 1997 (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service	Enterprise Fund	\$230,377
Transportation Development Act	Proposition C Bonds	10,698
Proposition C	STA Bus	6,160
Proposition C	STA Rail	3,364
Proposition C	CMAQ	31,310
Proposition C	Surface Transportation Program	131
Proposition C	TSM Match	2,344
Proposition C	FEMA Earthquake	4,489
Proposition C	FHWA Earthquake	830
Proposition C	State TCI	487
Proposition C	FTA Section 26B	4,113
Proposition C	Federal DOE	258
FEMA Earthquake	FHWA Earthquake	1,779
Bus & Rail Capital	Transportation Development Act	19,555
Enterprise Fund	Transportation Development Act	9,399
	TOTAL	<u>\$325,294</u>

(11) Deferred Compensation and Savings Plan

Deferred Compensation Plans

The MTA has a deferred compensation plan established in accordance with IRC Section 457 which permits employees to defer a portion of their current salary to future years. Employee deferrals can be allocated among several investment options as directed by the employee. Employee deferrals can be allocated among twenty four investment funds as directed by the employee.

Beginning January 1, 1996, the deferred compensation plan is managed by a third party plan administrator. All deferred compensation held or invested under the deferred compensation plans and any income thereon are solely the property of the MTA until paid or made available to the employee or other beneficiary. Deferred compensation is not available to employees until

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1997

termination, retirement, death or unforeseeable emergency. Participants rights are equal to those of general creditors of the MTA in an amount equal to the fair market value of the deferred account for each participant. The MTA believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

In the opinion of management, the MTA has no liability for losses under the plans, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, assets of the deferred compensation plans and the related liability to employees are recorded in the fiduciary fund.

At June 30, 1997, the deferred compensation plans had assets (at market value) totaling \$126,312,000.

401 (k) Savings Plan

The MTA also offers a deferred savings plan to non-contract employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to 15% of their earnings (10% for highly compensated employees) not to exceed \$9,240 in calendar year 1997.

The savings plan is managed by a third party plan administrator, wherein the participants direct the MTA to invest funds based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59 1/2, death or unforeseen emergency.

Unlike assets of the deferred compensation plans, assets of the 401(k) savings plan are not the property of the MTA, and therefore, are not subject to the claims by creditors in case of bankruptcy. Accordingly, the assets and liabilities of the 401(k) savings plan are not included in the accompanying financial statements. At June 30, 1997, the 401(k) savings plan had assets (at market value) totaling \$37,986,000.

Employees may participate in both the 401(k) savings plan and the deferred compensation plans; however, amounts placed in the deferred compensation plans must be reduced by deferrals made in the savings plan. The maximum annual combined contribution per calendar year using both plans is \$7,500.

(12) Insurance Reserves

The primary emphasis of risk management activities in the MTA is to prevent or minimize the risk of injury to persons and damage to or loss of property. Where losses cannot be prevented, the MTA endeavors to self-insure or to assume such losses as it may deem advisable and economical, giving due consideration to the frequency and severity of probable losses. Determination of the appropriate level of loss to be assumed is made on an annual basis. This consideration of the effect of potential self-insured or assumed losses is part of the MTA's financial planning process. The MTA also makes provision to insure its risk of accidental loss from construction through an owner-controlled insurance program (OCIP). These policies provide property, liability, and workers' compensation insurance and covers many of the risks arising from construction of the

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

Metro Rail segments and the Southern California Regional Rail Authority (SCRRA) Lines for the interest of the MTA, the contractors and subcontractors in their work on such MTA projects.

The self-insurance programs are administered by independent adjusting companies. The liability is based, in part, upon the independent adjustment companies estimate of reserves required for unsettled claims and related administrative costs, and includes damages that have been incurred, but have no claims reported.

The MTA is fully self-insured for workers' compensation claims. The outstanding liabilities as at June 30, 1997 is \$72,556,000.

The MTA is partially self-insured for public liability and property damage for non-construction activities up to \$4,500,000 per occurrence. The all-risk property insurance program is divided into two packages: (1) for rail operations including SCRRA rail cars and (2) for bus operations. Each package covers insurable values of \$1 billion. The policies also contain an earthquake sublimit of \$50 million for rail operations, \$65 million for bus operations, and a 5% value per site deductible. The MTA reserves set aside for the incurred and outstanding liabilities as at June 30, 1997 is \$54,131,000.

The reserves for the workers' compensation and the public liability and property damage claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average rate of return of 6.0%. The MTA believes that the estimated liability for self-insured claims at June 30, 1997 will be sufficient to cover any costs arising out of claims filed or to be filed for incidents which occurred through that date.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

The following table summarizes changes in the insurance reserves for the years ended June 30, 1997 and 1996 (in thousands):

	Property and Casualty		Workers' Compensation		Total	
	1997	1996	1997	1996	1997	1996
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$54,472	\$56,446	\$76,268	\$69,551	\$130,740	\$125,997
Incurred claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	19,233	22,298	31,207	24,882	50,440	47,180
Increases(decreases) in provision for insured events of prior fiscal years	5,513	3,397	794	14,199	6,307	17,596
Total incurred claims and claims adjustment expenses	79,218	82,141	108,269	108,632	187,487	190,773
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(899)	(1,011)	(6,165)	(5,441)	(7,064)	(6,452)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(24,188)	(26,658)	(29,548)	(26,923)	(53,736)	(53,581)
Total Payments	(25,087)	(27,669)	(35,713)	(32,364)	(60,800)	(60,033)
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	\$54,131	\$54,472	\$72,556	\$76,268	\$126,687	\$130,740

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

(13) Changes in Proprietary Fund Equity Balances

The changes in the Enterprise Fund equity balances for the year ended June 30, 1997 are as follows (in thousands):

<u>Enterprise Fund</u>	Retained Earnings	Contributed Capital			Total
		Federal	State	Local	
Balance, July 1, 1996	\$ (85,357)	\$ 922,640	\$ 310,461	\$ 1,861,730	\$ 3,009,474
Decrease in Retained Earnings	(12,484)	-	-	-	(12,484)
Depreciation on assets acquired with capital grants	-	(59,688)	(9,069)	(90,268)	(159,024)
Capital grants	-	49,187	3,017	62,894	114,670
Balance, June 30, 1997	\$ <u>(97,841)</u>	\$ <u>912,139</u>	\$ <u>304,409</u>	\$ <u>1,834,356</u>	\$ <u>2,952,636</u>
<u>Internal Service Fund</u>					
Balance July 1, 1996	\$ 662	\$ -	\$ -	\$ 145,539	\$ 146,201
Decrease in Retained Earnings	(1,873)	-	-	-	(1,873)
Depreciation on assets acquired with capital grants	-	-	-	(5,423)	(5,423)
Capital grants	-	-	-	14,670	14,670
Balance, June 30, 1997	\$ <u>(1,211)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>154,786</u>	\$ <u>153,575</u>

(14) Reserved and Designated Fund Balances

The following descriptions relate to the MTA's reserved and designated fund balances:

Reserved for Memoranda of Understanding - Established to segregate a portion of the fund balance for contractual commitments.

Reserved for Encumbrances - Established to segregate part of the fund balance for outstanding commitments related to unperformed contracts.

Reserved for Notes Receivable, Resale Property, and Prepaid Items - Established to set aside a portion of fund balance to indicate that certain non-current assets such as notes receivable, resale property, and prepaid items do not represent available spendable resources, even though they are a component of assets.

Reserved for Debt Service - Established to reflect any fund balance legally restricted to the payment of general long-term debt principal and interest maturing in future years.

Reserved for Employees Retirement System - Established to reflect fund balances restricted to provide retirement benefits in future years.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

(15) Deficit Fund/Retained Earnings Balances

As of June 30, 1997 the Enterprise fund had a deficit retained earning balance of \$97,841,000 and the Internal Service fund had a deficit fund balance of \$1,211,000. The General fund had a deficit fund balance of \$1,251,000, the State transit Assistance fund had a deficit fund balance of \$113,000, the Federal Board of Education had a deficit fund balance of \$151,000. The primary reasons for the deficit in the Enterprise Fund were due to reductions in Federal operating grants and an increase in operational expenses. It is anticipated that this deficit will be corrected by transferring additional local funding to the Enterprise fund and reducing operational expenses. The deficit in the General, Internal Service, State Transit Assistance and the Federal Board of Education funds should be offset through additional operating transfers from various special revenue funds, primarily Proposition A and C.

(16) Individual Funds With Excess of Expenditures Over Appropriations

The following individual fund expenditures exceeded appropriations during the year (in thousands):

<u>Name of Fund</u>	<u>Amount of Expenditure Over Appropriations</u>
Ridesharing	(30)
Federal Board of Education	(39)

(17) Construction in Progress and Other Significant Commitments

The MTA has several major construction projects underway as reported in Construction in Progress in the General Fixed Asset Account Group. These major projects are the Red Line segment MOS-2 and MOS-3, and Metro Pasadena Blue Line.

The MOS-2 is a 13.2 mile project. The overall budget for MOS-2 is \$1.6 billion, of which \$1.3 billion has been expended as of June 30, 1997, with the remaining \$300 million to be funded with local funds. The MOS-2 Full Funding Grant Agreement between the MTA and the Federal Transit Administration (FTA) was executed in April 1990. Under this agreement, the FTA committed and funded a total of \$667 million.

The MOS-3 is a 11.6 mile project with three branches. The three branches include: the North Hollywood branch; the East Los Angeles branch; and the Mid-City branch. The preliminary cost estimate is \$2.5 billion of which \$718 million has been expended as of June 30, 1997. The planned completion date for this project is in the year 2001. The MOS-3 Full Funding Grant Agreement between the MTA and the FTA was executed in May 1993. Under this agreement, the FTA has committed a total of \$1.4 billion, subject to annual appropriations.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

The Metro Pasadena Blue Line is a 13.6 mile line extending from Union Station to the eastern area of Pasadena. The Metro Pasadena Blue Line Project budget is \$804 million, of which \$180 million has been expended as of June 30, 1997. No federal funds will be used to fund this project. The project commitments through June 30, 1997 are \$259 million representing approximately 32% of the total budget.

Purchase Commitment

The MTA has entered into a contract in December 1993 to procure 74 rail vehicles from the Siemens Corp. (i.e., the L.A. Rail Car Contract). Commitments at June 30, 1997 are \$231,500,000, which was reduced in fiscal year ending June 30, 1998 as a result of a reduction in the commitment to 52 cars. These light rail cars will be used on all the light rail lines, including the Pasadena Blue Line.

Other Commitments

The MTA, through the call for projects, has entered into various Memorandum of Understanding (MOU) agreements to fund local transportation projects. The MTA has reserved \$433,500,000 for MOUs commitments in various Special Revenue Funds.

(18) Litigation and Other Contingencies

The MTA is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a materially adverse effect on the financial condition of the MTA.

The MTA receives significant funding from federal, state and other governmental grant funds as reimbursement for costs incurred and advances under deferred "Local Match" provisions in certain programs it administers. Such programs are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant or in reductions of future grant monies. Based on prior experience, the MTA management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of the MTA.

(19) Joint Powers

The MTA is a member of the Southern California Regional Rail Authority (SCRRA), which was created as an exercise of joint powers between the transportation commissions of the counties of Los Angeles (MTA), San Bernardino (SANBAG), Orange (OCTA), Riverside (RCTC), and Ventura (VCTC). The SCRRA has assumed the overall responsibility of providing a regional commuter rail system, Metrolink, linking the participating counties.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1997

The SCRRA consists of an independent governing board of eleven members appointed by the member agencies with voting powers as follows:

MTA	4
OCTA	2
RCTC	2
SANBAG	2
VCTC	1

SCRRA operates the Metrolink Commuter Rail on five lines originating in: Oxnard, Ventura County; Lancaster, Los Angeles County; San Bernardino, San Bernardino County; Riverside, Riverside County; and Oceanside, Orange County and terminating at the Los Angeles Union Station.

Funding for the SCRRA has been primarily through capital contributions from member agencies and the State of California.

The MTA has made capital contributions to the SCRRA totaling \$134,700,000 as of June 30, 1997. These capital contributions are recorded in the MTA's Capital Projects Fund and are reported in the General Fixed Asset Account Group as contributed capital. The MTA is obligated to fund the majority of the system's operating costs for the year ending June 30, 1998.

Summary financial (unaudited) information for the SCRRA as of and for the year ended June 30, 1997 is as follows (in thousands):

Current Assets	\$ 73,185
Investments, Property and Equipment	<u>767,655</u>
Total Assets	<u>\$ 840,840</u>
Total Liabilities	\$ 120,518
Total Equity	<u>720,322</u>
Total Liabilities and Equity	<u>\$ 840,840</u>
Total Revenues	\$ 61,963
Total Expenses	(101,223)
Contributed Capital Adjustment for Depreciation	<u>41,877</u>
Net Increase in Retained Earnings	<u>\$ 2,617</u>

Additional detailed financial information is available from the SCRRA.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1997

(20) Subsequent Events

Public Transportation Services Corporation

The Public Transportation Service Corporation (PTSC) was formed, in August 1997, to conduct activities essential and helpful to the provision of public transportation in and around Los Angeles County. LACMTA and PTSC entered into a five year contract under which the planning, programming, administrative, operational management, construction, and security functions of LACMTA will be transferred to and acquired by PTSC. Under the contract, these functions are to be provided by PTSC and funded by LACMTA.

Financial Assessment - Rail Construction

The MTA continuously undertakes a process of assessing the adequacy of funding levels in order to sustain its operations and rail construction programs. In response to current analysis in process and subsequent to year end, the MTA's management made a recommendation to the Board of Directors that all construction projects, excluding the Hollywood and North Hollywood segments of the Red Line, be suspended until the MTA completes its latest assessment of its financial capacity to complete and operate new lines. As a result of the potential slow-down or stoppage of various construction projects, the MTA's ability to acquire capital grant funding from the FTA and other sources could be impaired. The MTA expects to complete its financial assessment and make a further decision on these matters in early 1998. The MTA anticipates the continuation of its bus and rail operations in accordance with an agreement approved by the Federal Court on October 28, 1996.

