

Comprehensive Annual Financial Report



*For the Fiscal Year Ended
June 30, 1998*

*Los Angeles County
Metropolitan Transportation Authority
Los Angeles, CA*





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Metropolitan Transportation Authority
Los Angeles, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1998

Prepared by:
FINANCE

George C. Beck, Director of Accounting
Terry Matsumoto, Executive Officer, Finance

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 1998

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December 18, 1998

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

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

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (MTA) for the fiscal year ended June 30, 1998 is submitted herewith. Responsibility for both the accuracy of the data and 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 general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the 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 reports on the internal control structure and compliance with applicable laws and regulations, are set forth in a separate Single Audit report.

The Reporting Entity

The Los Angeles County Metropolitan Transportation Authority 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 the second largest bus system in the United States providing service to over one million bus passengers daily with over 71.4 million 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 easy 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 included a new 27-floor high rise that serves as the MTA's headquarters. The building houses approximately 1,400 MTA employees who were previously located at 13 other sites.

Major Achievements and Initiatives - Construction-Heavy Rail

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

The Metro Red Line - Hollywood extension construction project is advancing toward the completion and operational date of May 1999. This extension is made up of three stations along Vermont Avenue and two stations along Hollywood Boulevard with stations stops at Western Avenue and Vine Street. The Hollywood and Vine station is design to evoke the history, glamour and excitement of the Hollywood film industry in its yesteryears in all its glamour. The station interior is a "star-studded" design with various artifacts and references to the film industry.

Once revenue operations begins in May of 1999, the Hollywood Extension will be a significant addition to a subway system that is designed to provide a fast, safe and efficient travel alternative. The stations of the Metro Red Line Hollywood Extension will serve as a component of a multi-modal public transit system with bus and rail interface. Metro Red line riders will be able to transfer to bus lines and this transit alternative will provide an efficient method of transportation for riders who wish to utilize the subway system and bus system as a transportation alternative. The Hollywood and Vine Station and subway extension once completed will be a driving force in the revitalization of the Hollywood business district and community.

Construction - Light Rail

In August 1995, the Metro Green Line officially began carrying passengers. The line is a 20-mile east-west route, that runs 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 Segment 2 - The Hollywood Extension is currently undergoing extensive testing in preparation for the opening in May 1999.
- Tunneling has been completed and construction remains on schedule for the North Hollywood extension of the Metro Red Line Segment 3 Project, with the completion date scheduled for May 2000. 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.
- In September 1998, a State law was signed that created the Pasadena Metro Blue Line Authority for the purpose of awarding and overseeing all design and construction contracts for completion of the Los Angeles to Pasadena Metro Blue Line light rail project. Upon completion of the project the MTA will assume responsibility for operating the Pasadena Metro Blue Line.
- In January 1998 the MTA suspended construction of the Metro Rail Mid City and Eastside and Valley extensions pending a regional transportation alternative analysis (RTAA).

Major Achievements and Initiative -Bus and Rail Operations

The MTA Bus System serves an estimated 1.2 million passengers daily. The Operations unit 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 and a redistribution of services, 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 Crowding:** The MTA's loads are higher than other local service providers. Goals have been set to reduce crowding by adding additional buses to its 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.

As part of the RTAA, the MTA adopted an accelerated bus procurement plan. The goals of this plan are to purchase 2,095 buses between fiscal years 1998 and 2004 at an estimated cost of \$817 million. Most of the new buses will have low floors allowing for easier access for passengers. This plan will lower the average age of the MTA's bus fleet from more than 9 years old to less than 6 years old by the end of the calendar year 2004. The California Transportation Commission (CTC) approved the plan in December 1998 and allocated \$151 million to assist in funding. The purchase of these new buses will help achieve a major goal set by the MTA by improving the bus service and reducing crowding on the bus system.

Other Bus and Rail Operations Goals are:

- Complete the multi-year transit radio system program for an integrated bus radio communication system and equipment.
- Global Positioning System (GPS) to be installed on all buses and at MTA's Central Dispatch to provide an accurate location of each bus in service.
- Internal message signs for improved communication; cameras for improved security; and voice annunciators for both improved communication and security.
- Development and design of lighter, safer and more passenger friendly buses. One way is the continued participation in a public/private joint venture between Northrop and the MTA for continued testing of the Advanced Technology Transit Bus.
- Design and development of more efficient, dependable, cost-saving power plants for buses.
- The purchase of a electronic diagnostic system to troubleshoot mechanical and electrical system problems so that buses return to service quicker.
- Completion of the remodeling of the Metro Red Line maintenance facility.
- Construction of a maintenance facility for the light rail equipment.
- Extension of Metro Blue Line platforms.
- Purchase of wheel truing equipment to provide a smoother and quieter ride on trains.

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 transit.

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 operational services to the MTA and other transit operators around the country. The field testing phase successfully continued throughout the year.

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 continues in 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 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 Tele Village 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 accessible access point not only to the Internet but also to electronic transactions and commerce of all sorts. This project is in its third year of successful operations.

Long Range Plan

The Long Range Plan (LRP) 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. The LRP was last updated in 1996.

In continuing the process for updating the LRP, the MTA:

- Submitted and received the approval of Federal agencies for its Rail Restructuring Plan in May 1998. This plan specifically focused on the MTA's rail construction program over the 6 year period from FY 99-04.
- Began an assessment of all regional transportation alternatives throughout the County. The first significant improvement adopted was the 2,095 accelerated bus procurement plan.

Further assessment of alternatives will continue through FY 99. When the assessment phase is completed, the LRP update will commence.

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 a assessment of state and federal funding possibilities. The MTA bases its future funding assumptions on economic projections used by various governmental 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, while consumer confidence is at its highest point in six years. Unemployment has been inching its way down since reaching its peak of 8.5% in 1996. 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 1999 and 2000. 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
1997-98	880,250

The long term revenue outlook for the MTA is dependent on a number of factors. Key factors include: future rail construction projects such as the extension of the Metro Red Line project to the Eastside, Mid-cities and the San Fernando Valley which have been suspended; and, continued funding support from federal and state agencies is needed to enable the MTA to complete the accelerated bus purchase plan.

The MTA's revenue outlook is 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 fund highway projects.

The MTA commitments to improving and managing street and highway traffic include funding the following projects 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 the 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

Annual budgets are adopted on a basis consistent with general accepted accounting principles for all governmental funds and proprietary funds. Activities of the General fund, Enterprise fund, Internal Service fund, Debt Service fund and certain Special Revenue funds are included in the annual appropriated budget. The appropriated budget is prepared by fund, project and department, any additional appropriations require board approval. Comprehensive multi-year construction program budgets are adopted when rail projects are approved for final design and construction, this provides project-length budgetary control. 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 Resources

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, 1998. Also presented is a comparison for such amounts with the prior year (in thousands).

<u>Resources</u>	<u>FY 98</u>	Percent of <u>Total</u>	<u>FY 97</u>	Increase <u>(Decrease)</u>
Sales Tax	\$1,131,676	71%	\$1,050,496	\$ 81,180
Intergovernmental	381,089	24%	408,537	(27,448)
Licenses	6,047	01%	6,496	(449)
Interest	60,761	03%	59,954	807
Lease & Other	<u>10,618</u>	<u>01%</u>	<u>6,622</u>	<u>3,996</u>
Total	<u>\$1,590,191</u>	<u>100%</u>	<u>\$1,532,105</u>	<u>\$ 58,086</u>

Sales Tax revenue increases are due in part to the upturn in the Los Angeles County economy. Sales Tax revenue include Propositions A and C and TDA Sales Tax.

Intergovernmental revenue decreases are due in part to decreases in rail construction expenditures that are on a cost reimbursement basis.

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 98</u>	<u>Percent of Total</u>	<u>FY 97</u>	<u>Increase (Decrease)</u>
Administration	\$ 80,215	06%	\$ 96,448	\$ (16,233)
Transportation				
Subsidy	509,698	38%	500,681	9,017
Capital Outlay	523,872	39%	677,586	(153,714)
Debt Service/Other	<u>219,351</u>	<u>17%</u>	<u>213,677</u>	<u>5,674</u>
Total	<u>\$1,333,136</u>	<u>100%</u>	<u>\$1,488,392</u>	<u>\$(155,256)</u>

The decrease in administrative costs are due primarily to downsizing within the agency.

Capital outlay expenses decrease due to the construction demobilization plan.

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 balances are invested as permitted by State law in certificates of deposit, money market accounts and other investments.

Restricted cash and investments with fiscal agents represents restricted monies held by Trustees for payment of debt service principal and interest expense, also included are funds set aside for cost overruns on capital projects, and self-insurance reserves for workers' compensation and public liability/property damage claims.

Risk Management

The MTA protects itself against the adverse consequences of material financial loss through a balanced program of risk retention, risk transfers, and the purchase of commercial insurance. Loss exposures retained by the MTA and treated as normal operating expenses include 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 workers' compensation and employer's liability, employee benefits, vehicle liability, and specified rail construction risks.

Rail construction projects are protected through the purchase of an Owner Controlled Insurance Program (OCIP). OCIP 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. The joint venture of PricewaterhouseCoopers and Vargas, Lopez 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 and

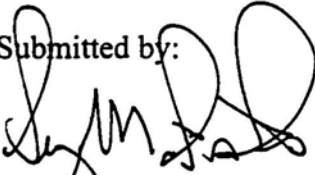
1997. The Certificate of Achievement is the highest form of recognition for excellence in State and local government financial reporting.

In order to be awarded a Certificate of Achievement, the MTA must publish an easily readable and well organized comprehensive annual financial report whose contents conform to program standards. Such report 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 Accounting Department who are to be commended for their high level of performance.

Submitted by:


Terry Matsumoto
Executive Officer, Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County
Metropolitan Transportation
Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

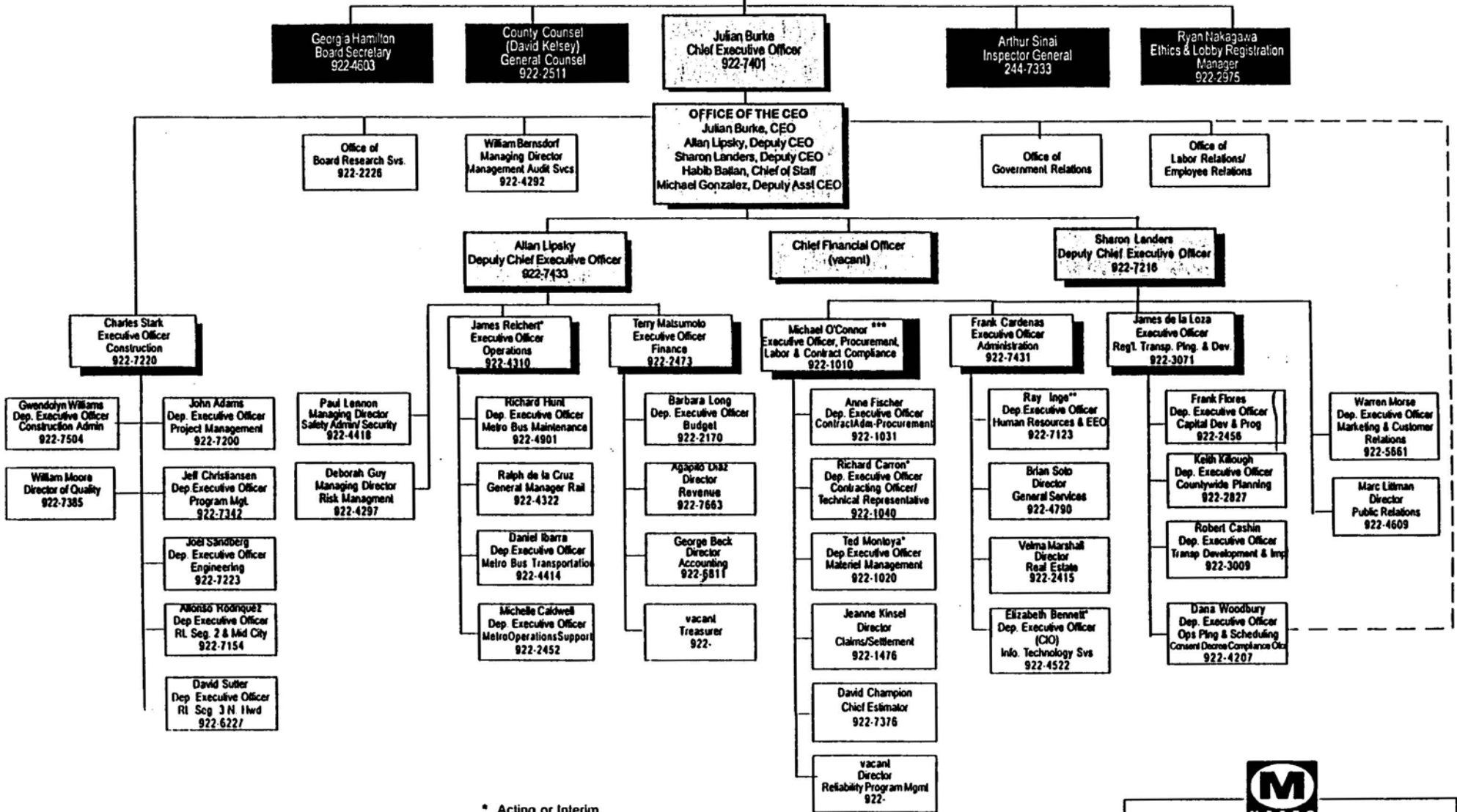
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Douglas R. Ellaworth
President

Jeffrey L. Essler
Executive Director

MTA BOARD OF DIRECTORS



* Acting or Interim

** Ray Ingo is also designated Affirmative Action Officer and in such role reports directly to the CEO.

*** Michael O'Connor is also designated Labor and Contract Compliance Officer and in such role reports directly to the CEO.



Los Angeles County
Metropolitan Transportation Authority
Management Organization Chart
as of August 6, 1998
Published by Human Resources Department
(213) 922-7181
MTA Central Telephone (213) 922-6000



LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

COUNTY OF LOS ANGELES

Supervisor Michael Antonovich	-	Fifth District
Supervisor Yvonne Burke, 1st Vice Chair	-	Second District
Supervisor Don Knabe	-	Fourth District
Supervisor Gloria Molina	-	First District
Supervisor Zev Yaroslavsky	-	Third District

CITY OF LOS ANGELES

Richard Riordan, Chair	-	Mayor, Los Angeles
Councilman, Richard Alatorre	-	14th District
Councilman, Hal Bernson	-	12th District
Jose Legaspi (Mayor's Appointee)	-	Private Sector

LOS ANGELES COUNTY CITY SELECTION COMMITTEE

Councilman James Cragin, 2nd Vice Chair	-	Gardena
Councilman John Fasana	-	Duarte
Councilwoman Jenny Oropeza	-	Long Beach
Councilman Larry Zarian	-	Glendale

EX-OFFICIO MEMBER APPOINTED BY THE GOVERNOR

Tony V. Harris

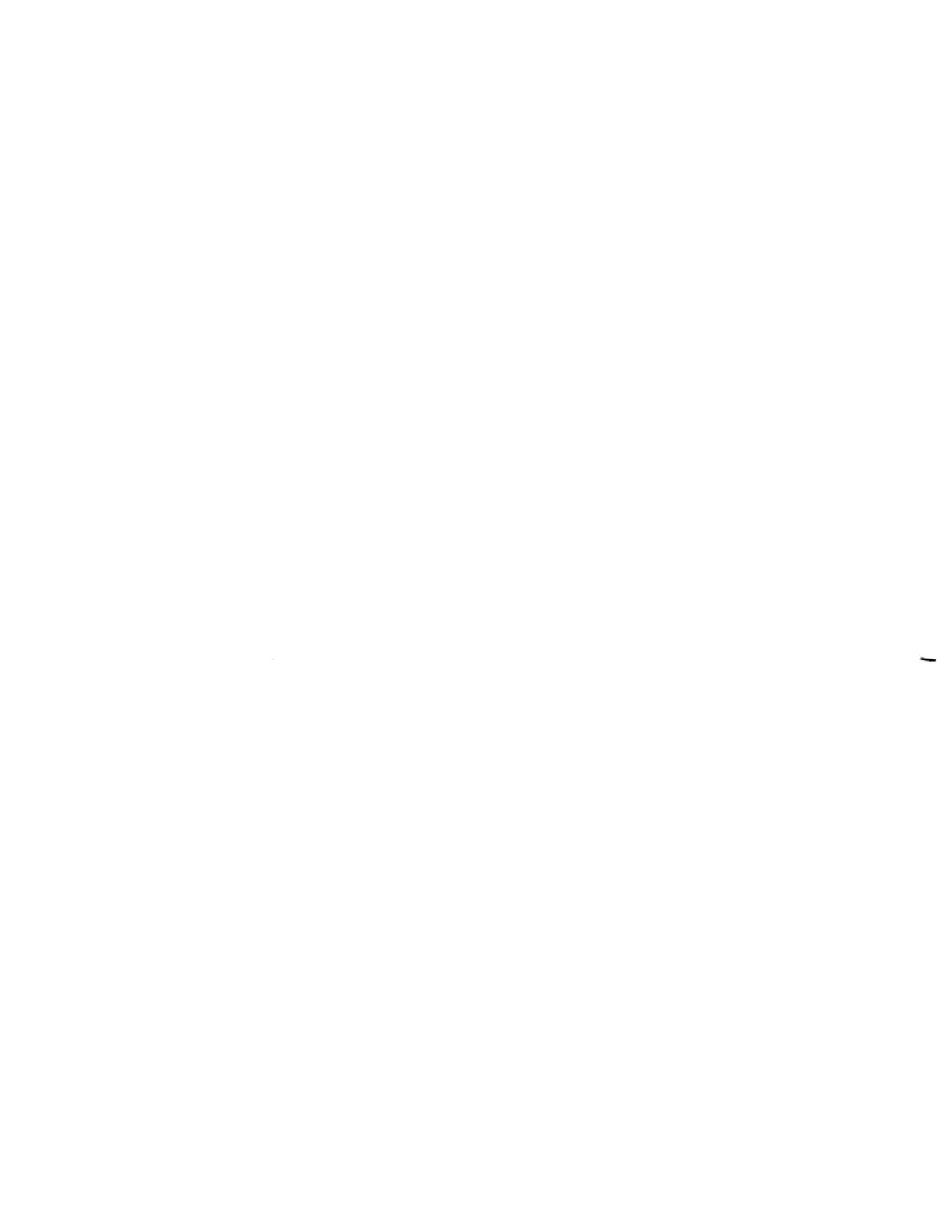
CONTRUCTION COMMITTEE EX-OFFICIO MEMBERS