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 Metropolitan Transportation Authority
 General Fund
 Comparative Balance Sheets
 June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit A-1

	1997	1996
Assets		
Cash and cash equivalents	\$ 6,375	\$ 2,142
Receivables:		
Intergovernmental	13,806	73
Notes	1,786	3,529
Interest	3	18
Leases and other	657	1,160
Prepaid items and other assets	4,130	854
Total assets	\$ 26,757	\$ 7,776
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 3,481	\$ 525
Accrued liabilities	11,259	620
Deferred revenues	13,260	-
Other liabilities	8	8
Total liabilities	28,008	1,153
Fund Balances:		
Reserved for notes receivable	1,786	3,529
Reserve for prepaid and other assets	-	852
Unreserved, undesignated	(3,037)	2,242
Total fund balances	(1,251)	6,623
Total liabilities and fund balances	\$ 26,757	\$ 7,776

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

Los Angeles County Metropolitan Transportation Authority
 General Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit A-2

	1997	1996
Revenues:		
Intergovernmental	\$ 1,360	\$ 59
Investment income	867	728
Licenses and fines	273	179
Total revenues	2,500	966
Expenditures:		
Current:		
Administration and other	20,676	8,569
Transportation subsidies	33,810	9,213
Total expenditures	54,486	17,782
Excess (deficiency) of revenues over expenditures	(51,986)	(16,816)
Other financing Sources (Uses):		
Operating transfers in	44,114	32,285
Operating transfers out	(2)	(10,097)
Total other financing sources (uses)	44,112	22,188
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(7,874)	5,372
Fund balance - beginning of year	6,623	1,251
Fund balance - end of year	\$ (1,251)	\$ 6,623

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

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the years June 30, 1997 and 1996

(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ -	\$ 1,360	\$ 1,360	\$ -	\$ 59	\$ 59
Investment income	-	867	867	-	728	728
Licenses and fines	-	273	273	-	179	179
Other	1,050	-	(1,050)	1,254	-	(1,254)
Total revenues	1,050	2,500	1,450	1,254	966	(288)
Expenditures:						
Current:						
Administration and other	36,861	20,676	16,185	24,839	8,569	16,270
Transportation subsidies	99,812	33,810	66,002	8,118	9,213	(1,095)
Total expenditures	136,673	54,486	82,187	32,957	17,782	15,175
Excess (deficiency) of revenues over expenditures	(135,623)	(51,986)	83,637	(31,703)	(16,816)	14,887
Other financing Sources (Uses):						
Operating transfers in	128,785	44,114	(84,671)	32,105	32,285	180
Operating transfers out	-	(2)	(2)	(402)	(10,097)	(9,695)
Proceeds from financing	7,322	-	(7,322)	-	-	-
Total other financing sources (uses)	136,107	44,112	(91,995)	31,703	22,188	(9,515)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	484	(7,874)	(8,358)	-	5,372	5,372
Fund balance - beginning of year	6,623	6,623	-	1,251	1,251	-
Fund balance - end of year	\$ 7,107	\$ (1,251)	\$ (8,358)	\$ 1,251	\$ 6,623	\$ 5,372

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

Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for special 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 used for construction and debt service payments and operation of rail rapid transit systems; 40% is allocated at the discretion of the MTA.

Proposition C - The official name of this fund is the "Los Angeles County Anti-Gridlock Transit Improvement Fund". This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 5% to improve and expand rail and bus security; 10% for Commuter Rail and construction of Transit Centers, Park-and-Ride lots and Freeway Bus Stops; 20% to local jurisdictions for public transit, and related services; 25% for essential county-wide transit-related improvements to freeways and state highways; 40% to improve and expand rail and bus transit county-wide.

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 and CMAQ - This fund is used to account for monies received that are legally restricted for ridesharing activities and funds received to assist in the operation of rail projects.

Service Authority for Freeway Emergencies (SAFE) - This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by charging an additional \$1 to each car registration in Los Angeles County to improve freeway emergency call box operations.

Transportation Development Act (TDA) - This fund is used to account for revenues received from the State as part of the Transportation Development Act. These funds are paid out to various transit operators and are also used to help fund the bus operations and capital costs in the Enterprise fund.

PVEA (Petroleum Violations Escrow Account) - This fund is used to account for revenues received from fines and penalties collected because of petroleum violations, and are to be used for certain demonstration projects, including the "Smart Corridor" demonstration project along the Santa Monica Freeway corridor.

Federal Aid Urban (FAU) - This fund accounts for monies received in exchange for FAU entitlements, and is legally restricted to use on transportation improvement projects.

Ports Highway Improvements Match - The MTA has agreed to act as an escrow agent to accumulate funds in this fund for matching monies. The MTA has accumulated funds to match Federal Grants that may be used on local projects such as the Alameda Corridor.

Budget Change for TC1 - This fund is used to account for local and state grants that help fund the Freeway Service Patrol Project.

FEMA Earthquake Reimbursement - This fund was established to account for funds received by the Federal Government for projects related to the 1994 Earthquake through the Office of Emergency Management or FEMA.

Federal Board of Education - This fund is used to account for projects that are to assist students in Transportation Job Training.

Los Angeles County Metropolitan Transportation Authority
Special Revenue Fund
Combining Balance Sheet
June 30, 1997
(Amounts expressed in thousands)

	Proposition A	Proposition C	State Transit Assistance	Ride- Share CMAQ	Service Authority For Fwy Emerg	Trans Development Act
Assets						
Cash and cash equivalents	\$ 59,163	\$ 152,898	\$ 3,235	\$ 5,556	\$ 21,086	\$ 150,881
Receivables:						
Intergovernmental	-	4,014	-	31,126	-	744
Sales tax	21,014	21,417	6,127	-	-	-
Notes	-	-	-	-	-	853
Interest	391	984	49	12	44	1,134
Leases and other	-	-	-	-	-	-
Advances due from other funds	-	53,485	-	-	-	10,698
Total assets	\$ 80,568	\$ 232,798	\$ 9,411	\$ 36,694	\$ 21,130	\$ 164,310
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ -	\$ 12,197	\$ -	\$ -	\$ 551	\$ -
Accrued liabilities	-	42,935	-	-	466	-
Advances due to other funds	-	-	9,524	33,785	-	28,954
Total liabilities	-	55,132	9,524	33,785	1,017	28,954
Fund Balances:						
Reserve for memoranda of understanding	80,568	177,666	-	-	20,113	134,503
Reserved for notes receivable	-	-	-	-	-	853
Unreserved, undesignated	-	-	(113)	2,909	-	-
Total fund balances	80,568	177,666	(113)	2,909	20,113	135,356
Total liabilities and fund balances	\$ 80,568	\$ 232,798	\$ 9,411	\$ 36,694	\$ 21,130	\$ 164,310

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

PVEA	Federal Aid Urban	Port Highway Improvement Match	Budget Change for TCI	FEMA Earth-Quake Reimb.	Federal Board of Education	Total
\$ 1,102	\$ 16,348	\$ 10,292	\$ -	\$ 2	\$ -	\$ 420,563
-	475	-	-	10,080	4,706	51,145
-	-	-	-	-	-	48,558
-	-	-	-	-	-	853
2	45	23	3	-	-	2,687
-	-	-	-	-	1	1
-	-	-	-	1,779	-	65,962
<u>\$ 1,104</u>	<u>\$ 16,868</u>	<u>\$ 10,315</u>	<u>\$ 3</u>	<u>\$ 11,861</u>	<u>\$ 4,707</u>	<u>\$ 589,769</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,748
-	-	-	-	993	-	44,394
-	-	-	-	7,097	4,858	84,218
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,090</u>	<u>4,858</u>	<u>141,360</u>
-	16,868	-	-	3,771	-	433,489
-	-	-	-	-	-	853
1,104	-	10,315	3	-	(151)	14,067
<u>1,104</u>	<u>16,868</u>	<u>10,315</u>	<u>3</u>	<u>3,771</u>	<u>(151)</u>	<u>448,409</u>
<u>\$ 1,104</u>	<u>\$ 16,868</u>	<u>\$ 10,315</u>	<u>\$ 3</u>	<u>\$ 11,861</u>	<u>\$ 4,707</u>	<u>\$ 589,769</u>

Los Angeles County Metropolitan Transportation Authority
Special Revenue Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 1997
(Amounts expressed in thousands)

	Proposition A	Proposition C	State Transit Assistance	Ride- Share CMAQ	Service Authority For Fwy Emerg	Trans Develop Act
Revenues:						
Sales tax	\$ 411,529	\$ 411,224	\$ 18,743	\$ -	\$ -	\$ 209,000
Intergovernmental	3	4,650	-	31,126	-	-
Investment income	6,388	9,798	341	127	464	8,392
Licenses and fines	-	-	-	-	6,223	-
Total revenues	417,920	425,672	19,084	31,253	6,687	217,392
Expenditures:						
Current						
Administration and other	771	889	-	-	997	4,619
Transportation subsidies	143,953	248,693	1,715	30	4,647	60,588
Total expenditures	144,724	249,582	1,715	30	5,644	65,207
Excess (deficiency) of revenues over expenditures	273,196	176,090	17,369	31,223	1,043	152,185
Other financing Sources (Uses):						
Operating transfers in	614	15,882	-	-	-	5,403
Operating transfers out	(298,015)	(204,322)	(21,968)	(25,741)	-	(150,461)
Total other financing sources (uses)	(297,401)	(188,440)	(21,968)	(25,741)	-	(145,058)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(24,205)	(12,350)	(4,599)	5,482	1,043	7,127
Fund balance - beginning of year	104,773	190,016	4,486	(2,573)	19,070	128,229
Fund balance - end of year	\$ 80,568	\$ 177,666	\$ (113)	\$ 2,909	\$ 20,113	\$ 135,356

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

PVEA	Federal Aid Urban	Port Hwy Improv Match	Budget Change for TCI	FEMA Earth- Quake Reimb.	Federal Board of Education	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,050,496
158	130	-	3,699	6,400	4,661	50,827
24	849	252	38	115	-	26,788
-	-	-	-	-	-	6,223
182	979	252	3,737	6,515	4,661	1,134,334
-	-	-	369	-	-	7,645
1	244	-	5,543	1,418	39	466,871
1	244	-	5,912	1,418	39	474,516
181	735	252	(2,175)	5,097	4,622	659,818
-	-	-	-	-	-	21,899
-	(9,517)	-	-	-	(4,707)	(714,731)
-	(9,517)	-	-	-	(4,707)	(692,832)
181	(8,782)	252	(2,175)	5,097	(85)	(33,014)
923	25,650	10,063	2,178	(1,326)	(66)	481,423
\$ 1,104	\$ 16,868	\$ 10,315	\$ 3	\$ 3,771	\$ (151)	\$ 448,409

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-3

	1997	1996
Assets		
Cash and cash equivalents	\$ 59,163	\$ 81,988
Receivables:		
Intergovernmental	-	218
Sales tax	21,014	20,503
Notes	-	848
Interest	391	445
Leases and other	-	903
Advances due from other funds	-	2,050
Total assets	\$ 80,568	\$ 106,955
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	\$ -	\$ 2,182
Total liabilities	-	2,182
Fund Balances:		
Reserve for memoranda of understanding	80,568	103,925
Reserved for notes receivable	-	848
Total fund balances	80,568	104,773
Total liabilities and fund balances	\$ 80,568	\$ 106,955

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

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-4

	<u>1997</u>	<u>1996</u>
Revenues:		
Sales tax	\$ 411,529	\$ 402,981
Intergovernmental	3	-
Investment income	6,388	5,632
	<u> </u>	<u> </u>
Total revenues	417,920	408,613
	<u> </u>	<u> </u>
Expenditures:		
Current:		
Administration and other	771	1,082
Transportation subsidies	143,953	147,183
	<u> </u>	<u> </u>
Total expenditures	144,724	148,265
	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	273,196	260,348
	<u> </u>	<u> </u>
Other financing Sources (Uses):		
Operating transfers in	614	1,948
Operating transfers out	(298,015)	(267,817)
	<u> </u>	<u> </u>
Total other financing and sources (uses)	(297,401)	(265,869)
	<u> </u>	<u> </u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(24,205)	(5,521)
Fund balance - beginning of year	104,773	110,294
Fund balance - end of year	\$ <u>80,568</u>	\$ <u>104,773</u>
	=====	=====

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

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-4A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 432,500	\$ 411,529	\$ (20,971)	\$ 392,958	\$ 402,981	\$ 10,023
Intergovernmental	-	3	3	-	-	-
Investment income	4,000	6,388	2,388	8,000	5,632	(2,368)
Total revenues	436,500	417,920	(18,580)	400,958	408,613	7,655
Expenditures:						
Current:						
Administration and other	-	771	(771)	14,000	1,082	12,918
Transportation subsidies	149,695	143,953	5,742	194,678	147,183	47,495
Total expenditures	149,695	144,724	4,971	208,678	148,265	60,413
Excess (deficiency) of revenues over expenditures	286,805	273,196	(13,609)	192,280	260,348	68,068
Other financing Sources (Uses):						
Operating transfers in	-	614	614	-	1,948	1,948
Operating transfers out	(291,845)	(298,015)	(6,170)	(275,133)	(267,817)	7,316
Total other financing and sources (uses)	(291,845)	(297,401)	(5,556)	(275,133)	(265,869)	9,264
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,040)	(24,205)	(19,165)	(82,853)	(5,521)	77,332
Fund balance - beginning of year	104,773	104,773	-	110,294	110,294	-
Fund balance - end of year	\$ 99,733	\$ 80,568	\$ (19,165)	\$ 27,441	\$ 104,773	\$ 77,332

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

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-5

	<u>1997</u>	<u>1996</u>
Assets		
Cash and cash equivalents	\$ 152,898	\$ 163,923
Receivables:		
Intergovernmental	4,014	5,954
Sales tax	21,417	23,399
Interest	984	1,078
Advances due from other funds	53,485	105,887
Total assets	\$ 232,798	\$ 300,241
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 12,197	\$ 17,116
Accrued liabilities	42,935	25,943
Advances due to other funds	-	66,942
Due to other governments	-	224
Total liabilities	55,132	110,225
Fund Balances:		
Reserve for memoranda of understanding	177,666	190,016
Total fund balances	177,666	190,016
Total liabilities and fund balances	\$ 232,798	\$ 300,241

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

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-6

	<u>1997</u>	<u>1996</u>
Revenues:		
Sales tax	\$ 411,224	\$ 408,491
Intergovernmental	4,650	8,356
Investment income	9,798	15,166
	<u> </u>	<u> </u>
Total revenues	425,672	432,013
	<u> </u>	<u> </u>
Expenditures:		
Current:		
Administration and other	889	6,279
Transportation subsidies	248,693	240,990
	<u> </u>	<u> </u>
Total expenditures	249,582	247,269
	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	176,090	184,744
	<u> </u>	<u> </u>
Other financing Sources (Uses):		
Operating transfers in	15,882	42,843
Operating transfers out	(204,322)	(248,005)
	<u> </u>	<u> </u>
Total other financing and sources (uses)	(188,440)	(205,162)
	<u> </u>	<u> </u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(12,350)	(20,418)
Fund balance - beginning of year	190,016	210,434
Fund balance - end of year	\$ <u>177,666</u>	\$ <u>190,016</u>
	=====	=====