George Battey, Jr.
William Dahl

Mailing Address:
One Gateway Plaza
Los Angeles, CA 90012
Phone: (213) 922-4601
Fax No. (213) 922-4594



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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, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the MTA's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The MTA has included such disclosures in Note 18 to its financial statements. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the MTA's disclosures with respect to the Year 2000 issue made in Note 18. Further, we do not provide assurance that the MTA is or will be Year 2000 ready, that the MTA's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the MTA does business will be Year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of the MTA, as of June 30, 1998, and the results of operations and the cash flows of its proprietary fund types and nonexpendable trust

funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we will issue reports, within the required statutory time limit, on our consideration of the 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 133 through 149 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.

PricewaterhouseCoopers LLP

December 11, 1998

General Purpose Financial Statements

Los Angeles County Metropolitan Transportation Authority
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1998
(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)	\$ 21,386	\$ 301,184	\$ 2,439	\$ 127,225
Investments (Note 3)	103	363	-	28,334
Receivables: (net of allowances for uncollectibles)				
Accounts	-	-	-	496
Intergovernmental	14,381	87,185	210	237,485
Sales Tax	-	57,056	-	-
Notes	639	-	-	-
Interest	197	2,601	2,503	743
Benefit assessment	-	-	-	-
Leases and other	652	4,270	2,541	7,650
Advances to other funds (Note 10)	-	164,115	-	-
Inventory	-	-	-	-
Prepaid items and other assets	4,580	-	-	4,052
Restricted assets:				
Cash and cash equivalents (Note 3)	-	-	134,737	6,959
Investments (Note 3)	-	-	88,286	33,490
Fixed assets - net (Note 4)	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debits	\$ 41,938	\$ 616,774	\$ 230,716	\$ 446,434

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	
\$ 11,218	\$ 154,316	\$ -	\$ -	\$ -	\$ 617,768
-	-	-	-	-	28,800
18,805	-	-	-	-	19,301
32,279	25,079	-	-	-	396,619
-	-	-	-	-	57,056
-	-	-	-	-	639
341	147	4,755	-	-	11,287
-	-	605	-	-	605
152	1,242	1,380	-	-	17,887
2,795	161,654	-	-	-	328,564
51,386	-	-	-	-	51,386
3,017	3,467	-	-	-	15,116
35,130	17,626	4,928	-	-	199,380
13,843	53,944	713,825	-	-	903,388
3,093,735	147,896	-	4,313,008	-	7,554,639
-	-	-	-	109,474	109,474
-	-	-	-	3,098,424	3,098,424
<u>\$ 3,262,701</u>	<u>\$ 565,371</u>	<u>\$ 725,493</u>	<u>\$ 4,313,008</u>	<u>\$ 3,207,898</u>	<u>\$ 13,410,333</u>

**Los Angeles County Metropolitan Transportation Authority
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1998
 (Amounts expressed in thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, equity and other credits				
Liabilities:				
Accounts payable	\$ 4,133	\$ 21,205	\$ 431	\$ 70,016
Accrued liabilities	10,820	9,937	1,230	45,483
Claims and judgement payable (Note 12)	-	-	-	22,652
Advances from other funds (Note 10)	-	59,276	-	92,698
Accrued interest payable	-	-	77,906	-
Compensated absences payable (Note 9)	-	-	-	-
Bonds and notes payable - current	-	-	41,675	-
Due to other governments	300	17	-	69
Deferred revenues	13,260	-	-	173,815
Other liabilities	45	-	-	5,611
Post-retirement benefits payable (Note 9)	-	-	-	-
Liabilities for retirement income plan	-	-	-	-
Bonds and notes payable (Note 5)	-	-	-	-
Total liabilities	<u>28,558</u>	<u>90,435</u>	<u>121,242</u>	<u>410,344</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)	-	352,837	-	-
Reserved for encumbrances (Note 14)	-	-	-	720,229
Reserved for notes receivable (Note 14)	639	-	-	-
Reserve for prepaid and other assets (Note 14)	4,580	-	-	4,052
Reserved for advances (Note 14)	-	164,115	-	-
Reserved for debt service (Note 14)	-	-	109,474	-
Reserved for employee retirements (Note 14)	-	-	-	-
Unreserved, undesignated	8,161	9,387	-	(688,191)
Total equity (deficit) and other credits	<u>13,380</u>	<u>526,339</u>	<u>109,474</u>	<u>36,090</u>
Total liabilities, equity and other credits	<u>\$ 41,938</u>	<u>\$ 616,774</u>	<u>\$ 230,716</u>	<u>\$ 446,434</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	
\$ 30,034	\$ 32,844	\$ 10,357	\$ -	\$ -	\$ 169,020
213	32,890	4,799	-	-	105,372
36,421	99,156	-	-	-	158,229
176,590	-	-	-	-	328,564
2,054	4,595	2,973	-	-	87,528
-	52,232	-	-	-	52,232
9,865	7,400	1,310	-	-	60,250
-	-	-	-	-	386
9,104	-	-	-	-	196,179
-	-	-	-	-	5,656
-	55,258	-	-	-	55,258
-	-	14,558	-	-	14,558
59,185	133,100	-	-	3,207,898	3,400,183
<u>323,466</u>	<u>417,475</u>	<u>33,997</u>	<u>-</u>	<u>3,207,898</u>	<u>4,633,415</u>
-	-	-	4,313,008	-	4,313,008
(102,240)	-	-	-	-	(102,240)
970,495	-	-	-	-	970,495
308,664	-	-	-	-	308,664
1,762,316	147,896	-	-	-	1,910,212
-	-	-	-	-	352,837
-	-	-	-	-	720,229
-	-	-	-	-	639
-	-	-	-	-	8,632
-	-	-	-	-	164,115
-	-	-	-	-	109,474
-	-	691,496	-	-	691,496
-	-	-	-	-	(670,643)
<u>2,939,235</u>	<u>147,896</u>	<u>691,496</u>	<u>4,313,008</u>	<u>-</u>	<u>8,776,918</u>
\$ <u>3,262,701</u>	\$ <u>565,371</u>	\$ <u>725,493</u>	\$ <u>4,313,008</u>	\$ <u>3,207,898</u>	\$ <u>13,410,333</u>

Los Angeles County Metropolitan Transportation Authority
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Fund
 For the year ended June 30, 1998
 (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	\$ -	\$ 1,131,676	\$ -	\$ -	\$ -	\$ 1,131,676
Intergovernmental	367	89,847	3,583	287,292	-	381,089
Investment income	2,525	30,556	12,574	15,106	-	60,761
Net appreciation in fair value of investments	62	395	157	265	-	879
Lease and rental	1	-	-	9,097	-	9,098
Licenses and fines	365	5,682	-	-	-	6,047
Other	-	-	278	363	-	641
Total revenues	3,320	1,258,156	16,592	312,123	-	1,590,191
Expenditures:						
Current:						
Administration and other	17,122	8,915	-	54,179	-	80,216
Transportation subsidies	19,082	490,616	-	-	-	509,698
Capital Outlay	-	-	-	523,872	-	523,872
Debt service:						
Interest and fiscal charges	-	-	172,579	-	-	172,579
Bond issuance costs	-	-	89	-	-	89
Bond principal	-	-	45,025	-	-	45,025
Joint development expenditure	-	-	1,657	-	-	1,657
Total expenditures	36,204	499,531	219,350	578,051	-	1,333,136
Excess (deficiency) of revenues over expenditures	(32,884)	758,625	(202,758)	(265,928)	-	257,055
Other financing Sources (Uses):						
Operating transfers in	47,517	118,829	184,820	260,614	2	611,782
Operating transfers out	(2)	(799,524)	(3,906)	(263,683)	-	(1,067,115)
Proceeds of refunding bonds	-	-	219,710	-	-	219,710
Payment to refunding bond escrow agent	-	-	(377,721)	-	-	(377,721)
Total other financing sources (uses)	47,515	(680,695)	22,903	(3,069)	2	(613,344)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	14,631	77,930	(179,855)	(268,997)	2	(356,289)
Fund (deficit) balances - beginning of year	(1,251)	448,409	289,329	305,087	(2)	1,041,572
Fund (deficit) balances - end of year	\$ 13,380	\$ 526,339	\$ 109,474	\$ 36,090	\$ -	\$ 685,283