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

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-6A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 433,600	\$ 411,224	\$ (22,376)	\$ 389,006	\$ 408,491	\$ 19,485
Intergovernmental	-	4,650	4,650	-	8,356	8,356
Investment income	10,000	9,798	(202)	10,000	15,166	5,166
Total revenues	443,600	425,672	(17,928)	399,006	432,013	33,007
Expenditures:						
Current:						
Administration and other	-	889	(889)	7,552	6,279	1,273
Transportation subsidies	368,761	248,693	120,068	270,482	240,990	29,492
Total expenditures	368,761	249,582	119,179	278,034	247,269	30,765
Excess (deficiency) of revenues over expenditures	74,839	176,090	101,251	120,972	184,744	63,772
Other financing Sources (Uses):						
Operating transfers in	-	15,882	15,882	-	42,843	42,843
Operating transfers out	(200,411)	(204,322)	(3,911)	(179,698)	(248,005)	(68,307)
Total other financing and sources (uses)	(200,411)	(188,440)	11,971	(179,698)	(205,162)	(25,464)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(125,572)	(12,350)	113,222	(58,726)	(20,418)	38,308
Fund balance - beginning of year	190,016	190,016	-	210,434	210,434	-
Fund balance - end of year	\$ 64,444	\$ 177,666	\$ 113,222	\$ 151,708	\$ 190,016	\$ 38,308

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

Los Angeles County Metropolitan Transportation Authority
State Transit Assistance Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-7

	<u>1997</u>	<u>1996</u>
Assets		
Cash and cash equivalents	\$ 3,235	\$ 3,635
Receivables:		
Sales tax	6,127	4,595
Interest	49	156
Total assets	<u>\$ 9,411</u>	<u>\$ 8,386</u>
Liabilities and Fund Balance		
Liabilities:		
Advances due to other funds	9,524	3,850
Other liabilities	-	50
Total liabilities	<u>9,524</u>	<u>3,900</u>
Fund Balances:		
Unreserved, undesignated	(113)	4,486
Total fund balances	<u>(113)</u>	<u>4,486</u>
Total liabilities and fund balances	<u>\$ 9,411</u>	<u>\$ 8,386</u>

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

Los Angeles County Metropolitan Transportation Authority
State Transit Assistance Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-8

	1997	1996
Revenues:		
Sales tax	\$ 18,743	\$ 22,531
Investment income	341	594
	<hr/>	<hr/>
Total revenues	19,084	23,125
	<hr/>	<hr/>
Expenditures:		
Current:		
Administration and other	-	248
Transportation subsidies	1,715	524
	<hr/>	<hr/>
Total expenditures	1,715	772
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	17,369	22,353
	<hr/>	<hr/>
Other financing Sources (Uses):		
Operating transfers in	-	33
Operating transfers out	(21,968)	(27,944)
	<hr/>	<hr/>
Total other financing and sources (uses)	(21,968)	(27,911)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,599)	(5,558)
Fund balance - beginning of year	4,486	10,044
Fund balance - end of year	\$ <u>(113)</u>	\$ <u>4,486</u>
	=====	=====

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

State Transit Assistance Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the years June 30, 1997 and 1996

(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 22,492	\$ 18,743	\$ (3,749)	\$ 19,600	\$ 22,531	\$ 2,931
Investment income	-	341	341	-	594	594
Total revenues	22,492	19,084	(3,408)	19,600	23,125	3,525
Expenditures:						
Current:						
Administration and other	-	-	-	-	248	(248)
Transportation subsidies	2,778	1,715	1,063	-	524	(524)
Total expenditures	2,778	1,715	1,063	-	772	(772)
Excess (deficiency) of revenues over expenditures	19,714	17,369	(2,345)	19,600	22,353	2,753
Other financing Sources (Uses):						
Operating transfers in	-	-	-	-	33	33
Operating transfers out	(19,679)	(21,968)	(2,289)	(27,897)	(27,944)	(47)
Total other financing and sources (uses)	(19,679)	(21,968)	(2,289)	(27,897)	(27,911)	(14)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	35	(4,599)	(4,634)	(8,297)	(5,558)	2,739
Fund balance - beginning of year	4,486	4,486	-	10,044	10,044	-
Fund balance - end of year	\$ 4,521	\$ (113)	\$ (4,634)	\$ 1,747	\$ 4,486	\$ 2,739

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

Los Angeles County Metropolitan Transportation Authority
Rideshare & CMAQ Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-9

	1997	1996
Assets		
Cash and cash equivalents	\$ 5,556	\$ -
Receivables:		
Intergovernmental	31,126	21,200
Interest	12	17
Advances due from other funds	-	608
Total assets	<u>\$ 36,694</u>	<u>\$ 21,825</u>
Liabilities and Fund Balance		
Liabilities:		
Advances due to other funds	33,785	24,398
Total liabilities	<u>33,785</u>	<u>24,398</u>
Fund Balances:		
Unreserved, undesignated	2,909	(2,573)
Total fund balances	<u>2,909</u>	<u>(2,573)</u>
Total liabilities and fund balances	<u>\$ 36,694</u>	<u>\$ 21,825</u>

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

Los Angeles County Metropolitan Transportation Authority
Rideshare & CMAQ Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-10

	1997	1996
Revenues:		
Intergovernmental	\$ 31,126	\$ 21,200
Investment income	127	261
	<hr/>	<hr/>
Total revenues	31,253	21,461
	<hr/>	<hr/>
Expenditures:		
Current:		
Administration and other	-	37
Transportation subsidies	30	670
	<hr/>	<hr/>
Total expenditures	30	707
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	31,223	20,754
	<hr/>	<hr/>
Other financing Sources (Uses):		
Operating transfers out	(25,741)	(21,099)
	<hr/>	<hr/>
Total other financing and sources (uses)	(25,741)	(21,099)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	5,482	(345)
Fund balance - beginning of year	(2,573)	(2,228)
Fund balance - end of year	\$ <u>2,909</u>	\$ <u>(2,573)</u>

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

Rideshare & CMAQ Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the years June 30, 1997 and 1996

(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 43,296	\$ 31,126	\$ (12,170)	\$ 53,760	\$ 21,200	\$ (32,560)
Investment income	-	127	127	-	261	261
Total revenues	43,296	31,253	(12,043)	53,760	21,461	(32,299)
Expenditures:						
Current:						
Administration and other	-	-	-	-	37	(37)
Transportation subsidies	-	30	(30)	1,000	670	330
Total expenditures	-	30	(30)	1,000	707	293
Excess (deficiency) of revenues over expenditures	43,296	31,223	(12,073)	52,760	20,754	(32,006)
Other financing Sources (Uses):						
Operating transfers out	(43,296)	(25,741)	17,555	(46,330)	(21,099)	25,231
Total other financing and sources (uses)	(43,296)	(25,741)	17,555	(46,330)	(21,099)	25,231
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	5,482	5,482	6,430	(345)	(6,775)
Fund balance - beginning of year	(2,573)	(2,573)	-	(2,228)	(2,228)	-
Fund balance - end of year	\$ (2,573)	\$ 2,909	\$ 5,482	\$ 4,202	\$ (2,573)	\$ (6,775)

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

Los Angeles County Metropolitan Transportation Authority
Service Authority For Freeway Emergency Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-11

	1997	1996
Assets		
Cash and cash equivalents	\$ 21,086	\$ 19,595
Receivables:		
Interest	44	64
Total assets	\$ 21,130	\$ 19,658
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 551	\$ 250
Accrued liabilities	466	339
Total liabilities	1,017	589
Fund Balances:		
Reserve for memoranda of understanding	20,113	19,070
Total fund balances	20,113	19,070
Total liabilities and fund balances	\$ 21,130	\$ 19,659

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

Los Angeles County Metropolitan Transportation Authority
Service Authority For Freeway Emergency Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-12

	1997	1996
Revenues:		
Investment income	\$ 464	\$ 1,001
Licenses and fines	6,223	7,013
Total revenues	6,687	8,014
Expenditures:		
Current:		
Administration and other	997	489
Transportation subsidies	4,647	4,662
Total expenditures	5,644	5,151
Excess (deficiency) of revenues over expenditures	1,043	2,863
Fund balance - beginning of year	19,070	16,207
Fund balance - end of year	\$ 20,113	\$ 19,070

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

Los Angeles County Metropolitan Transportation Authority
Service Authority For Freeway Emergency Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-12A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Investment income	-	\$ 464	\$ 464	\$ -	\$ 1,001	\$ 1,001
Licenses and fines	6,600	6,223	(377)	6,600	7,013	413
Other	-	-	-	98	-	(98)
Total revenues	6,600	6,687	87	6,698	8,014	1,316
Expenditures:						
Current:						
Administration and other	-	997	(997)	615	489	126
Transportation subsidies	16,713	4,647	12,066	10,207	4,662	5,545
Total expenditures	16,713	5,644	11,069	10,822	5,151	5,671
Excess (deficiency) of revenues over expenditures	(10,113)	1,043	11,156	(4,124)	2,863	6,987
Fund balance - beginning of year	19,070	19,070	-	16,207	16,207	-
Fund balance - end of year	\$ 8,957	\$ 20,113	\$ 11,156	\$ 12,083	\$ 19,070	\$ 6,987

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

Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-13

	1997	1996
Assets		
Cash and cash equivalents	\$ 150,881	\$ 155,402
Receivables:		
Intergovernmental	744	631
Notes	853	2,487
Interest	1,134	1,419
Advances due from other funds	10,698	11,839
Total assets	\$ 164,310	\$ 171,778
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ -	\$ 86
Accrued liabilities	-	4,947
Advances due to other funds	28,954	35,026
Other liabilities	-	3,490
Total liabilities	28,954	43,549
Fund Balances:		
Reserve for memoranda of understanding	134,503	125,742
Reserved for notes receivable	853	2,487
Total fund balances	135,356	128,229
Total liabilities and fund balances	\$ 164,310	\$ 171,778

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

Los Angeles County Metropolitan Transportation Authority
 Transportation Development Act Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-14

	1997	1996
Revenues:		
Sales tax	\$ 209,000	\$ 203,889
Investment income	8,392	7,405
Total revenues	217,392	211,294
Expenditures:		
Current:		
Administration and other	4,619	8
Transportation subsidies	60,588	101,388
Total expenditures	65,207	101,396
Excess (deficiency) of revenues over expenditures	152,185	109,898
Other financing Sources (Uses):		
Operating transfers in	5,403	50,725
Operating transfers out	(150,461)	(147,368)
Total other financing and sources (uses)	(145,058)	(96,643)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	7,127	13,255
Fund balance - beginning of year	128,229	114,974
Fund balance - end of year	\$ 135,356	\$ 128,229

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

Los Angeles County Metropolitan Transportation Authority
 Transportation Development Act Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-14A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 225,700	\$ 209,000	\$ (16,700)	\$ 209,300	\$ 203,889	\$ (5,411)
Investment income	-	8,392	8,392	-	7,405	7,405
Total revenues	225,700	217,392	(8,308)	209,300	211,294	1,994
Expenditures:						
Current:						
Administration and other	-	4,619	(4,619)	85	8	77
Transportation subsidies	65,638	60,588	5,050	95,453	101,388	(5,935)
Total expenditures	65,638	65,207	431	95,538	101,396	(5,858)
Excess (deficiency) of revenues over expenditures	160,062	152,185	(7,877)	113,762	109,898	(3,864)
Other financing Sources (Uses):						
Operating transfers in	-	5,403	5,403	-	50,725	50,725
Operating transfers out	(176,935)	(150,461)	26,474	(197,443)	(147,368)	50,075
Total other financing and sources (uses)	(176,935)	(145,058)	31,877	(197,443)	(96,643)	100,800
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(16,873)	7,127	24,000	(83,681)	13,255	96,936
Fund balance - beginning of year	128,229	128,229	-	114,974	114,974	-
Fund balance - end of year	\$ 111,356	\$ 135,356	\$ 24,000	\$ 31,293	\$ 128,229	\$ 96,936

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

Los Angeles County Metropolitan Transportation Authority
PVEA Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-15

	<u>1997</u>	<u>1996</u>
Assets		
Cash and cash equivalents	\$ 1,102	\$ 920
Receivables:		
Interest	2	3
Total assets	<u>\$ 1,104</u>	<u>\$ 923</u>
Fund Balances:		
Unreserved, undesignated	1,104	923
Total fund balances	<u>1,104</u>	<u>923</u>
Total fund balances	<u>\$ 1,104</u>	<u>\$ 923</u>

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

Los Angeles County Metropolitan Transportation Authority
PVEA Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-16

	1997	1996
Revenues:		
Intergovernmental	\$ 158	\$ 867
Investment Income	24	39
	<hr/>	<hr/>
Total revenues	182	906
	<hr/>	<hr/>
Expenditures:		
Current:		
Administration and other	-	118
Transportation subsidies	1	-
	<hr/>	<hr/>
Total expenditures	1	118
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	181	788
Fund balance - beginning of year	923	135
Fund balance - end of year	\$ <u>1,104</u>	\$ <u>923</u>

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

Los Angeles County Metropolitan Transportation Authority

Exhibit B-16A

PVEA Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the years June 30, 1997 and 1996

(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	-	\$ 158	\$ 158	\$ 1,883	\$ 867	\$ (1,016)
Investment income	-	24	24	-	39	39
Other	700	-	(700)	-	-	-
Total revenues	700	182	(518)	1,883	906	(977)
Expenditures:						
Current:						
Administration and other	-	-	-	-	118	(118)
Transportation subsidies	700	1	699	-	-	-
Total expenditures	700	1	699	-	118	(118)
Excess (deficiency) of revenues over expenditures	-	181	181	1,883	788	(1,095)
Fund balance - beginning of year	923	923	-	135	135	-
Fund balance - end of year	\$ 923	\$ 1,104	\$ 181	\$ 2,018	\$ 923	\$ (1,095)

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

Los Angeles County Metropolitan Transportation Authority
Federal Aid Urban Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-17

	1997	1996
Assets		
Cash and cash equivalents	\$ 16,348	\$ 25,004
Receivables:		
Intergovernmental	475	801
Interest	45	83
Total assets	\$ 16,868	\$ 25,888
Liabilities and Fund Balance		
Liabilities:		
Due to other governments	\$ -	\$ 238
Total liabilities	-	238
Fund Balances:		
Reserve for memoranda of understanding	16,868	25,650
Total fund balances	16,868	25,650
Total liabilities and fund balances	\$ 16,868	\$ 25,888

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

Los Angeles County Metropolitan Transportation Authority
 Federal Aid Urban Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-18

	1997	1996
Revenues:		
Intergovernmental	\$ 130	\$ 2,136
Investment income	849	939
Other	-	-
	<hr/>	<hr/>
Total revenues	979	3,075
	<hr/>	<hr/>
Expenditures:		
Current:		
Administration and other	-	1
Transportation subsidies	244	362
	<hr/>	<hr/>
Total expenditures	244	363
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	735	2,712
	<hr/>	<hr/>
Other financing Sources (Uses):		
Operating transfers out	(9,517)	-
	<hr/>	<hr/>
Total other financing and sources (uses)	(9,517)	-
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(8,782)	2,712
	<hr/>	<hr/>
Fund balance - beginning of year	25,650	22,938
	<hr/>	<hr/>
Fund balance - end of year	\$ 16,868	\$ 25,650
	<hr/> <hr/>	<hr/> <hr/>

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

Federal Aid Urban Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the years June 30, 1997 and 1996

(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	-	\$ 130	\$ 130	\$ 1,228	\$ 2,136	\$ 908
Investment income	-	849	849	-	939	939
Other	3,100	-	(3,100)	-	-	-
Total revenues	3,100	979	(2,121)	1,228	3,075	1,847
Expenditures:						
Current:						
Administration and other	-	-	-	-	1	(1)
Transportation subsidies	2,800	244	2,556	-	362	(362)
Total expenditures	2,800	244	2,556	-	363	(363)
Excess (deficiency) of revenues over expenditures	300	735	435	1,228	2,712	1,484
Other financing Sources (Uses):						
Operating transfers out	-	(9,517)	(9,517)	-	-	-
Total other financing and sources (uses)	-	(9,517)	(9,517)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	300	(8,782)	(9,082)	1,228	2,712	1,484
Fund balance - beginning of year	25,650	25,650	-	22,938	22,938	-
Fund balance - end of year	\$ 25,950	\$ 16,868	\$ (9,082)	\$ 24,166	\$ 25,650	\$ 1,484

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

Los Angeles County Metropolitan Transportation Authority
Port Highway Improvement Match Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-19

	<u>1997</u>	<u>1996</u>
Assets		
Cash and cash equivalents	\$ 10,292	\$ 10,028
Receivables:		
Interest	23	35
Total assets	<u>\$ 10,315</u>	<u>\$ 10,063</u>
Liabilities and Fund Balance		
Fund Balances:		
Unreserved, undesignated	10,315	10,063
Total fund balances	<u>10,315</u>	<u>10,063</u>
Total liabilities and fund balances	<u>\$ 10,315</u>	<u>\$ 10,063</u>

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

Los Angeles County Metropolitan Transportation Authority
Port Highway Improvement Match Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-20

	1997	1996
Revenues:		
Investment income	\$ 252	\$ 506
Total revenues	252	506
Expenditures:		
Current:		
Transportation subsidies	-	9
Total expenditures	-	9
Excess (deficiency) of revenues over expenditures	252	497
Fund balance - beginning of year	10,063	9,566
Fund balance - end of year	\$ 10,315	\$ 10,063

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

Los Angeles County Metropolitan Transportation Authority
 Port Highway Improvement Match Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-20A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	-	\$ -	\$ -	\$ 27,872	\$ -	\$ (27,872)
Investment income	-	252	252	-	506	506
Total revenues	-	252	252	27,872	506	(27,366)
Expenditures:						
Current:						
Transportation subsidies	-	-	-	-	9	(9)
Total expenditures	-	-	-	-	9	(9)
Excess (deficiency) of revenues over expenditures	-	252	252	27,872	497	(27,375)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	252	252	27,872	497	(27,375)
Fund balance - beginning of year	10,063	10,063	-	9,566	9,566	-
Fund balance - end of year	\$ 10,063	\$ 10,315	\$ 252	\$ 37,438	\$ 10,063	\$ (27,375)

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

Los Angeles County Metropolitan Transportation Authority
Budget Change Proposal Fund for Freeway Service State TCI
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-21

	1997	1996
Assets		
Cash and cash equivalents	\$ -	\$ 2,172
Receivables:		
Interest	3	6
Total assets	<u>\$ 3</u>	<u>\$ 2,178</u>
Liabilities and Fund Balance		
Fund Balances:		
Unreserved, undesignated	3	2,178
Total fund balances	<u>3</u>	<u>2,178</u>
Total liabilities and fund balances	<u>\$ 3</u>	<u>\$ 2,178</u>

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

Los Angeles County Metropolitan Transportation Authority
 Budget Change Proposal Fund for Freeway Service State TCI
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-22

	1997	1996
Revenues:		
Intergovernmental	\$ 3,699	\$ -
Investment income	38	166
	<u>3,737</u>	<u>166</u>
Total revenues	3,737	166
Expenditures:		
Current:		
Administration and other	369	-
Transportation subsidies	5,543	1,239
	<u>5,912</u>	<u>1,239</u>
Total expenditures	5,912	1,239
Excess (deficiency) of revenues over expenditures	<u>(2,175)</u>	<u>(1,073)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,175)	(1,073)
Fund balance - beginning of year	2,178	3,251
Fund balance - end of year	\$ <u>3</u>	\$ <u>2,178</u>

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

Los Angeles County Metropolitan Transportation Authority
 Budget Change Proposal Fund for Freeway Service State TCI
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-22A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	6,065	\$ 3,699	\$ (2,366)	\$ 4,000	\$ -	\$ (4,000)
Investment income	-	38	38	-	166	166
Total revenues	6,065	3,737	(2,328)	4,000	166	(3,834)
Expenditures:						
Current:						
Administration and other	-	369	(369)	-	-	-
Transportation subsidies	6,063	5,543	520	-	1,239	(1,239)
Total expenditures	6,063	5,912	151	-	1,239	(1,239)
Excess (deficiency) of revenues over expenditures	2	(2,175)	(2,177)	4,000	(1,073)	(5,073)
Fund balance - beginning of year	2,178	2,178	-	3,251	3,251	-
Fund balance - end of year	\$ 2,180	\$ 3	\$ (2,177)	\$ 7,251	\$ 2,178	\$ (5,073)

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

Los Angeles County Metropolitan Transportation Authority
FEMA Earthquake Reimbursement Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-23

	1997	1996
Assets		
Cash and cash equivalents	\$ 2	\$ 10,555
Receivables:		
Intergovernmental	10,080	4,115
Leases and other	-	4
Advances due from other funds	1,779	1,778
Total assets	\$ 11,861	\$ 16,452
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	993	-
Advances due to other funds	7,097	1,779
Due to other governments	-	16,000
Total liabilities	8,090	17,779
Fund Balances:		
Reserve for memoranda of understanding	3,771	(1,327)
Total fund balances	3,771	(1,327)
Total liabilities and fund balances	\$ 11,861	\$ 16,452

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

Los Angeles County Metropolitan Transportation Authority
 FEMA Earthquake Reimbursement Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-24

	1997	1996
Revenues:		
Intergovernmental	\$ 6,400	\$ 531
Investment income	115	239
	<hr/>	<hr/>
Total revenues	6,515	770
	<hr/>	<hr/>
Expenditures:		
Current:		
Transportation subsidies	1,418	-
	<hr/>	<hr/>
Total expenditures	1,418	-
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	5,097	770
	<hr/>	<hr/>
Other financing Sources (Uses):		
Operating transfers out	-	(2,097)
	<hr/>	<hr/>
Total other financing and sources (uses)	-	(2,097)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	5,097	(1,327)
Fund balance - beginning of year	(1,326)	-
Fund balance - end of year	\$ <u>3,771</u>	\$ <u>(1,327)</u>

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

Los Angeles County Metropolitan Transportation Authority
Federal Board of Education Special Revenue Fund
Comparative Balance Sheets
June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-25

	1997	1996
Assets		
Receivables:		
Intergovernmental	\$ 4,706	\$ 330
Leases and other	1	1
Total assets	<u>\$ 4,707</u>	<u>\$ 331</u>
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	-	260
Advances due to other funds	4,858	137
Total liabilities	<u>4,858</u>	<u>397</u>
Fund Balances:		
Unreserved, undesignated	(151)	(66)
Total fund balances	<u>(151)</u>	<u>(66)</u>
Total liabilities and fund balances	<u>\$ 4,707</u>	<u>\$ 331</u>

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

Los Angeles County Metropolitan Transportation Authority
Federal Board of Education Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit B-26

	1997	1996
Revenues:		
Intergovernmental	\$ 4,661	\$ 382
Investment income	-	5
Total revenues	4,661	387
Expenditures:		
Current:		
Transportation subsidies	39	260
Total expenditures	39	260
Excess (deficiency) of revenues over expenditures	4,622	127
Other financing Sources (Uses):		
Operating transfers out	(4,707)	(354)
Total other financing and sources (uses)	(4,707)	(354)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(85)	(227)
Fund balance - beginning of year	(66)	161
Fund balance - end of year	\$ (151)	\$ (66)

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

Los Angeles County Metropolitan Transportation Authority
 Federal Board of Education Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit B-26A

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ -	\$ 4,661	\$ 4,661	\$ 35,135	\$ 382	\$ (34,753)
Investment income	-	-	-	-	5	5
Total revenues	-	4,661	4,661	35,135	387	(34,748)
Expenditures:						
Current:						
Transportation subsidies	-	39	(39)	-	260	(260)
Total expenditures	-	39	(39)	-	260	(260)
Excess (deficiency) of revenues over expenditures	-	4,622	4,622	35,135	127	(35,008)
Other financing Sources (Uses):						
Operating transfers out	-	(4,707)	(4,707)	(34,135)	(354)	33,781
Total other financing and sources (uses)	-	(4,707)	(4,707)	(34,135)	(354)	33,781
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(85)	(85)	1,000	(227)	(1,227)
Fund balance - beginning of year	(66)	(66)	-	161	161	-
Fund balance - end of year	\$ (66)	\$ (151)	\$ (85)	\$ 1,161	\$ (66)	\$ (1,227)

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

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

Los Angeles County Metropolitan Transportation Authority
Debt Service Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amounts expressed in thousands)

Exhibit C-1

	1997	1996
Assets		
Cash and cash equivalents	\$ 1,400	\$ -
Receivables:		
Interest	2,068	6,523
Leases and other	1,208	1,832
Advances due from other funds	-	370
Restricted:		
Investments	279,133	209,654
Cash and cash equivalents	118,621	101,679
Total assets	\$ 402,430	\$ 320,058
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 435	\$ -
Accrued liabilities	961	2,546
Advances due to other funds	-	10,665
Accrued interest payable	74,725	65,515
Bonds and notes payable - current	36,980	29,827
Total liabilities	113,101	108,553
Fund Balances:		
Reserved for debt service	289,329	211,505
Total fund balances	289,329	211,505
Total liabilities and fund balances	\$ 402,430	\$ 320,058

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

Los Angeles County Metropolitan Transportation Authority
 Debt Service Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
 For the years June 30, 1997 and 1996
 (Amounts expressed in thousands)

Exhibit C-2

	1997	1996
Revenues:		
Intergovernmental	\$ 1,559	\$ 3,439
Investment income	6,386	16,028
Other	-	1
Total revenues	7,945	19,468
Expenditures:		
Current:		
Interest and fiscal charges	166,552	169,876
Bond issuance costs	5,710	19,910
Bond principal	40,200	32,498
Joint development expenditure	1,215	1,608
Total expenditures	213,677	223,892
Excess (deficiency) of revenues over expenditures	(205,732)	(204,424)
Other financing Sources (Uses):		
Operating transfers in	222,885	171,426
Operating transfers out	(3,787)	-
Proceeds from financing	-	187,773
Proceeds of refunding bonds	442,605	-
Payment to refunding bond escrow agent	(378,147)	-
Total other financing and sources (uses)	283,556	359,199
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	77,824	154,775
Fund balance - beginning of year	211,505	56,730
Fund balance - end of year	\$ 289,329	\$ 211,505

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

Los Angeles County Metropolitan Transportation Authority
Debt Service Fund

Exhibit C-2A

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the years June 30, 1997 and 1996
(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ -	\$ 1,559	\$ 1,559	\$ 2,845	\$ 3,439	\$ 594
Investment income	-	6,386	6,386	-	16,028	16,028
Other	15,552	-	(15,552)	-	1	1
Total revenues	15,552	7,945	(7,607)	2,845	19,468	16,623
Expenditures:						
Current:						
Interest and fiscal charges	185,000	166,552	18,448	166,548	169,876	(3,328)
Bond issuance costs	22,000	5,710	16,290	-	19,910	(19,910)
Bond principal	45,756	40,200	5,556	32,780	32,498	282
Joint development expenditure	-	1,215	(1,215)	-	1,608	(1,608)
Total expenditures	252,756	213,677	39,079	199,328	223,892	(24,564)
Excess (deficiency) of revenues over expenditures	(237,204)	(205,732)	31,472	(196,483)	(204,424)	(7,941)
Other financing Sources (Uses):						
Operating transfers in	182,252	222,885	40,633	156,619	171,426	14,807
Operating transfers out	(10,236)	(3,787)	6,449	-	-	-
Proceeds from financing	40,487	-	(40,487)	-	187,773	187,773
Proceeds of refunding bonds	-	442,605	442,605	-	-	-
Payment to refunding bond escrow agent	-	(378,147)	(378,147)	-	-	-
Total other financing and sources (uses)	212,503	283,556	71,053	156,619	359,199	202,580
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(24,701)	77,824	102,525	(39,864)	154,775	194,639
Fund balance - beginning of year	211,505	211,505	-	56,730	56,730	-
Fund balance - end of year	\$ 186,804	\$ 289,329	\$ 102,525	\$ 16,866	\$ 211,505	\$ 194,639

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

Capital Projects Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets.

Heavy Rail Fund - Metro Rail - MOS II & III

Light Rail Fund - Pasadena

Commuter Rail Fund - Commuter Project

Other Bus Capital - Construction in progress & Bus Facilities

Los Angeles County Metropolitan Transportation Authority
 Capital Project Funds
 Combining Balance Sheet
 June 30, 1997
 (Amounts expressed in thousands)

Exhibit D-1

	Light Rail	Metro Rail	Commuter Rail	Other Capital	Total
Assets					
Cash and cash equivalents	\$ 207,467	\$ 24,521	\$ 28,707	\$ 15,509	\$ 276,204
Investments	26,021	-	-	-	26,021
Receivables:					
Accounts	-	-	614	-	614
Intergovernmental	13,570	318,571	-	11,846	343,987
Interest	338	3,027	50	23	3,438
Leases and other	-	8,100	-	-	8,100
Advances due from other funds	-	-	-	19,556	19,556
Prepaid items and other assets	1,961	1,203	-	-	3,164
Total Current Assets	249,357	355,422	29,371	46,934	681,084
Restricted:					
Cash and cash equivalents	11,556	16,689	-	-	28,245
Investments	3,260	6,999	-	-	10,259
Total assets	\$ 264,173	\$ 379,110	\$ 29,371	\$ 46,934	\$ 719,588
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 4,126	\$ 22,033	\$ 55	\$ 7,993	\$ 34,207
Accrued liabilities	13,709	79,645	471	12,167	105,992
Claims and judgement payable	1,230	18,350	-	-	19,580
Advances due to other funds	10,699	-	-	-	10,699
Due to other governments	-	-	257	-	257
Deferred revenues	-	238,048	-	-	238,048
Other liabilities	5,365	248	105	-	5,718
Total liabilities	35,129	358,324	888	20,160	414,501
Fund Balances:					
Reserved for encumbrances	280,892	685,912	24,618	117,047	1,108,469
Reserve for prepaid and other assets	1,961	1,203	-	-	3,164
Unreserved, undesignated	(53,809)	(666,329)	3,865	(90,273)	(806,546)
Total fund balances	229,044	20,786	28,483	26,774	305,087
Total liabilities and fund balances	\$ 264,173	\$ 379,110	\$ 29,371	\$ 46,934	\$ 719,588

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

Los Angeles County Metropolitan Transportation Authority
Capital Project Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 1997
(Amounts expressed in thousands)