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



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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, 1998
 (Amounts expressed in thousands)

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales tax	\$ -	\$ -	\$ -	\$ 1,098,254	1,131,676	\$ 33,422
Intergovernmental	10,460	367	(10,093)	70,920	89,847	18,927
Investment income	950	2,525	1,575	23,300	30,556	7,256
Net appreciation in fair value of investments	-	62	62	-	395	395
Lease and rental	-	1	1	-	-	-
Licenses and fines	40	365	325	6,050	5,682	(368)
Other	-	-	-	-	-	-
Total revenues	11,450	3,320	(8,130)	1,198,524	1,258,156	59,632
Expenditures:						
Current:						
Administration and other	15,175	17,122	(1,947)	9,670	8,915	755
Transportation subsidies	33,201	19,082	14,119	543,303	490,616	52,687
Capital Outlay	-	-	-	-	-	-
Debt service:						
Interest and fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Bond principal	-	-	-	-	-	-
Joint development expenditure	-	-	-	-	-	-
Total expenditures	48,376	36,204	12,172	552,973	499,531	53,442
Excess (deficiency) of revenues over expenditures	(36,926)	(32,884)	4,042	645,551	758,625	113,074
Other financing Sources (Uses):						
Operating transfers in	51,451	47,517	(3,934)	207,960	118,829	(89,131)
Operating transfers out	-	(2)	(2)	(772,159)	(799,524)	(27,365)
Proceeds from financing	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	51,451	47,515	(3,936)	(564,199)	(680,695)	(116,496)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	14,525	14,631	106	81,352	77,930	(3,422)
Fund (deficit) balances - beginning of year	(1,251)	(1,251)	-	448,409	448,409	-
Fund (deficit) balances - end of year	\$ 13,274	\$ 13,380	\$ 106	\$ 529,761	\$ 526,339	\$ (3,422)

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,108	3,583	(525)	576,206	287,292	(288,914)
-	12,574	12,574	-	15,106	15,106
-	157	157	-	265	265
-	-	-	9,100	9,097	(3)
-	-	-	-	-	-
-	278	278	-	363	363
<u>4,108</u>	<u>16,592</u>	<u>12,484</u>	<u>585,306</u>	<u>312,123</u>	<u>(273,183)</u>
-	-	-	61,284	54,179	7,105
-	-	-	-	-	-
-	-	-	756,220	523,872	232,348
199,641	172,579	27,062	-	-	-
-	89	(89)	-	-	-
62,265	45,025	17,240	-	-	-
-	1,657	(1,657)	-	-	-
<u>261,906</u>	<u>219,350</u>	<u>42,556</u>	<u>817,504</u>	<u>578,051</u>	<u>239,453</u>
<u>(257,798)</u>	<u>(202,758)</u>	<u>55,040</u>	<u>(232,198)</u>	<u>(265,928)</u>	<u>(33,730)</u>
257,798	184,820	(72,978)	394,229	260,614	(133,615)
-	(3,906)	(3,906)	(349,909)	(263,683)	86,226
-	-	-	225,217	-	(225,217)
-	219,710	219,710	-	-	-
-	(377,721)	(377,721)	-	-	-
<u>257,798</u>	<u>22,903</u>	<u>(234,895)</u>	<u>269,537</u>	<u>(3,069)</u>	<u>(272,606)</u>
-	(179,855)	(179,855)	37,339	(268,997)	(306,336)
289,329	289,329	-	305,087	305,087	-
<u>\$ 289,329</u>	<u>\$ 109,474</u>	<u>\$ (179,855)</u>	<u>\$ 342,426</u>	<u>\$ 36,090</u>	<u>\$ (306,336)</u>

Los Angeles County Metropolitan Transportation Authority
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 All Proprietary Fund Types and Pension Trust Fund
 For the year ended June 30, 1998
 (Amounts expressed in thousands)

Exhibit 4

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum only)
	Enterprise	Internal Service	Pension Trust	
Operating revenues:				
Passenger fares	\$ 222,502	\$ -	\$ -	\$ 222,502
Route subsidies	265	-	-	265
Investment income	-	-	19,720	19,720
Auxiliary transportation	8,570	-	-	8,570
Charges for services	-	484,914	-	484,914
Employer contributions	-	-	11,386	11,386
Employee contributions	-	-	11,788	11,788
Total operating revenues	231,337	484,914	42,894	759,145
Operating Expenses:				
Transportation	433,560	-	-	433,560
Vehicle maintenance	113,368	-	-	113,368
Non-vehicle maintenance	27,352	-	-	27,352
General and administrative	140,332	55,441	3,475	199,248
Depreciation	158,027	6,890	-	164,917
Salaries and wages	-	177,828	-	177,828
Fringe benefits	-	255,436	-	255,436
Benefits and contribution refunds paid to participants and beneficiaries	-	-	98,530	98,530
Total operating expenses	872,639	495,595	102,005	1,470,239
Operating income (loss)	(641,302)	(10,681)	(59,111)	(711,094)
Nonoperating revenues / (expenses):				
Local operating grants	1,560	-	-	1,560
Federal operating grants	26,372	-	-	26,372
Investment income	3,691	3,058	-	6,749
Net appreciation in fair value of investments	192	1,071	78,431	79,694
Interest expense	(4,108)	(9,472)	-	(13,580)
Gain (loss) on disposition of fixed assets	2,606	-	-	2,606
Other	3,045	873	-	3,918
Total nonoperating revenues	33,358	(4,470)	78,431	107,319
Income (loss) before operating transfer in	(607,944)	(15,151)	19,320	(603,775)
Operating transfers in	445,861	9,472	-	455,333
Net income (loss) for the year	(162,083)	(5,679)	19,320	(148,442)
Add back depreciation on assets acquired with capital grants	157,684	6,890	-	164,574
Increase (decrease) in retained earnings	(4,399)	1,211	19,320	16,132
Retained earnings (deficit) - beginning of year	(97,841)	(1,211)	672,176	573,124
Retained earnings (deficit) - end of year	\$ (102,240)	\$ -	\$ 691,496	\$ 589,256

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, 1998
(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	\$ (641,302)	\$ (10,681)	\$ (651,983)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Depreciation	158,027	6,890	164,917
Net effect of changes in:			
Accounts receivables	3,025	-	3,025
Leases and other receivables	2,997	(34)	2,963
Advances to other funds	6,604	68,723	75,327
Prepaid and other assets	272	2,407	2,679
Inventories	(3,674)	-	(3,674)
Accounts payables	9,062	25,441	34,503
Accrued liabilities	(78)	(7,733)	(7,811)
Advances from other funds	(53,787)	-	(53,787)
Compensated absences payable	-	(22,753)	(22,753)
Post retirement benefits payable	-	7,256	7,256
Claims and judgement payable	36,421	(29,222)	7,199
Deferred revenues	286	-	286
Net cash used in operating activities	<u>(482,147)</u>	<u>40,294</u>	<u>(441,853)</u>
Cash flow from non-capital financing activities:			
Proceeds from operating grants	30,065	-	30,065
Operating transfers in from other funds	445,861	9,472	455,333
Net cash provided by non-capital financing activities	<u>475,926</u>	<u>9,472</u>	<u>485,398</u>
Cash flow from capital and related financing activities:			
Proceeds from capital grants received	10,228	-	10,228
Proceeds from sale/retirement of fixed assets	3,308	-	3,308
Payment of matured bonds and notes payable	(9,865)	(6,900)	(16,765)
Interest paid on bonds and notes payable	(4,367)	(9,383)	(13,750)
Net cash used in capital and related financing activities	<u>(696)</u>	<u>(16,283)</u>	<u>(16,979)</u>
Cash flow from investing activities:			
Proceeds from sales and maturity of investments	11,661	20,346	32,007
Purchase of investments	(7,481)	(19,519)	(27,000)
Interest received on investments	3,605	3,083	6,688
Net cash provided by investing activities	<u>7,785</u>	<u>3,910</u>	<u>11,695</u>
Net increase in cash and cash equivalents	868	37,393	38,261
Cash and cash equivalents - beginning of year	45,480	133,654	179,134
Cash and cash equivalents - end of year	\$ 46,348	\$ 171,047	\$ 217,395
Supplemental schedule of noncash investing, capital and financing transactions:			
Transfer of fixed assets from General Fixed Assets Account Group	<u>\$ 138,454</u>	<u>\$ -</u>	<u>\$ 138,454</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, 1998

(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.