Exhibit D-2

	Light Rail	Metro Rail	Commuter Rail	Other Capital	Total
Revenues:					
Intergovernmental	\$ 28,990	\$ 253,924	\$ -	\$ 71,877	\$ 354,791
Investment income	15,601	9,506	475	330	25,912
Lease and rental	-	-	6,551	-	6,551
Other	7	84	(20)	-	71
Total revenues	44,598	263,514	7,006	72,207	387,325
Expenditures:					
Current:					
Administration and other	11,100	49,213	1,253	6,561	68,127
Capital Outlay	68,043	478,939	3,908	126,696	677,586
Total expenditures	79,143	528,152	5,161	133,257	745,713
Excess (deficiency) of revenues over expenditures	(34,545)	(264,638)	1,845	(61,050)	(358,388)
Other financing Sources (Uses):					
Operating transfers in	14,663	17,751	1,244	28,692	62,350
Operating transfers out	(29,787)	(7,770)	(52,985)	-	(90,542)
Proceeds from financing	-	222,740	-	-	222,740
Total other financing and sources (uses)	(15,124)	232,721	(51,741)	28,692	194,548
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(49,669)	(31,917)	(49,896)	(32,358)	(163,840)
Fund balance - beginning of year	278,713	52,703	78,379	59,132	468,927
Fund balance - end of year	\$ 229,044	\$ 20,786	\$ 28,483	\$ 26,774	305,087

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

Capital Project Funds

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the years June 30, 1997 and 1996

(Amounts expressed in thousands)

	1997			1996		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 431,834	\$ 354,791	\$ (77,043)	\$ 659,355	\$ 642,660	\$ (16,695)
Investment income	-	25,912	25,912	2,180	14,815	12,635
Lease and rental	8,100	6,551	(1,549)	8,100	7,411	(689)
Other	120	71	(49)	-	6,320	6,320
Total revenues	440,054	387,325	(52,729)	669,635	671,206	1,571
Expenditures:						
Current:						
Administration and other	4,752	68,127	(63,375)	102,234	42,893	59,341
Capital Outlay	1,130,440	677,586	452,854	1,074,306	717,865	356,441
Total expenditures	1,135,192	745,713	389,479	1,176,540	760,758	415,782
Excess (deficiency) of revenues over expenditures	(695,138)	(358,388)	336,750	(506,905)	(89,552)	417,353
Other financing Sources (Uses):						
Operating transfers in	176,964	62,350	(114,614)	144,643	66,263	(78,380)
Operating transfers out	(14,957)	(90,542)	(75,585)	(1,600)	(51,992)	(50,392)
Proceeds from financing	346,867	222,740	(124,127)	140,000	277,522	137,522
Total other financing sources (uses)	508,874	194,548	(314,326)	283,043	291,793	8,750
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(186,264)	(163,840)	22,424	(223,862)	202,241	426,103
Fund balance - beginning of year	468,927	468,927	-	266,686	266,686	-
Fund balance - end of year	\$ 282,663	\$ 305,087	\$ 22,424	\$ 42,824	\$ 468,927	\$ 426,103

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

Enterprise Funds

The Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private businesses where the intent is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be recovered primarily through user charges.

Bus operations

Heavy & Light Rail operations

Los Angeles County Metropolitan Transportation Authority
Enterprise Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amount expressed in thousands)

Exhibit E-1

	<u>1997</u>	<u>1996</u>
Assets:		
Cash and cash equivalents	\$ 30,637	\$ 14,693
Receivables:		
Accounts	21,830	19,101
Intergovernmental	34,411	36,281
Interest	255	949
Leases and other	105	1,543
Advances to other funds	9,399	81,461
Inventory	47,712	46,036
Prepaid and other assets	3,288	4,112
Restricted Assets:		
Cash and cash equivalents	14,843	17,897
Investments	17,831	62,664
Fixed assets	<u>3,114,011</u>	<u>3,174,532</u>
Total Assets	<u><u>\$ 3,294,322</u></u>	<u><u>\$ 3,459,269</u></u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 20,972	\$ 21,994
Accrued liabilities	291	1,636
Advances from other funds	230,377	293,587
Accrued interest payable	2,313	3,018
Revenue anticipation notes	-	30,000
Bonds and notes payable-current	9,865	13,185
Deferred revenue	8,818	7,460
Bonds and notes payable-long-term	69,050	78,915
Total Liabilities	<u>341,686</u>	<u>449,795</u>
Equity:		
Retained earnings (deficit)	(97,841)	(85,357)
Capital grants (contributed capital):		
Federal	912,140	922,640
State	304,409	310,461
Local	1,833,928	1,861,730
Total equity	<u>2,952,636</u>	<u>3,009,474</u>
Total Liabilities and Equity	<u><u>\$ 3,294,322</u></u>	<u><u>\$ 3,459,269</u></u>

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

Los Angeles County Metropolitan Transportation Authority
Enterprise Fund
Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Years Ended June 30, 1997 and 1996
(Amount expressed in thousands)

Exhibit E-2

	<u>1997</u>	<u>1996</u>
Operating revenues:		
Passenger fares	\$ 214,519	\$ 208,389
Route subsidies	761	836
Auxiliary transportation	5,207	5,091
Total operating revenues	<u>220,487</u>	<u>214,316</u>
Operating expenses:		
Transportation	400,982	353,740
Vehicle maintenance	132,206	167,947
Non-vehicle maintenance	35,415	33,859
General and administrative	146,457	156,599
Depreciation	159,100	152,645
Total operating expenses	<u>874,160</u>	<u>864,790</u>
Operating loss	(653,673)	(650,474)
Non-operating revenues and expenses:		
Local operating transfer in	4,895	5,147
Federal operating grants	28,476	27,998
Interest revenues	3,686	10,029
Interest expenses	(5,318)	(8,334)
Loss on disposition of fixed assets	(260)	(1,090)
Other	2,676	2,739
Total nonoperating revenues and expenses	<u>34,155</u>	<u>36,489</u>
Loss before operating transfers in (out)	(619,518)	(613,985)
Operating transfers in	457,868	400,230
Operating transfers out	<u>(9,858)</u>	<u>-</u>
Loss for the year	(171,508)	(213,755)
Add back depreciation on assets acquired with capital grants	<u>159,024</u>	<u>153,690</u>
Decrease in retained earnings	(12,484)	(60,065)
Retained earnings (deficit) - beginning of year	<u>(85,357)</u>	<u>(25,292)</u>
Retained earnings (deficit) - end of year	<u>\$ (97,841)</u>	<u>\$ (85,357)</u>

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

Los Angeles County Metropolitan Transportation Authority
Enterprise Fund
Comparative Statement of Cash Flows
For the years ended June 30, 1997 and 1996
(amount expressed in thousands)

Exhibit E-3

	<u>1997</u>	<u>1996</u>
Cash flow from operating activities:		
Operating loss	\$ (653,673)	\$ (650,474)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation	159,100	152,645
Net effect of changes in:		
Accounts receivables	(2,729)	4,764
Leases and other receivables	4,114	(1,382)
Advances to other funds	72,062	148,494
Prepaid and other assets	823	1,286
Inventory	(1,676)	(5,891)
Accounts payable	(1,021)	(28,928)
Accrued liabilities	(1,345)	(16,332)
Due to other governments	-	(1,027)
Advances from other funds	(63,210)	(28,951)
Deferred revenues	1,358	(2,317)
Net cash used in operating activities	<u>(486,197)</u>	<u>(428,113)</u>
Cash flow from non-capital financing activities:		
Proceeds from operating grants	35,241	28,129
Proceeds from issuance of Revenue Anticipation Notes	-	30,000
Operating transfers in from other funds	457,868	400,230
Operating transfers out to from other funds	(9,858)	-
Repayment of matured Revenue Anticipation Notes	(30,000)	(70,000)
Interest paid on Revenue Anticipation Notes	(1,091)	(3,091)
Interest received on Revenue Anticipation Notes	1,040	3,935
Net cash provided by non-capital financing activities	<u>453,200</u>	<u>389,203</u>
Cash flow from capital and related financing activities:		
Proceeds from capital grants received	10,463	12,078
Proceeds from sale and leaseback of capital assets	38,464	-
Proceeds from sale/retirement of fixed assets	151	267
Defeasance of capital lease obligation	(33,247)	-
Payment of matured bonds and notes payable	(13,185)	(13,005)
Interest paid on bonds and notes payable	(4,931)	(5,534)
Net cash used in capital and related financing activities	<u>(2,285)</u>	<u>(6,194)</u>
Cash flow from investing activities:		
Proceeds from sales and maturity of investments	55,732	137,811
Purchase of investments	(10,898)	(78,074)
Interest received on investments	3,338	5,401
Net cash provided by investing activities	<u>48,172</u>	<u>65,138</u>
Net increase (decrease) in cash and cash equivalents	12,890	20,034
Cash and cash equivalents, beginning of year	<u>32,590</u>	<u>12,556</u>
Cash and cash equivalents, end of year	<u>\$ 45,480</u>	<u>\$ 32,590</u>
Supplemental schedule of noncash investing and financing transactions:		
Transfer of fixed assets from General Fixed Assets Account Group	<u>\$ 104,208</u>	<u>\$ 926,473</u>

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

Internal Service Funds

The Internal Service Fund is used to account for the goods and services provided to MTA projects and funds on a cost reimbursement basis.

Los Angeles County Metropolitan Transportation Authority
Internal Service Fund
Comparative Balance Sheets
June 30, 1997 and 1996
(Amount expressed in thousands)

Exhibit F-1

	<u>1997</u>	<u>1996</u>
Assets:		
Cash and cash equivalents	\$ 105,748	\$ 92,563
Receivables:		
Interest	174	499
Leases and others	334	93
Advances to other funds	230,377	281,377
Prepaid and other assets	6,155	4,390
Restricted Assets:		
Cash and cash equivalents	27,906	24,956
Investments	53,699	11,590
Fixed assets	<u>154,786</u>	<u>145,538</u>
Total Assets	<u>\$ 579,179</u>	<u>\$ 561,006</u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 6,942	\$ 9,983
Accrued liabilities	35,787	25,018
Accrued interest payable	4,788	4,964
Compensated absences payable	55,999	54,935
Bonds and notes payable-current	6,900	6,500
Other liabilities	-	69
Post retirement benefits payable	48,001	35,196
Bonds and notes payable-long-term	140,500	147,400
Insurance reserves	126,687	130,740
Total Liabilities	<u>425,604</u>	<u>414,805</u>
Equity:		
Retained earnings (deficit)	(1,211)	662
Capital grants (contributed capital):		
Local	<u>154,786</u>	<u>145,539</u>
Total equity	<u>153,575</u>	<u>146,201</u>
Total Liabilities and Equity	<u>\$ 579,179</u>	<u>\$ 561,006</u>

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

Los Angeles County Metropolitan Transportation Authority
Internal Service Fund
Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Years Ended June 30, 1997 and 1996
(Amount expressed in thousands)

Exhibit F-2

	<u>1997</u>	<u>1996</u>
Operating revenues:		
Charges for services	\$ 331,055	\$ 272,290
Total operating revenues	<u>331,055</u>	<u>272,290</u>
Operating expenses:		
General and administrative	57,864	37,526
Depreciation	5,423	3,615
Salaries and wages	37,379	32,961
Fringe benefits	241,307	204,592
Total operating expenses	<u>341,973</u>	<u>278,694</u>
Operating loss	(10,918)	(6,404)
Non-operating revenues and expenses:		
Interest revenues	2,970	2,718
Interest expenses	(9,858)	(10,212)
Other	652	309
Total nonoperating revenues and expenses	<u>(6,236)</u>	<u>(7,185)</u>
Loss before operating transfers in	(17,154)	(13,589)
Operating transfers in	<u>9,858</u>	<u>11,020</u>
Loss for the year	(7,296)	(2,569)
Add back depreciation on assets acquired with capital grants	<u>5,423</u>	<u>3,615</u>
Decrease in retained earnings	(1,873)	1,046
Retained earnings (deficit) - beginning of year	<u>662</u>	<u>(384)</u>
Retained earnings (deficit) - end of year	<u>\$ (1,211)</u>	<u>\$ 662</u>

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

Los Angeles County Metropolitan Transportation Authority
Internal Service Fund
Comparative Statement of Cash Flows
For the years ended June 30, 1997 and 1996
(Amount expressed in thousands)

Exhibit F-3

	<u>1997</u>	<u>1996</u>
Cash flow from operating activities:		
Operating loss	\$ (10,918)	\$ (6,404)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,423	3,615
Net effect of changes in:		
Leases and other receivables	411	550
Advances to other funds	50,999	(20,943)
Prepaid and other assets	(2,047)	(405)
Accounts payable	(3,040)	8,500
Accrued liabilities	10,769	11,791
Due to other governments	-	(2)
Compensated absences payable	1,064	1,792
Post retirement benefits payable	12,805	4,266
Advances from other funds	-	(39,237)
Insurance reserves	(4,053)	4,743
Other liabilities	(69)	(5)
Net cash used in operating activities	<u>61,344</u>	<u>(31,739)</u>
Cash flow from non-capital financing activities:		
Operating transfers in from other funds	9,858	11,020
Net cash provided by non-capital financing activities	<u>9,858</u>	<u>11,020</u>
Cash flow from capital and related financing activities:		
Payment of matured bonds and notes payable	(6,500)	(6,100)
Interest paid on bonds and notes payable	(9,752)	(10,089)
Net cash used in capital and related financing activities	<u>(16,252)</u>	<u>(16,189)</u>
Cash flow from investing activities:		
Proceeds from sales and maturity of investments	31,831	40,976
Purchase of investments	(73,940)	(35,809)
Interest received on investments	3,294	2,982
Net cash provided by investing activities	<u>(38,815)</u>	<u>8,149</u>
Net increase (decrease) in cash and cash equivalents	16,135	(28,759)
Cash and cash equivalents, beginning of year	<u>117,519</u>	<u>146,278</u>
Cash and cash equivalents, end of year	<u>\$ 133,654</u>	<u>\$ 117,519</u>
Supplemental schedule of noncash investing and financing transactions:		
Transfer of fixed assets from General Fixed Assets Account Group	<u>\$ 14,670</u>	<u>\$ 149,154</u>

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

Trust and Agency Funds

Trust Funds are used to account for assets held by the government in a trustee capacity. Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or funds.

Pension Trust Funds - Pension Trust Funds account for the assets of the four Defined Benefit Pension Plans that the MTA administers, and are accounted for in essentially the same manner as the Proprietary Funds.

Agency Funds - Agency Funds are custodial in nature and do not present results of operations or have a measurement focus.

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.

Expendable Trust Fund - Expendable Trust Funds are used to account for assets held by MTA in a trustee capacity and are accounted for in essentially the same manner as the government fund types, using the measurement focus and basis of accounting.