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 blended component units, although legally separate entities are, in substance part of the MTA's operations and so data from these units are combined with financial data of the MTA.

The MTA administers and includes the activities of the Public Transportation Service Corporation (PTSC), two Benefit Assessment Districts (BAD's), four Defined Benefit Pension Plans, and the LACMTA Leasing Authority, in the accompanying financial statements. They are treated as blended component units and reported in the Proprietary and the Fiduciary Fund types. 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.

The Public Transportation Service Corporation entered into an agreement with the MTA to acquire and perform duties for the following functions of MTA's operations: (a) multi-modal, multi-jurisdictional transportation planning within Los Angeles County; (b) programming of federal, state, and local funds for transportation projects within Los Angeles County; (c) overseeing subway and other public transportation construction projects within Los Angeles County; (d) providing security services for the operation of MTA's bus and rail system; (e) providing administrative support for the foregoing and to the operations of the bus and rail system.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1998

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 2,100 buses that covers a weekday total of 230,000 revenue service miles over a route system of approximately 3,200 miles carrying approximately 1.2 million weekday passengers.

The MTA also operates three metro rail lines. The Metro Blue Line is a light rail system, which covers 22 miles between the cities of Los Angeles and Long Beach. The Metro Green Line is a light rail system which covers 20 miles between the cities of Norwalk and El Segundo. The Metro 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 2 extensions of the Metro Red Line totaling 13 miles to Hollywood and North Hollywood.

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 are 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1998

(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.

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 GASB and 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

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.

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 - This 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, expendable trust 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 and Pension Trust fund. 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

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. 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. A reforecasted budget for operating and capital expenditures are submitted to the Board a minimum of once a year.

All Special Revenue Funds are included in the budgetary process. Because of the nature of some of these funds, especially those of an emergency type, it is difficult to determine when revenue can be projected and for those funds no budget is proposed. In these cases, management follows the events and proposes changes when information becomes available.

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

D. Encumbrances

Encumbrance accounting is employed 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 do not constitute expenditures or liabilities because the commitments will be reappropriated and honored in the subsequent year..

E. Cash and Investments

Investments are stated at market value. Net appreciation (depreciation) in the fair value of investments are shown in the Statement of Revenues, Expenditures and Changes in fund balance for all Governmental Fund types and in the combined statements of revenues, expenses and changes in retained earnings for the Proprietary Fund and Fiduciary Fund types.

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

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. 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. Advances to/Due from Other Funds

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.

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1998

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

PTSC provides a defined benefit pension plan for its employees through the California Public Employees' Retirement System (PERS) paid for by PTSC.

The MTA has a Single-Employer Public Employees Retirement System which includes four defined benefit pension plans for its 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. 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 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.

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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

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 has been presented in the selected sections of the accompanying financial statements. 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, 1998, the MTA's carrying amount of cash in checking and money market accounts was \$85,746,000 while the bank balance was \$118,438,705 with the difference represented primarily by outstanding checks. Two bank accounts were covered by Federal Deposit Insurance Corporation (FDIC) for up to \$100,000 each and \$118,238,705 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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1998

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
- Mutual funds
- Asset backed Securities
- Mortgage backed Securities

Restricted cash and investments are comprised of assets set aside for funding self-insurance claims, funding of debt, construction cost overruns, and pension benefits. Restricted cash for each of these purposes is held separately and is deposited in cash accounts or invested.

In 1998, MTA changed their method of accounting for investments to comply with Statement No. 31 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires Accounting for and Reporting of the certain Investments at Market Value based on nationally quoted market prices. The MTA has forgone restatement of the June 30, 1997, fund balances due to immateriality. The Pension Trust fund assets were stated at Market Value in the prior year.

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 Bank's Trust department 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

Investments at June 30, 1998 consisted of the following (in thousands):

	Categories			Market Value
	1	2	3	
<u>Categorized Investments</u>				
Certificates of Deposits	\$ 1,089	\$ -	\$ -	\$ 1,089
U.S. Treasury Securities			109,578	109,578
U.S. Agency Securities			259,535	259,535
Commercial Paper			120,229	120,229
Corporate Notes & Bonds			85,155	85,155
State and Local Gov't Securities			19,827	19,827
<u>Total Categorized Investments</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ 594,324</u>	<u>\$ 595,413</u>
<u>Non-Categorized Investments</u>				
Mutual Funds				121,970
Investment Contracts				85,477
Investment Pool				146,905
Pension Plan Investments				713,825
<u>Total Non-Categorized Investments</u>				<u>1,068,177</u>
<u>Total Investments</u>				<u>\$ 1,663,590</u>

A reconciliation of Cash and Investments as shown on the Combined Balance sheet for all funds at June 30, 1998 are as follow (in thousands):

Cash	\$ 85,746
Investments	<u>1,663,590</u>
Total	<u>\$1,749,336</u>
Reported as:	
Cash and cash equivalents	\$ 617,768
Investments	28,800
Restricted cash and cash equivalents	199,380
Restricted investments	<u>903,388</u>
Total	<u>\$1,749,336</u>

The net appreciation in fair value of investments reported in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund types was \$879,000. The net appreciation in fair value of investments reported in the Combined Statement of Revenues, Expenditures and Changes in Retained Earnings for the Proprietary Fund types and Fiduciary Fund types was \$79,694,000.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

(4) Fixed Assets

A summary of changes in the General Fixed Asset Account Group for the year ended June 30, 1998 follows (in thousands):

	Balance July 1, 1997	Additions	Transfers	Balance June 30, 1998
Land	\$ 903,680	\$ -	\$ (263)	\$ 903,417
Contributed Capital - SCRRA	134,797	7,500	-	142,297
Construction in Progress:				
Metro Rail, MOS 2 facilities	1,325,438	147,846	-	1,473,284
Metro Rail, MOS 3 facilities	717,766	245,207	-	962,973
Pasadena Line	179,638	30,890	-	210,528
Other construction in progress	520,210	123,983	(23,684)	620,509
Total	<u>\$ 3,781,529</u>	<u>\$ 555,426</u>	<u>\$ (23,947)</u>	<u>\$ 4,313,008</u>

The following is a summary of Enterprise Fund and Internal Service Fund fixed assets at June 30, 1998 (in thousands):

	<u>Enterprises</u>	<u>Internal Service</u>
Land	\$ 345,216	\$ -
Building and Structures	2,562,363	142,390
Vehicle	864,258	-
Bus Maintenance and Office Equipment	497,170	21,434
Total Cost	4,269,007	163,824
Less: Accumulated Depreciation	1,175,272	15,928
Net Fixed Assets	<u>\$ 3,093,735</u>	<u>\$ 147,896</u>

(5) Long-Term Debt

Long-term obligations of the MTA consist of sales tax revenue bonds, refunding bonds, certificates of participation, commercial paper 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, 1998 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

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 construction activities including rail construction and land acquisitions.

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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

The following schedule summarizes the changes, which occurred during the year ended June 30, 1998, in the liabilities reported in the General Long-Term Debt Account Group (in thousands):

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 1998</u>
Sales Tax Revenue Bonds and Refunding Bonds	\$ 2,753,638	\$ 220,969	\$ 246,575	\$ 2,728,032
Grand Central Square Bonds				
Redevelopment Bonds	21,665			21,665
Lease Revenue Bonds	9,448			9,448
General Revenue Bonds	185,735			185,735
Lease Revenue Bonds	28,485	268	1,760	26,993
Total Bonded Debt	<u>2,998,971</u>	<u>221,237</u>	<u>248,335</u>	<u>2,971,873</u>
Commercial Paper Notes	382,852		158,642	224,210
Certificates of Participation	13,700		1,885	11,815
Total	<u>\$ 3,395,523</u>	<u>\$ 221,237</u>	<u>\$ 408,862</u>	<u>\$ 3,207,898</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