Los Angeles County Metropolitan Transportation Authority
Trust and Agency Funds
Combining Balance Sheet
June 30, 1997
(Amounts expressed in thousands)

	Expendable Trust		
	Land Preservation Corporation	Transportation Foundation	United Transportation Union Retirement Trust
Assets			
Receivables:			
Interest	\$ -	\$ -	\$ 2,237
Assets held under deferred compensation plans	-	-	-
Benefit assessment	-	-	-
Leases and other	-	-	348
Total Current Assets	<u>-</u>	<u>-</u>	<u>2,585</u>
Restricted:			
Cash and cash equivalents	-	-	9,499
Investments	-	-	343,178
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,262</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 10,972
Accrued liabilities	-	-	15,971
Accrued interest payable	-	-	-
Bonds and notes payable - current	-	-	-
Liabilities for retirement income plan	-	-	9,995
Liabilities for deferred compensation plan	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>36,938</u>
Fund Balances:			
Reserved for employee retirements	-	-	318,324
Total fund balances	<u>-</u>	<u>-</u>	<u>318,324</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,262</u>

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

Pension Trust			Agency		
Transportation Communication Union Retirement Trust	Amalgamated Transportation Union Retirement Trust	Non-Contract Employee's Retirement Trust	Deferred Compensation	Benefit Assessment District	Total
\$ 317	\$ 1,057	\$ 1,103	\$ -	\$ 705	\$ 5,419
-	-	-	126,312	-	126,312
-	-	-	-	2,348	2,348
32	105	2,122	-	-	2,607
<u>349</u>	<u>1,162</u>	<u>3,225</u>	<u>126,312</u>	<u>3,053</u>	<u>136,686</u>
1,346	4,488	4,683	-	1,800	21,816
48,648	162,149	169,189	-	-	723,164
<u>\$ 50,343</u>	<u>\$ 167,799</u>	<u>\$ 177,097</u>	<u>\$ 126,312</u>	<u>\$ 4,853</u>	<u>\$ 881,666</u>
\$ 895	\$ 1,014	\$ 10,726	\$ -	\$ 605	\$ 24,212
2,264	7,546	7,874	-	-	33,655
-	-	-	-	2,993	2,993
-	-	-	-	1,255	1,255
1,417	4,723	4,928	-	-	21,063
-	-	-	126,312	-	126,312
<u>4,576</u>	<u>13,283</u>	<u>23,528</u>	<u>126,312</u>	<u>4,853</u>	<u>209,490</u>
45,767	154,516	153,569	-	-	672,176
<u>45,767</u>	<u>154,516</u>	<u>153,569</u>	<u>-</u>	<u>-</u>	<u>672,176</u>
<u>\$ 50,343</u>	<u>\$ 167,799</u>	<u>\$ 177,097</u>	<u>\$ 126,312</u>	<u>\$ 4,853</u>	<u>\$ 881,666</u>

Los Angeles County Metropolitan Transportation Authority
 Combining Statements of Revenues, Expenses and Changes in Fund Balances
 Expendable Trust Funds
 For year ended June 30, 1997
 (Amounts expressed in thousands)

Exhibit G-2

	Land Preservation Corporation		Transportation Foundation		Total
	_____		_____		_____
Revenues:					
Other financing Sources (Uses):					
Operating transfers in	\$ 2		\$ -		\$ 2
Operating transfers out	-		(56)		(56)
	_____		_____		_____
Total other financing sources (uses)	2		(56)		(54)
	_____		_____		_____
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2		(56)		(54)
Fund balance - beginning of year	(2)		56		54
	_____		_____		_____
Fund balance - end of year	\$ -		\$ -		\$ -
	=====		=====		=====

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

Los Angeles County Metropolitan Transportation Authority
Pension Trust Funds
Combining Statements of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 1997
(Amounts expressed in thousands)

Exhibit G-3

	Pension Trust				Total
	United Transportation Union Retirement Trust	Transportation Communication Union Retirement Trust	Amalgamated Transportation Union Retirement Trust	Non-Contract Employee's Retirement Trust	
Operating revenues:					
Investment income	\$ 47,140	\$ 6,471	\$ 21,611	\$ 24,811	\$ 100,033
Employer contributions	5,794	462	3,542	5,230	15,028
Employee contributions	8,065	779	2,483	1	11,328
Total operating revenues	60,999	7,712	27,636	30,042	126,389
Operating expenses:					
Administration and other	1,775	283	816	835	3,709
Benefits and contribution refunds paid to participants and beneficiaries	61,196	4,251	11,043	19,668	96,158
Total operating expenses	62,971	4,534	11,859	20,503	99,867
Net income	(1,972)	3,178	15,777	9,539	26,522
Fund balances beginning of year	320,296	42,589	138,739	144,030	645,654
Fund balances end of year	\$ 318,324	\$ 45,767	\$ 154,516	\$ 153,569	\$ 672,176

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

Los Angeles County Metropolitan Transportation Authority
Agency Funds
Combining Statement of Changes in Assets and Liabilities
June 30, 1997
(Amounts expressed in thousands)

Exhibit G-4

	<u>Balance July 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1997</u>
DEFERRED COMPENSATION - AGENCY FUND				
Restricted assets				
Deferred compensation plans	\$ 106,162	\$ 20,150	\$ -	\$ 126,312
Total assets	<u>\$ 106,162</u>	<u>\$ 20,150</u>	<u>\$ -</u>	<u>\$ 126,312</u>
Liabilities				
Deferred compensation benefits payable	\$ 106,162	\$ 20,150	\$ -	\$ 126,312
Total liabilities	<u>\$ 106,162</u>	<u>\$ 20,150</u>	<u>\$ -</u>	<u>\$ 126,312</u>
BENEFIT ASSESSMENT DISTRICTS - AGENCY FUND				
Assets				
Assessment receivable	\$ 2,510	\$ 11,462	\$ 11,624	\$ 2,348
Interest receivable	368	705	368	705
Restricted assets:				
Cash and investment with fiscal agents	<u>2,419</u>	<u>12,765</u>	<u>13,384</u>	<u>1,800</u>
Total assets	<u>\$ 5,297</u>	<u>\$ 24,932</u>	<u>\$ 25,376</u>	<u>\$ 4,853</u>
Liabilities				
Accounts payable	\$ 1,086	\$ 487	\$ 968	\$ 605
Accrued interest payable	3,011	2,993	3,011	2,993
Accrued bond principal payable	<u>1,200</u>	<u>1,255</u>	<u>1,200</u>	<u>1,255</u>
Total liabilities	<u>\$ 5,297</u>	<u>\$ 4,735</u>	<u>\$ 5,179</u>	<u>\$ 4,853</u>

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

General Fixed Assets Account Group

This group is established to account for all fixed assets of the MTA, other than those accounted for in the Proprietary Funds.

Los Angeles County Metropolitan Transportation Authority
Comparative Schedules of General Fixed Assets-By Source
June 30, 1997 and 1996
(Amounts expressed in thousands)

	<u>1997</u>	<u>1996</u>
General Fixed Assets:		
Contributed Capital - SCRRA	\$ 134,797	\$ 125,811
Land	903,680	848,854
Construction in Progress:		
Call Boxes	7,750	7,750
Other Equipment	30,751	39,029
Leasehold Improvements	1,746	1,746
Metro Rail MOS-2	1,325,438	1,158,548
Metro Rail MOS-3 (North Hollywood)	624,294	413,931
Metro Rail MOS-3 (East Side)	80,077	24,542
Metro Rail MOS-3 (Mid-City)	12,561	12,059
Metro Rail MOS-3 (Eastern Ext.)	835	666
Pasadena Line	179,638	158,403
L.A. Car	92,378	78,893
Systemwide	42,866	40,681
Rail Development	22,461	8,701
Other Operations Capital Projects	197,976	148,608
Other Construction in Progress	124,281	117,394
Total General Fixed Assets	<u>\$ 3,781,529</u>	<u>\$ 3,185,616</u>
Investments in General Fixed Assets by Source:		
General Fund	\$ 7,755	\$ 7,640
Capital Projects Funds	<u>3,773,774</u>	<u>3,177,976</u>
Total Investment in General Fixed Assets	<u>\$ 3,781,529</u>	<u>\$ 3,185,616</u>

Los Angeles County Metropolitan Transportation Authority
 Schedule of General Fixed Assets - By Activity and Function
 June 30, 1997 and 1996
 (Amounts expressed in thousands)

Activity and Function	<u>Administration</u>	<u>Transportation Facilities</u>	<u>Construction in Progress</u>	<u>Total</u>
Equity in JPA/SCRRA				
Contributed Capital - SCRRA	\$ -	\$ 134,797	\$ -	\$ 134,797
Land	-	903,680	-	903,680
Construction in Progress:				
Call boxes	-	7,750	-	7,750
Other Equipment	15,817	14,934	-	30,751
Leasehold Improvements	1,746	-	-	1,746
Metro Rail MOS 2	-	-	1,325,438	1,325,438
Metro Rail MOS 3 (North Hollywood)	-	-	624,294	624,294
Metro Rail MOS 3 (East Side)	-	-	80,077	80,077
Metro Rail MOS 3 (Mid-City)	-	-	12,561	12,561
Metro Rail MOS 3 (Eastern Ext.)	-	-	835	835
Pasadena line	-	-	179,638	179,638
L.A. Car	-	-	92,378	92,378
Systemwide	-	-	42,866	42,866
Rail Development	-	-	22,461	22,461
Other Operations Capital Projects	-	-	197,976	197,976
Other Construction in Progress	-	-	124,281	124,281
Total General Fixed Assets	\$ 17,563	\$ 1,061,161	\$ 2,702,805	\$ 3,781,529

Los Angeles County Metropolitan Transportation Authority
 Schedule of Changes in General Fixed Assets--by Function and Activity
 For the fiscal year ended June 30, 1997
 (Amounts expressed in thousands)

<u>Function and Activity</u>	<u>General Fixed Assets July 1, 1996</u>	<u>Additions</u>	<u>Deductions*</u>	<u>General Fixed Assets June 30, 1997</u>
Equity in JPA/SCRRRA				
Contributed Capital - SCRRRA	\$ 125,811	\$ 8,986	\$ -	\$ 134,797
Land	848,854	54,903	77	903,680
Construction in Progress:				
Call boxes	7,750	-	-	7,750
Other Equipment	39,029	6,813	15,091	30,751
Leasehold Improvements	1,746	-	-	1,746
Metro Rail MOS 2	1,158,548	166,890	-	1,325,438
Metro Rail MOS 3 (North Hollywood)	413,931	210,363	-	624,294
Metro Rail MOS 3 (East Side)	24,542	55,535	-	80,077
Metro Rail MOS 3 (Mid-City)	12,059	502	-	12,561
Metro Rail MOS 3 (Eastern Ext.)	666	169	-	835
Pasadena line	158,403	21,235	-	179,638
L.A. Car	78,893	13,485	-	92,378
Systemwide	40,681	2,185	-	42,866
Rail Development	8,701	13,760	-	22,461
Other Operations Capital Projects	148,608	117,030	67,662	197,976
Other Construction in Progress	117,394	54,774	47,887	124,281
Total General Fixed Assets	<u>\$ 3,185,616</u>	<u>\$ 726,630</u>	<u>\$ 130,717</u>	<u>\$ 3,781,529</u>

STATISTICAL SECTION

Los Angeles County Metropolitan Transportation Authority
General Governmental Expenditures By Function (1)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 1

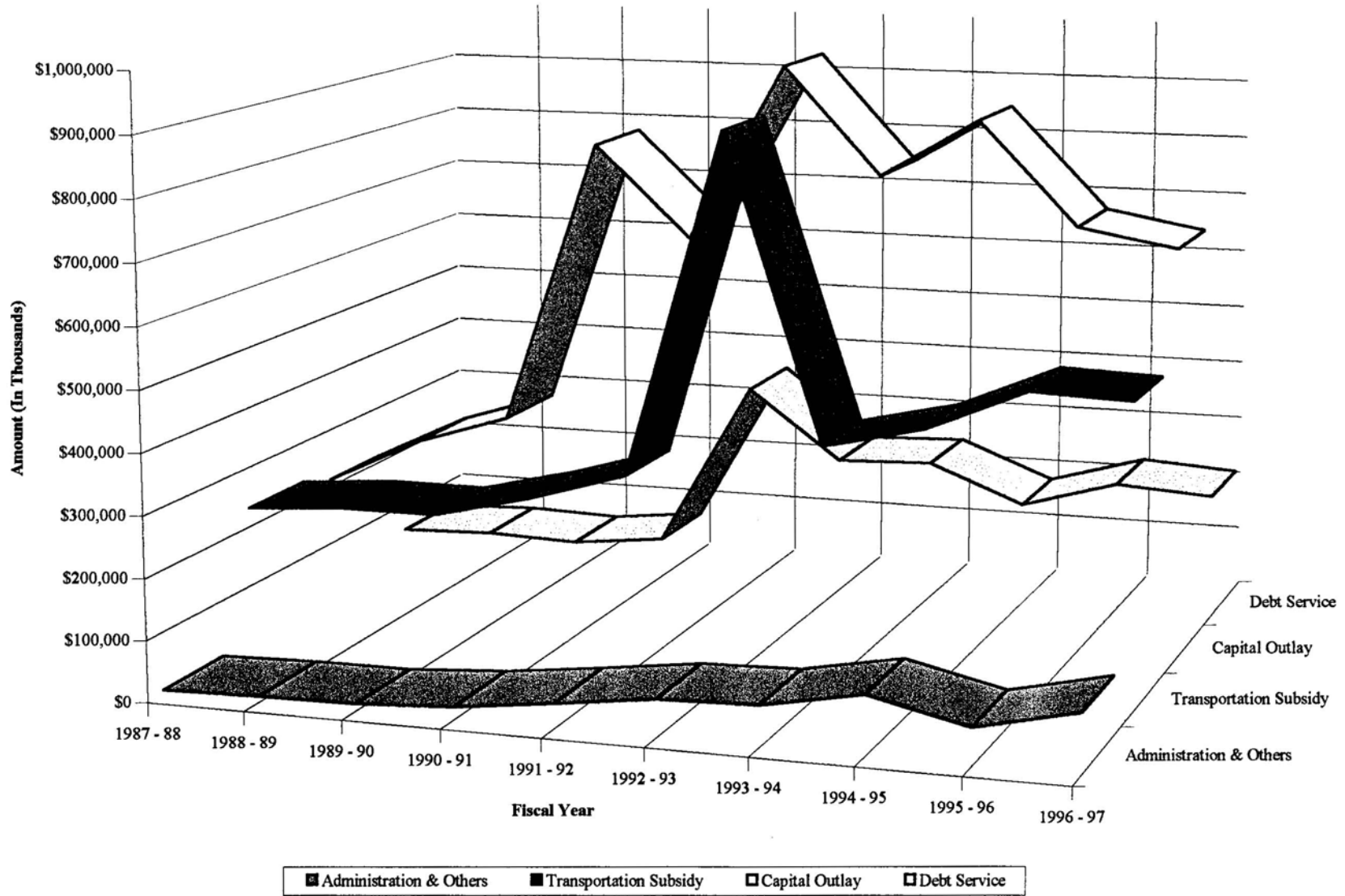
Fiscal Year	Administration & Others	Transportation Subsidy	Capital Outlay	Debt Service	Total
1987 - 88	\$ 6,918	\$ 231,896	\$ 212,650	\$ 51,854	\$ 503,318
1988 - 89	10,695	243,320	290,986	56,921	601,922
1989 - 90	11,679	243,278	342,416	50,907	648,280
1990 - 91	21,370	281,574	820,000	68,852	1,191,796
1991 - 92	40,391	328,870	669,076	352,308 (2)	1,390,645
1992 - 93 *	60,795	894,086 (3)	963,313	233,517	2,151,711
1993 - 94	66,277	399,037	787,105	240,413	1,492,832
1994 - 95	95,991	436,500	886,345	176,916	1,595,752
1995 - 96	59,945	506,500	717,865	223,892	1,508,202
1996 - 97	96,669	500,681	689,866	213,677	1,500,893

Source: Comprehensive Annual Financial Report

Notes:

- (1) Include all governmental fund types.
- (2) Includes Retirement of Commercial Paper Debt & Bond Issuance Cost.
- (3) Prop C funds that were held up in the Superior Court were approved for transit expenditures.
- * Merger between LACTC & SCRTRD

Graphical Presentation of Table 1



Los Angeles County Metropolitan Transportation Authority
General Governmental Revenues By Source (1)
Last Ten Fiscal Years
(Amounts expressed in thousands)

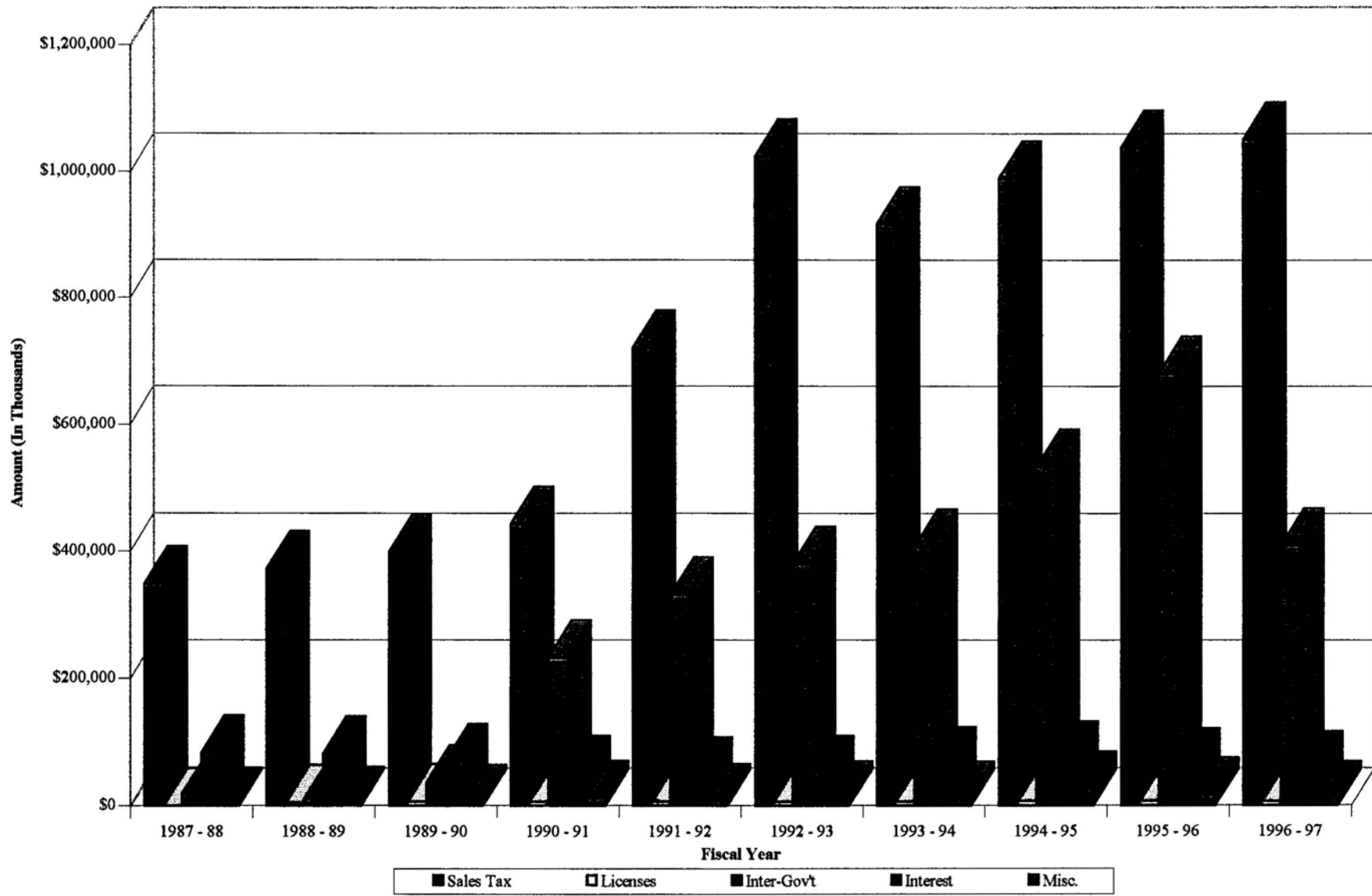
Table 2

Fiscal Year	Sales Tax	Licenses	Inter-Gov't	Interest	Misc.	Total
1987 - 88	\$ 348,726	\$ -	\$ 17,826	\$82,087	\$ 242	\$ 448,881
1988 - 89	372,021	4,852	10,100	80,865	1,573 (2)	469,411
1989 - 90	398,600	6,422	35,457	68,767	4,478 (3)	513,724
1990 - 91	442,932	6,023	231,693 (8)	50,639	10,766 (4)	742,053
1991 - 92	720,348 (5)	6,611	330,958	48,019	6,049	1,111,985
1992 - 93 *	1,029,547 (7)	6,634	379,231	50,749	10,405 (6)	1,476,566
1993 - 94	916,398	6,520	406,676	63,983	9,064 (6)	1,402,641
1994 - 95	989,066	7,295	533,188	72,790	25,206 (9)	1,627,545
1995 - 96	1,037,892	7,192	679,630	61,550	15,759 (6)	1,802,023
1996 - 97	1,050,496	6,496	408,537	56,520	10,107	1,532,156

Source: Comprehensive Annual Financial Report

- Notes:
- (1) Include all governmental fund types.
 - (2) Includes \$718,000 in charges for construction services.
 - (3) Includes \$2,897,000 in charges for construction services.
 - (4) Includes \$3,268,000 in charges for construction services, \$4,958,000 utilities refund, \$2,644,000 fire loss insurance indemnification's.
 - (5) Includes voter- approved one-half cent sales tax Proposition C for the full year.
 - (6) Includes Lease rentals.
 - (7) MTA took over as the administrator of TDA Sales Tax Revenues which had a fund balance of 90 million.
 - (8) Includes Federal revenue for the Metro Rail Construction project.
 - (9) Includes insurance refunds.
 - * Merger between LACTC & SCRTRD

Graphical Presentation of Table 2



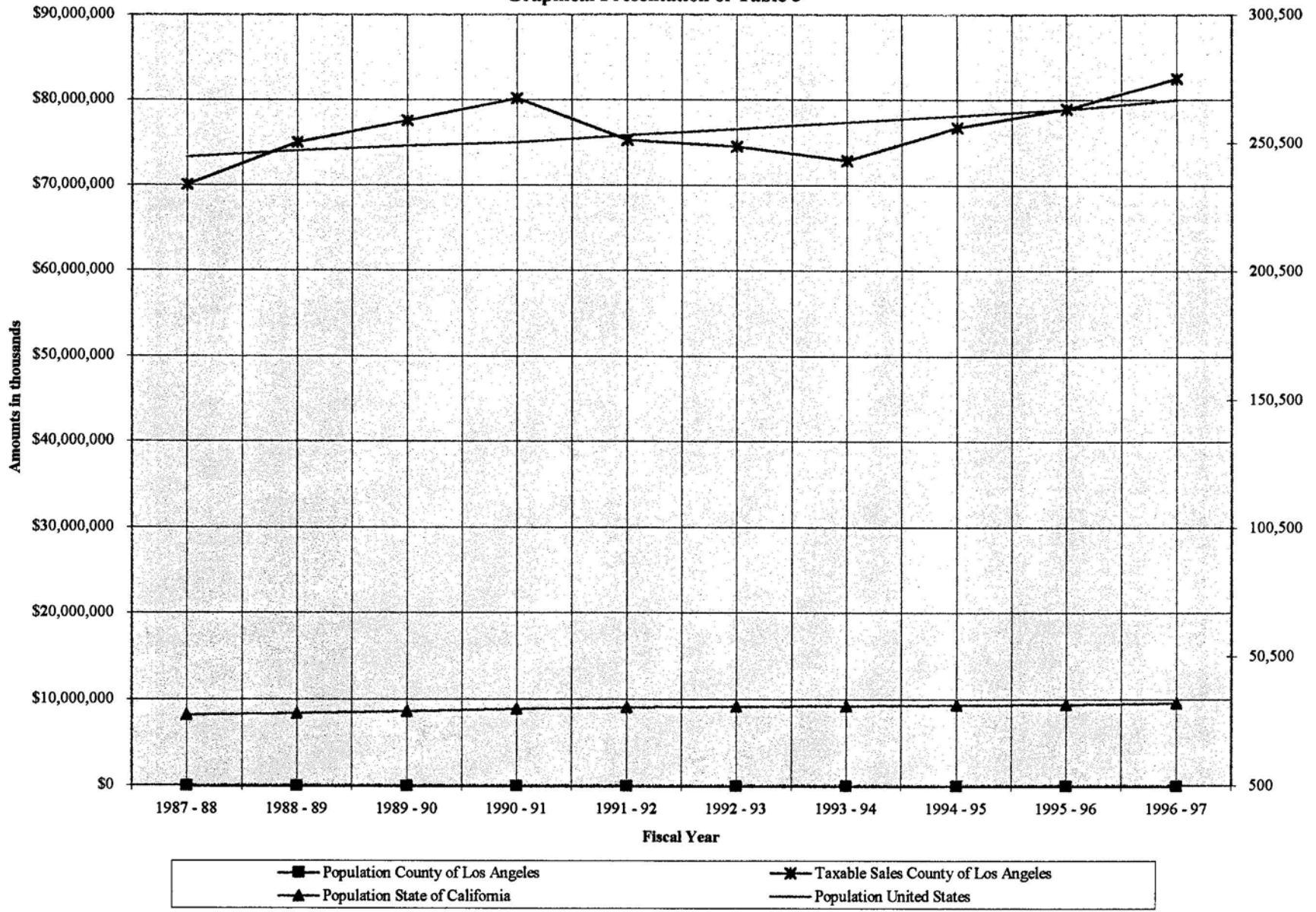
Los Angeles County Metropolitan Transportation Authority
Demographic Statistics
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 3

Fiscal Year	(1) Unemployment Percentage Rate	(2) Population County of Los Angeles	(2) Population State of California	(4) Population United States	(3) Taxable Sales County of Los Angeles
1987 - 88	4.9	8,556	28,019	245,231	\$ 70,185,491
1988 - 89	5.1	8,650	28,662	247,635	75,136,462
1989 - 90	5.2	8,770	29,473	249,605	77,706,166
1990 - 91	7.1	8,989	30,351	250,878	80,285,389
1991 - 92	9.8	9,087	30,989	253,668	75,417,049
1992 - 93 *	9.6	9,200	31,188	256,316	74,655,812
1993 - 94	9.8	9,245	31,517	258,951	73,000,967
1994 - 95	9.4	9,312	31,790	261,432	76,898,666
1995 - 96	7.9	9,352	32,063	263,835	79,068,152
1996 - 97	7.6	9,468	32,609	267,567	82,620,919

Sources: (1) State Department of Employment Development for the County of Los Angeles
(2) California Department of Finance
(3) State Board of Equalization
(4) U.S. Census Bureau
* Merger between LACTC & SCRTD

Graphical Presentation of Table 3



Los Angeles County Metropolitan Transportation Authority
Historical Debt Service Coverage Ratios - Prop A
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 4

Fiscal Year	(1) Net Prop A Sales Tax Revenue	(2) Less 25% Local Allocation	Prop A Bonds Amounts For Debt Service On Sales Tax Bonds	Prop A Bonds Aggregate Debt Service	Debt Service Coverage Ratio
1987 - 88	\$ 348,200	\$ 87,050	\$ 261,150	\$ 34,528	7.56
1988 - 89	372,100	93,025	279,075	46,338	6.02
1989 - 90	398,600	99,650	298,950	50,879	5.88
1990 - 91	400,400	100,100	300,300	50,879	5.90
1991 - 92	367,707	91,927	275,780	65,893	4.19
1992 - 93	371,452	92,863	278,589	80,750	3.45
1993 - 94	360,023	90,006	270,017	81,128	3.33
1994 - 95	384,139	96,035	288,104	96,810	2.98
1995 - 96	402,981	100,745	302,236	104,096	2.90
1996 - 97	411,529	102,882	308,647	116,197	2.66

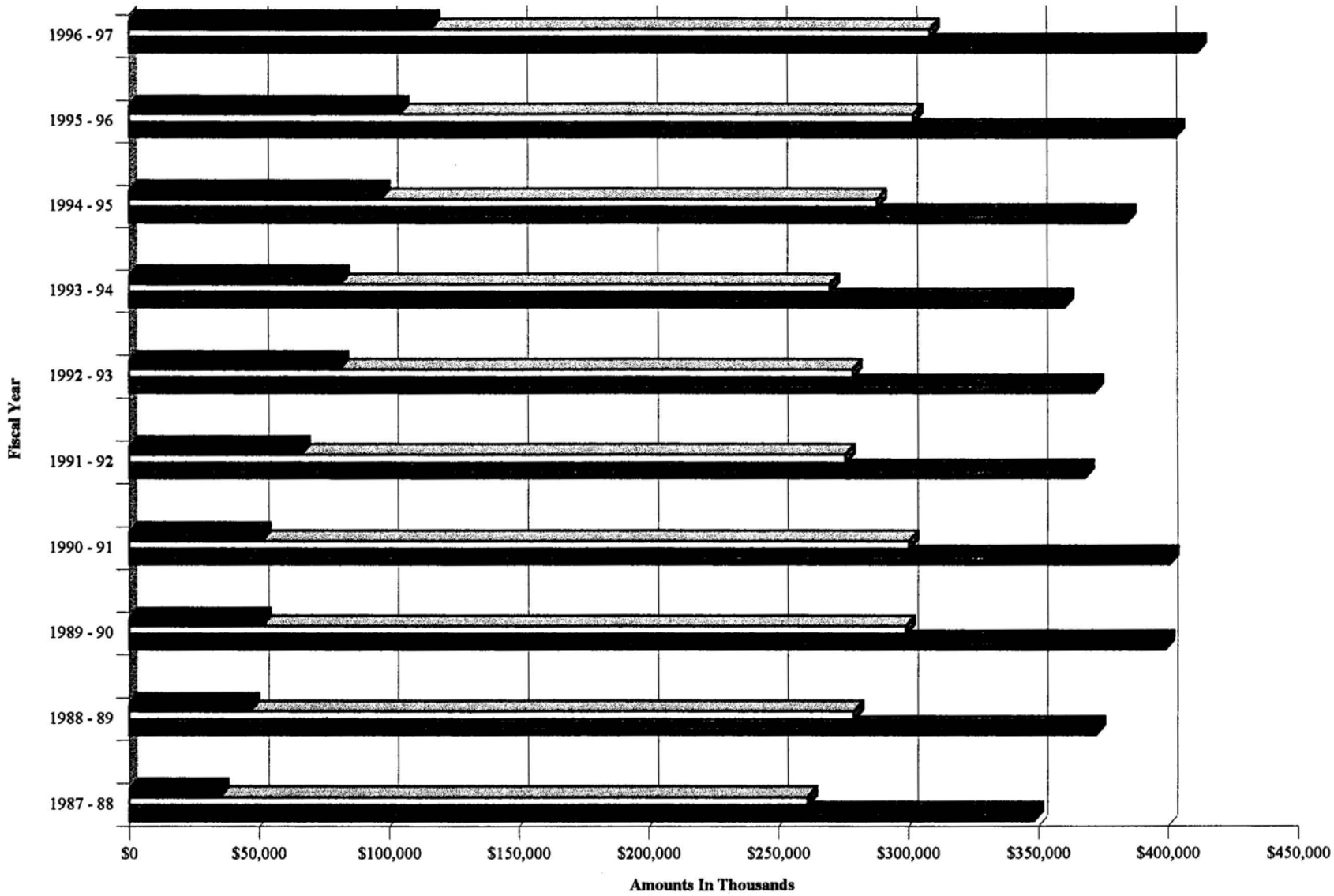
Source: Comprehensive Annual Financial Report

(1) As of June 30, only Prop A Sales tax had been pledged.