At June 30, 1998, 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 Proposition C Refunding Bonds, Series 1998-A	1998	2024	5.0%-5.5%	219,710	219,710
Sales Tax Revenue Refunding Bonds, Series 1989-A	1989	2019	6.2%-7.4%	174,304	157,627
Sales Tax Revenue Bonds, Series 1991-A	1991	2003	5.85%-6.9%	500,000	15,575
Sales Tax Revenue Refunding Bonds, Series 1991-B	1991	2018	4.9%-6.5%	281,425	269,085
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	93,785
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	102,250
Sales Tax Revenue Proposition C Second Sr. Bonds, Series 1992-A	1992	2023	3.75%-6.75%	516,885	96,550
Sales Tax Revenue Proposition A Refunding Bonds, Series 1993-A	1993	2021	3.5%-6.25%	560,570	551,465
Sales Tax Revenue Proposition C Refunding Bonds, Second Sr. Bonds, Series 1993-A	1993	2020	Variable	204,095	203,165
Sales Tax Revenue Proposition C Second Sr. Bonds, Series 1993-B	1993	2023	4.75%-8.0%	312,350	302,670
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 1996-A	1995	2025	Variable	185,735	185,735
Lease Revenue Bonds	1990	2006	7.38%	26,400	17,270
Yen Obligation	1991	2006	4.94%	6,600	9,723
Certificates of Participation, Series 1991-G	1991	2004	4.9%-6.5%	19,340	10,065
Certificates of Participation, Series 1992-C	1992	2004	2.9%-6.0%	3,390	1,750
Commercial Paper Notes	1991	Various	Various	350,000	224,210
Total				\$4,320,447	\$3,207,898

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

The annual funding requirements (principal and interest) for the General Long-Term Debt Account Group liability at June 30, 1998 are as follows (in thousands):

Year Ending June 30	Bonded Debt	Other Debt	Governmental Funds Debt
1999	\$ 211,287	\$ 12,681	\$ 223,968
2000	224,227	12,586	236,813
2001	224,123	12,489	236,612
2002	225,036	12,392	237,428
2003	225,212	12,303	237,515
Thereafter	<u>4,539,757</u>	<u>226,324</u>	<u>4,766,081</u>
Total principal and interest	5,649,642	288,775	5,938,417
Less: Amount representing interest and accreted value	<u>2,677,769</u>	<u>52,750</u>	<u>2,730,519</u>
Total	<u>\$ 2,971,873</u>	<u>\$ 236,025</u>	<u>\$ 3,207,898</u>

In order to take advantage of current market conditions, on January 14, 1998, MTA pledged to issue and deliver Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1999-A in the amount of \$160,205,000 on or about April 6, 1999. A portion of the proceeds will be used to pay the cost associated with issuing the Series 1999-A, while the remaining balance will be deposited in trust and used to redeem Refunding Bonds on July 1, 1999 in the principal amount of \$148,648,858, plus interest and redemption premium due.

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, 1998, 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 ranges from 5.2% to 7.7% for the period 1995 to 2010. The purpose of these certificates is to provide a multiple-year worker's compensation self-insurance fund for the MTA. The total principal amount outstanding recorded in the Internal Service Fund as of June 30, 1998 is \$133,100,000.

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

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 recorded in the Enterprise Fund at June 30, 1998 is \$59,185,000.

The annual funding requirements (principal and interest) for the Long-term Debt outstanding of the Proprietary Fund Type at June 30, 1998 are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Certificates of Participation</u>
1999	\$ 29,992
2000	29,352
2001	28,637
2002	27,968
2003	26,666
Thereafter	<u>122,799</u>
Total Principal and Interest	265,414
Less: Amount representing interest	<u>73,129</u>
Total	<u>\$192,285</u>
Enterprise Fund	\$ 59,185
Internal Service fund	<u>133,100</u>
Total	<u>\$192,285</u>

Fiduciary Fund Type

Included in the Fiduciary Fund Type are accounts related to the Benefit Assessment Districts (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 \$149,525,000 and \$7,910,000, 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. Accordingly, no liability has been recorded in the accompanying financial statements.

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Notes to Combined Financial Statements (continued)
June 30, 1998

(6) Advance Refunding of Debt

The MTA refunded bond issues in advance by issuing \$219,710,000 Refunding Series 1998-A to provide resources to purchase U.S. Government securities. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$205,195,000 of refunded debt. As a result, the refunded bonds are considered to be legally 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 \$15,648,000 and resulted in an economic gain of \$11,031,000.

(7) Lease/Leaseback

In January 1997, the MTA entered into a head lease agreement to lease 30 Breda Heavy rail vehicles that are currently in service on the Red Line with a carrying value of \$38.5 million. The MTA 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 lease/leaseback transactions 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. MTA has no other obligations defeased in substance outstanding.

(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, 1998 were \$1,829,000. Future minimum lease payments for these leases are as follows (in thousands):

Year Ending <u>June 30,</u>	
1999	\$ 1,333
2000	1,192
2001	993
2002	1,011
2003	1,282
Thereafter	<u>0</u>
Total	<u>\$5,811</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

(9) Pensions and Post-Retirement Benefits

MTA has four defined benefit pension plans that cover substantially all full-time employees and PTSC has one covering all full-time employees. The total payroll for employees of both Companies for the year ended June 30, 1998 was \$439,755,000. A further breakdown of the payroll as it relates to the plans is noted below.

PTSC Employees

PTSC made contributions 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 total payroll for employees covered by PERS for the year ended June 30, 1998 was \$72,897,000 out of a total payroll of \$106,892,000 for this group of employees.

Full-time employees of PTSC 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, 1998, the contribution rate of covered payroll was 11.01% for July 1997 and 13.86% for the remainder of the year. These rates included the mandatory employee contribution of 7.0%, which has been assumed by the MTA. Effective July 1, 1998, the rate will be 13.86% of covered payroll comprised of the following

Employer current cost	6.86%
Employee cost	7.00%
Total	<u>13.86%</u>

PERS invests plan assets in a wide variety of investment portfolios including U.S. Government securities, bonds, stocks, and other types of investment instruments. The Plan investments conforming to California State laws have been determined to generally comply with MTA policy. Details of the PERS investment portfolios are published annually and may be found in the PERS annual report.

The term "pension benefit obligation" is a standard 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 PTSC'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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

projected benefits and is independent of the funding method used to determine contributions to the MTA's pension system.

The pension benefit obligation has been computed as part of an actuarial valuation performed as of June 30, 1996 (the latest information available) and reflects all plan amendments adopted through June 30, 1996. 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 PTSC employees at June 30, 1996 are as follows (in thousands):

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$3,973
Current employees: Accumulated employee contributions including allocated investment earnings	13,381
Employer financed vested	6,650
Employer financed non-vested	<u>1,077</u>
Total Pension Benefit Obligation	25,081
Less: Net Assets available for benefits at cost (market value is \$39,555,000)	<u>36,833</u>
Net Assets in Excess of Pension Benefit Obligation	<u>\$11,752</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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

Total contributions to PERS for the year ended June 30, 1998 were \$10,103,000, all of which was attributable to the PTSC. Such contributions were made in accordance with the latest PERS actuarial valuation. These pension contributions for normal costs include the employees' portion of \$4,960,000 for the year ended June 30, 1998.

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. The annual Pension Plan report has ten-year information and is available from PERS. The following historical trend information for the three years ended June 30, 1996 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
1994	\$24,201	\$17,215	140.6	\$ 6,986	\$33,271	21	\$4,350	13.1
1995	\$29,569	\$21,156	139.8	\$ 8,413	\$27,565	30.5	\$3,786	13.7
1996	\$36,833	\$25,081	146.9	\$11,752	\$23,234	50.6	\$3,331	14.3

MTA 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, 1997 was \$389,148,000. The MTA's total payroll for employees covered by these Plans for the year ended June 30, 1998 was \$330,412,000. 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, 1998

At December 31, 1997 (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	154	1,339	441	794	2,728
Current employees accruing benefits under the California Public Employees Retirement System				903	903
Active participants:					
Vested	489	2,844	1,499	550	5,382
Non Vested	132	360	304	66	862
Total	<u>775</u>	<u>4,543</u>	<u>2,244</u>	<u>2,313</u>	<u>9,875</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 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, 1997. 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 4.5% to 5% and no post-retirement benefit increases.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

Total pension benefit obligation applicable to the MTA at December 31, 1997 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	\$12,375	\$98,573	\$36,233	\$80,827	\$228,008
Current employees: Accumulated employee contributions, including allocated investment income	6,563	56,741	23,835	4,707	91,846
Employer financed vested	6,575	68,034	36,657	14,878	126,144
Employer financed non-vested	15,532	100,106	53,037	22,173	190,848
Total pension benefit obligations	41,045	323,454	149,762	122,585	636,846
Net assets available for benefits at Market Value	45,798	332,823	162,359	153,410	694,390
Overfunded Pension Benefit Obligation	\$4,753	\$9,369	\$12,597	\$30,825	\$57,544

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, 1998 were made in accordance with the actuarially determined requirements computed as of December 31, 1997.

The annual Pension Plans report has ten-year information and is available from the MTA. This report includes the following information: net assets available for benefits, pension benefit obligation, overfunded 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 purchased for retired employees and families through a commercial insurance policy on a pay as you go basis. Substantially all retirees of the MTA may become eligible for these 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 3,000 participants was \$ 9,012,000 for the year ended June 30, 1998 and MTA contributions are funded on a pay as you go basis. The outstanding liability for the Post-Retirement Benefits as of June 30, 1998 is \$55,258,000.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

“Other Employee Benefits”

The following is a summary of the compensated absences payable at June 30, 1998 (in thousands):

	<u>Contract</u>	<u>Non-Contract</u>	<u>Total</u>
Vacation	\$ 18,291	\$ 2,374	\$ 20,665
Sick Leave	13,692	2,610	16,302
TOWP		<u>15,265</u>	<u>15,265</u>
Total	\$ <u>31,983</u>	<u>\$20,249</u>	\$ <u>52,232</u>

(10) Advances To/Due From Other Funds

The following is a table summarizing Advances to and due from other funds at June 30, 1998 (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service	Enterprise Fund	\$ 161,654
Enterprise Fund	Transportation Development Act Art 4	2,795
Proposition A - 40%	Enterprise Fund	6,000
Proposition C - 10%	TSM Match	20,000
Proposition C - 10%	Budget Change Proposal	500
Proposition C - 40%	Enterprise Fund	8,936
Proposition C - 25%	CMAQ	23,500
Proposition C - 25%	TSM Match	4,600
Proposition C - 25%	FEMA Earthquake	5,900
Proposition C - 25%	FTA Section 26B	202
Proposition C - 25%	Heavy Rail	54,000
Proposition C - 25%	Bus & Rail Capital	28,000
FEMA Earthquake	FHWA Earthquake	1,779
Transportation Development Act Art 4	Heavy Rail (Prop C Bonds)	10,698
	TOTAL	<u>\$ 328,564</u>

(11) Deferred Compensation and 401(k) Savings Plan

Deferred Compensation Plan

The MTA has a deferred compensation plan for all employees established in accordance with IRC Section 457 which permits employees to defer a portion of their current salary to future years.

The plan is managed by a third party plan administrator. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to employees until termination, retirement, death or unforeseeable emergency. 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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1998

would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not recorded in the fiduciary fund.

At June 30, 1998 the deferred compensation plans had assets (at market value) totaling \$147,815,000.

401 (k) Savings Plan

The MTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to 15% of their earnings (10% for highly compensated employees) not to exceed \$10,000 in calendar year 1998. The savings plan is managed by a third party plan administrator, and the participants can direct the Plan Administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59 1/2, death or unforeseen emergency. As the employees are 100% vested in the plan, the plan's assets are not included in the accompanying financial statements.

At June 30, 1998, the 401(k) savings plan had assets (at market value) totaling \$54,818,000.

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 \$8,000.

(12) Claims and Judgement

The primary emphasis of risk management activities at 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. The consideration of the effect of potential self-insured or assumed losses is part of the MTA's financial planning process.

Construction

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 the work of contractors and subcontractors in their work on construction projects of the Metro Rail segments and the Southern California Regional Rail Authority (SCRRA) Lines for the interest of the MTA. As of June 30, 1998 the amount of settlements for the last three fiscal years did not exceed the insurance coverage in force on the reporting date. At June 30, 1998, a liability of \$22,652,000 has been determined and accrued for such potential losses.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

Operations

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 and PTSC believe that the estimated liability for self-insured claims at June 30, 1998 will be sufficient to cover any costs arising out of claims filed or to be filed for incidents which occurred through that date. The self-insurance programs are administered by a Third Party Administrator. The liability is based, in part, upon an independent 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 of June 30, 1998 is \$99,156,000.

The MTA is partially self-insured for public liability and property damage for non-construction activities up to \$4,500,000 per occurrence, MTA has acquired outside insurance coverage for losses in excess of this amount. In addition, MTA has an all-risk property insurance program is divided into two packages: (1) for rail operations including SCRRRA 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 amount of settlements has not exceeded the insurance coverage for the last years. The MTA reserves set aside for the incurred and outstanding liabilities as of June 30, 1998 is \$36,421,000.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

The following table summarizes changes in the insurance reserves for the years ended June 30, 1998 and 1997 (in thousands):

	Construction		Property and Casualty		Workers' Compensation		Total	
	1998	1997	1998	1997	1998	1997	1998	1997
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$39,442	\$16,297	\$54,131	\$54,472	\$ 72,556	\$ 76,268	\$166,129	\$147,037
Incurred claims and claim adjustment expenses								
Provisions for insured events of the current fiscal year	3,625	7,792	20,239	19,233	35,164	31,207	59,028	58,232
Increases(decreases) in provision for insured events of prior fiscal years	(553)	16,188	(15,561)	5,513	30,799	794	14,685	14,099
Total incurred claims and claims adjustment expense	42,514	40,277	58,809	79,218	138,519	108,269	239,842	219,368
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(963)	(65)	(1,365)	(899)	(7,019)	(6,165)	(9,347)	(7,129)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(18,899)	(770)	(21,023)	(24,188)	(32,344)	(29,548)	(72,266)	(54,506)
Total Payments	(19,862)	(835)	(22,388)	(25,087)	(39,363)	(35,713)	(81,613)	(61,635)
Total unpaid claims and claim adjustment expense at the end of the fiscal year	\$22,652	\$39,442	\$36,421	\$54,131	\$99,156	\$72,556	\$158,229	\$157,733

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

(13) Changes in Proprietary Fund Equity Balances

The changes in the Enterprise Fund (deficit) equity balances for the year ended June 30, 1998 are as follows (in thousands):

	Retained Earnings (Deficit)	Contributed Capital			Total
		Federal	State	Local	
<u>Enterprise Fund</u>					
Balance, July 1, 1997	\$ (97,841)	\$ 912,140	\$ 304,409	\$ 1,833,928	\$ 2,952,636
Decrease in Retained Earnings	(4,399)	-	-	-	(4,399)
Depreciation on assets acquired with capital grants	-	(58,130)	(8,509)	(91,045)	(157,684)
Capital grants & Fixed Asset Transfers	-	116,485	12,764	19,433	148,682
Balance, June 30, 1998	\$ <u>(102,240)</u>	\$ <u>970,495</u>	\$ <u>308,664</u>	\$ <u>1,762,316</u>	\$ <u>2,939,235</u>
<u>Internal Service Fund</u>					
Balance July 1, 1997	\$ (1,211)	\$ -	\$ -	\$ 154,786	\$ 153,575
Increase in Retained Earnings	1,211	-	-	-	1,211
Depreciation on assets acquired with capital grants	-	-	-	(6,890)	(6,890)
Capital grants	-	-	-	-	-
Balance, June 30, 1998	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>147,896</u>	\$ <u>147,896</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, - Established to set aside a portion of fund balance to indicate that certain non-current assets such as notes receivable.

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 Employee 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, 1998

Reserved for Prepaid and Other - Established to set aside a portion of the fund balance for certain non-cash assets such as prepaid accounts.

Reserved for Advances - Established to set aside a portion of fund balance for advances made to other funds.

(15) Deficit Fund/Retained Earnings Balances

As of June 30, 1998 the Enterprise fund had a deficit retained earning balance of 102.2 million and the Rideshare fund had a deficit fund balance of 1.9 million. The Metro Rail fund had a deficit fund balance of 43.5 million and the Other Capital fund had a deficit fund balance of 8.4 million. The primary reasons for the deficit in the Enterprise Fund were due to reductions in Federal operating grants assistance and a carryover deficit balance from prior years. 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 Rideshare, Metro Rail fund and Other Capital fund should be offset through additional operating transfers and additional local funding, primarily Proposition A and C and Debt issuance.

(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>
Port Highway	\$(15)
Federal Aid to Urban	\$(14)

(17) Construction in Progress and Other Significant Commitments

The MTA has three major construction projects underway as reported in Construction in Progress in the General Fixed Asset Account Group. These projects are the Red Line segment MOS-2 and MOS-3, and Metro Pasadena Blue Line which had all activities suspended effective January 1998

The second and final corridor of MOS-2 is a 6.7 mile project, the Vermont/Hollywood Corridor scheduled to begin operations in May 1999. The overall budget for MOS-2 is \$1.7 billion, of which \$1.4 billion has been expended as of June 30, 1998, with the remaining \$300 million to be funded with local and state 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 12.3 mile project with a preliminary cost estimate of \$2.5 billion and divided in three branches. The three branches include: the North Hollywood branch; the Mid-City branch; and the East Los Angeles branch. The MTA suspended all activities for the Mid-City and East Los Angeles

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)

June 30, 1998

branches in January 1998. The preliminary cost estimate for the North Hollywood branch is \$1.3 billion of which \$813.5 million has been expended as of June 30, 1998. The planned completion date for this project is 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 committed a total of \$1.4 billion, subject to annual appropriations. In 1996, a separate FFG for the North Hollywood branch was executed.