(2) By policy, no more than 30% of Prop A Revenues can be pledged to Debt Service.

* Merger between LACTC & SCRTD

Graphical Presentation of Table 4



Net Prop A Sales Tax Revenue
 Less 25% Local Allocation
 Amounts for Debt Service on Sales Tax Bonds
 Amounts Aggregate Debt Service

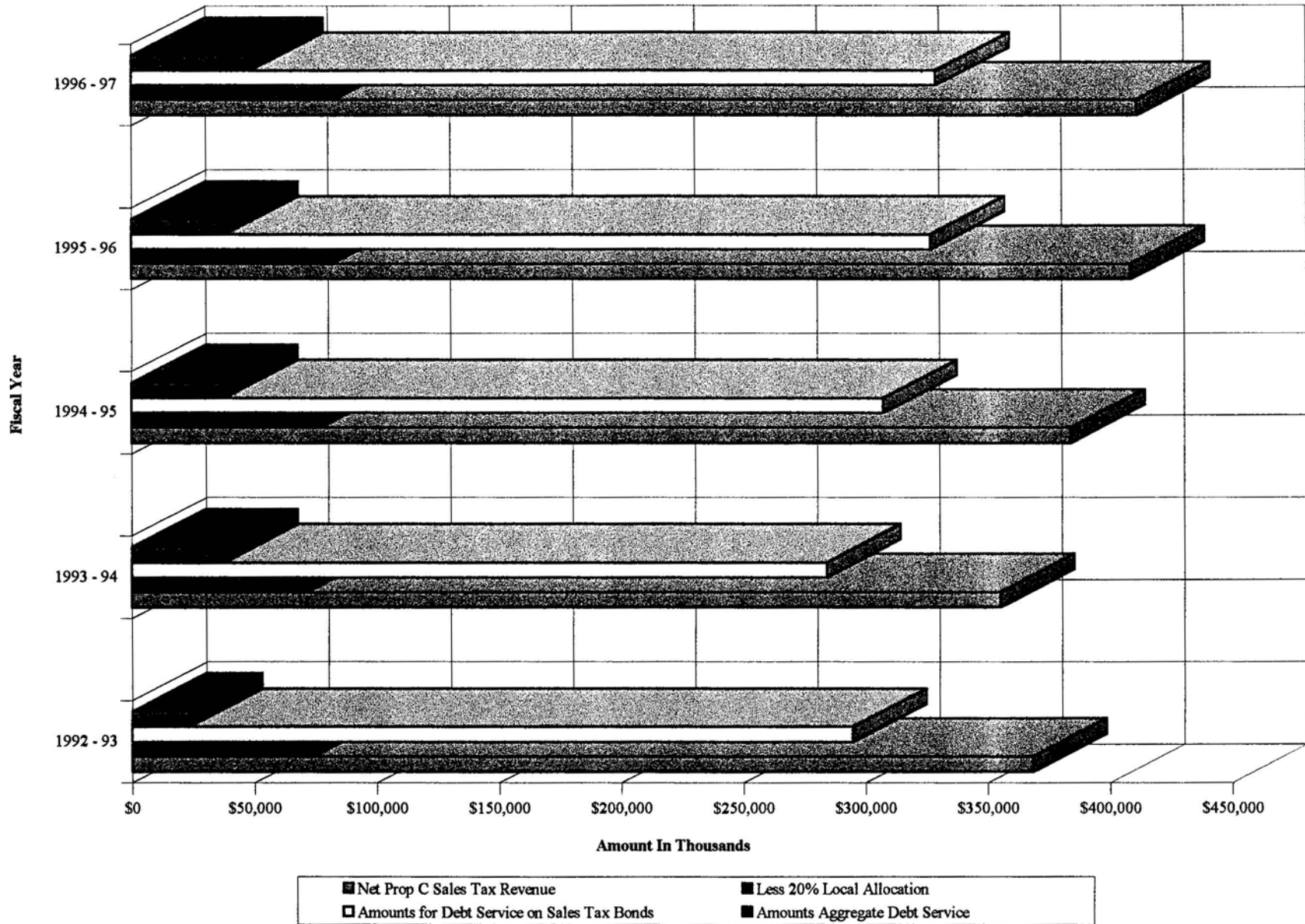
Los Angeles County Metropolitan Transportation Authority
Historical Debt Service Coverage Ratios - Prop C (1)
Last Five Fiscal Years
(Amounts expressed in thousands)

Table 5

Fiscal Year	Net Prop A Sales Tax Revenue	Less 20% Local Allocation	Prop C Bonds Amounts For Debt Service On Sales Tax Bonds	Prop C Bonds Aggregate Debt Service	Debt Service Coverage Ratio
1992 - 93 *	\$ 368,272	\$ 73,654	\$ 294,618	\$ 22,877	12.88
1993 - 94	355,094	71,019	284,075	37,549	7.57
1994 - 95	384,029	76,806	307,223	37,521	8.19
1995 - 96	408,491	81,698	326,793	37,716	8.66
1996 - 97	411,224	82,245	328,979	48,202	6.83

Source: Comprehensive Annual Financial Report
(1) Prop C Bonds were issued beginning FY 1992 - 1993
* Merger between LACTC & SCRTD

Graphical Presentation of Table 5



Los Angeles County Metropolitan Transportation Authority
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Fund Expenditures
Last Ten Fiscal Years

Table 6

(Amounts expressed in thousands)

FISCAL YEAR	1987 -88	1988 - 89	1989 - 90	1990 - 91	1991 - 92	1992 - 93*	1993 - 94	1994 - 95	1995 - 96	1996 - 97
Principal	\$ -	\$ -	\$ -	586 \$	12,592 \$	14,019 \$	23,639 \$	26,345 \$	32,498 \$	40,200
Interest	51,854	56,921	50,907	55,780	110,090	148,576	148,975	149,630	169,876	166,552
Commercial Paper Retirement	-	-	-	-	177,000	-	-	-	-	-
Total Debt Service Expenditures	51,854	56,921	50,907	56,366	299,682	162,595	172,614	175,975	202,374	206,752
Total General Fund Expenditures	503,308	601,922	648,280	1,196,198	1,390,645	2,151,711	1,492,832	1,595,752	1,508,202	1,500,893
Ratio of Debt Service to General Expenditures (%)	10.30%	9.46%	7.85%	4.71%	21.55%	7.56%	11.56%	11.03%	13.42%	13.78%

Source: Comprehensive Annual Financial Report
* Merger between LACTC & SCRITD

Los Angeles County Metropolitan Transportation Authority
Revenue By Source
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 7

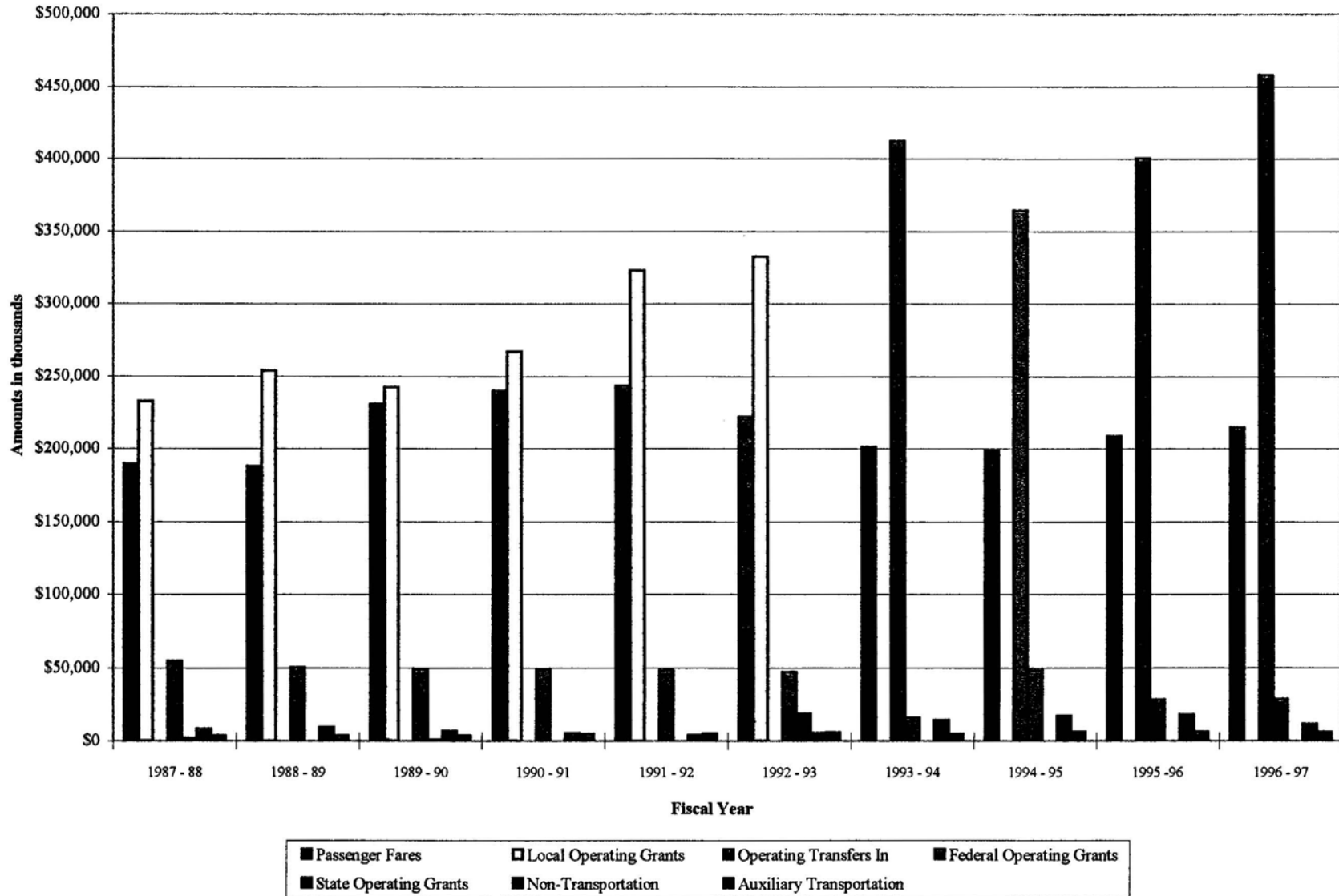
Fiscal Year	Passenger Fares	Local Operating Grants	Operating Transfers In (1)	Federal Operating Grants	State Operating Grants	Non-Transportation	Auxiliary Transportation	Total
1987 - 88	\$ 189,335	\$ 232,821	\$ -	\$ 54,516	\$ 1,860	\$ 8,148	\$ 3,396	\$ 490,076
1988 - 89	187,772	253,631	-	50,171	79	9,173	3,595	504,421
1989 - 90	230,859	242,268	-	48,870	694	6,775	3,651	533,117
1990 - 91	239,905	266,821	-	48,300	-	5,331	4,780	565,137
1991 - 92	243,422	322,865	-	47,905	-	3,970	4,989	623,151
1992 - 93 *	222,211	332,478	-	47,064	18,368	5,326	5,542	630,989
1993 - 94	200,923	-	412,119	45,619	-	14,374	4,781	677,816
1994 - 95	199,349	-	364,295	48,020	-	16,964	5,903	634,531
1995 - 96	208,389	-	400,230	27,998	-	17,915	5,927	660,459
1996 - 97	214,519	-	457,868	28,476	-	11,449	5,968	718,280

Source: Comprehensive Annual Financial Report

*Merger between LACTC & SCRTRD

(1) Represent's local government revenue.

Graphical Presentation of Table 7



Los Angeles County Metropolitan Transportation Authority
Expenses By Function
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 8

Fiscal Year	Operations	Vehicle Maintenance	General & Administrative (B)	Non-Vehicle Maintenance	Depreciation	Cumulative Effect Adjustment	Total
1987 - 88	\$ 253,709	\$ 111,052	\$ 118,164	\$ 17,592	\$ 42,313	(10,441) (A)	\$ 532,389
1988 - 89	275,335	112,397	100,688	16,027	44,758		549,205
1989 - 90	273,454	119,063	128,131	12,412	44,486		577,546
1990 - 91	291,745	135,817	124,460	13,115	48,111		613,248
1991 - 92	311,579	148,851	145,724	17,027	52,628		675,809
1992 - 93 *	354,997	148,815	128,169	18,209	37,781		687,971
1993 - 94	292,986	109,362	82,149	30,555	83,405		598,457
1994 - 95	349,593	123,325	109,457	35,530	113,269		731,174
1995 - 96	353,740	167,947	156,599	33,859	152,645		864,790
1996 - 97	355,187	168,634	157,240	33,998	159,500		874,559

Source: Comprehensive Annual Financial Report

*Merger between LACTC & SCRTRD

(A) Cumulative effect on prior years (to June 30, 1986) of discounting liability for insurance claims.

(B) Includes interest expense, a non-operating cost.

Graphical Presentation of Table 8