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 \$228.8 million has been expended as of June 30, 1998. No federal funds will be used to fund this project. The MTA suspended all activities for this project effective January 1998.

The Metro Green Line is a 20 mile light rail project with 14 stations from Norwalk to El Segundo. The Metro Green Line Project budget is \$712 million, of which \$673.2 million has been expended as of June 30, 1998. The rail project was completed in August 1995 and the scheduled remaining activities include completion of the Automatic Train Control System and continuing construction of the Maintenance of Way Facility. No federal funds are used to construct this project.

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 \$352.8 million for MOUs commitments in various Special Revenue Funds.

(18) Litigation and Other Contingencies

Litigation

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.

Year 2K Compliant

The Year 2K issue is the result of computer programs being written using two digits rather than four digits to define the applicable year. Any computer programs that are date sensitive may recognize a date using "00" as the year 1900 rather than the Year 2K. This could result in a system failure or miscalculations causing disruptions of operations.

To ensure a smooth and continuous operation, the MTA assembled a team of 55 employees and consultants that are reviewing the programs and identifying those that are not Y2K compliant. The team then determines if the program can be corrected or needs to be replaced. The Mission Critical systems are either being replaced or in the process of being remediated with some testing and validation already accomplished. The non Mission Critical systems have been assessed and are to be scheduled for remediation.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

The MTA have 150 computer programs, of which 15 have been identified as obsolete or to be replaced by new or enhanced systems. Of the remaining programs, 60 have been determined not to be Y2K compliant. Correction, testing and validation has been completed on 12 of these programs. The remaining 48 are in various stages of correction, testing and validation. The MTA has budgeted \$12.8 million to address the Y2K compliance issues.

The MTA is communicating with suppliers, financial institutions, and others to ensure they are on target to be Y2K compliant. The MTA is confident that all Mission Critical systems will be corrected prior to January 1, 2000.

Federal, State and Other Governmental Funding

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.

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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued)
June 30, 1998

The MTA has made capital contributions to the SCRRA totaling \$142,297,000 as of June 30, 1998. 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 provided 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, 1998 is as follows (in thousands):

Current Assets	\$ 72,296
Investments, Property and Equipment	731,463
Total Assets	<u>\$ 803,759</u>
Total Liabilities	\$ 73,717
Total Equity	730,041
Total Liabilities and Equity	<u>\$ 803,758</u>
Total Revenues	\$ 100,712
Total Expenses	(136,071)
Contributed Capital Adjustment for Depreciation	44,565
Net Increase in Retained Earnings	<u>\$ 8,506</u>

Additional detailed financial information is available from the SCRRA.

(20) Subsequent Events

Sales Tax Revenue Bonds

On July 2, 1998, the MTA issued \$21,700,000 variable rate Sales Tax Revenue Bonds, Series A, (City of Los Angeles Proposition C Local Allocation). The net proceeds of these bonds will be used by the City of Los Angeles primarily for the acquisition of certain buses for the City's local public transit operations. The City of Los Angeles has pledged their allocation of the Proposition C Sales tax revenue for the payment of the principal and interest cost associated with these bonds.

Worker's Compensation Insurance

On September 1, 1998, the MTA ceased to be self-insured for worker's compensation claims and awarded a contract for three years, not to exceed \$114,400,000 to Travelers Insurance Company for worker's compensation insurance and to administer the existing worker's compensation claims. In October 1998, the MTA and PTSC formed a joint power authority, to reduce the cost of each party's workers compensation expense, known as PTSC-MTA Risk Management Authority (PRMA) to issue the worker's compensation insurance to both companies. PRMA will assume the contract with Travelers Insurance Company under a reinsurance agreement.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to Combined Financial Statements (continued) June 30, 1998

Election Measure

On November 3, 1998, the voters of Los Angeles County passed a proposition which established the Independent Citizens' Advisory and Oversight Committee of the MTA. This committee will be responsible to carry out the requirements of this act. This act requires an independent audit, performed by an independent auditing firm to examine and report the amount of revenue received from sales tax propositions A and C, passed by voters in 1980 and 1990, and the related expenditures. This audit must begin within 45 days after the passing of this act and be completed by June 1, 1999. Thereafter, this report will be submitted by an independent auditing firm to the Committee within six months of the fiscal year being audited. In addition, the act prevents revenues from proposition A and C from funding any planning, development, construction, operating or indebtedness for such purposes, issued after March 30, 1998, of any new subway construction.

Pasadena Blue Line Construction Authority

On September 30, 1998, the Legislators of California enacted the law which established the Pasadena Blue Line Construction Authority. This organization is charged with the responsibility to complete the development and construction of the Pasadena Blue Line, a 13.6 mile light rail project. This project had been suspended by the MTA in January 1998.

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, 1998 and 1997
(Amounts expressed in thousands)

Exhibit A-1

	1998	1997
Assets		
Cash and cash equivalents	\$ 21,386	\$ 6,375
Investments	103	-
Receivables:		
Intergovernmental	14,381	13,806
Notes	639	1,786
Interest	197	3
Leases and other	652	657
Prepaid items and other assets	4,580	4,130
Total assets	\$ 41,938	\$ 26,757
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 4,133	\$ 3,481
Accrued liabilities	10,820	11,259
Due to other governments	300	-
Deferred revenues	13,260	13,260
Other liabilities	45	8
Total liabilities	28,558	28,008
Fund Balances:		
Reserved for notes receivable	639	1,786
Reserve for prepaid and other assets	4,580	-
Unreserved, undesignated	8,161	(3,037)
Total fund (deficit) balances	13,380	(1,251)
Total liabilities and fund balances	\$ 41,938	\$ 26,757

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit A-2

	1998	1997
Revenues:		
Intergovernmental	\$ 367	\$ 1,360
Investment income	2,525	867
Net appreciation in fair value of investments	62	-
Lease and rental	1	-
Licenses and fines	365	273
Total revenues	3,320	2,500
Expenditures:		
Current:		
Administration and other	17,122	20,676
Transportation subsidies	19,082	33,810
Total expenditures	36,204	54,486
Excess (deficiency) of revenues over expenditures	(32,884)	(51,986)
Other financing Sources (Uses):		
Operating transfers in	47,517	44,114
Operating transfers out	(2)	(2)
Total other financing sources (uses)	47,515	44,112
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	14,631	(7,874)
Fund (deficit) balances - beginning of year	(1,251)	6,623
Fund (deficit) balances - end of year	\$ 13,380	\$ (1,251)

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

Los Angeles County Metropolitan Transportation Authority
General Fund

Exhibit A-3

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the years ended June 30, 1998 and 1997
(Amounts expressed in thousands)

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 10,460	\$ 367	\$ (10,093)	\$ -	\$ 1,360	\$ 1,360
Investment income	950	2,525	1,575	1,050	867	(183)
Net appreciation in fair value of investments	-	62	62	-	-	-
Lease and rental	-	1	1	-	-	-
Licenses and fines	40	365	325	-	273	273
Total revenues	11,450	3,320	(8,130)	1,050	2,500	1,450
Expenditures:						
Current:						
Administration and other	15,175	17,122	(1,947)	36,861	20,676	16,185
Transportation subsidies	33,201	19,082	14,119	99,812	33,810	66,002
Total expenditures	48,376	36,204	12,172	136,673	54,486	82,187
Excess (deficiency) of revenues over expenditures	(36,926)	(32,884)	4,042	(135,623)	(51,986)	83,637
Other financing Sources (Uses):						
Operating transfers in	51,451	47,517	(3,934)	128,785	44,114	(84,671)
Operating transfers out	-	(2)	(2)	-	(2)	(2)
Proceeds from financing	-	-	-	7,322	-	(7,322)
Total other financing sources (uses)	51,451	47,515	(3,936)	136,107	44,112	(91,995)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	14,525	14,631	106	484	(7,874)	(8,358)
Fund (deficit) balances - beginning of year	(1,251)	(1,251)	-	6,623	6,623	-
Fund (deficit) balances - end of year	\$ 13,274	\$ 13,380	\$ 106	\$ 7,107	\$ (1,251)	\$ (8,358)

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 TCI - 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, 1998
(Amounts expressed in thousands)

	Proposition A	Proposition C	State Transit Assistance	Rideshare CMAQ TSM	Service Authority For Fwy Emergency
Assets					
Cash and cash equivalents	\$ 59,341	\$ 79,490	\$ 12,371	\$ 952	\$ 22,675
Investments	118	245	-	-	-
Receivables:					
Intergovernmental	-	29,353	-	45,203	-
Sales tax	24,946	25,524	6,586	-	-
Interest	371	769	149	2	40
Leases and other	-	-	23	-	-
Advances to other funds	6,000	145,638	-	-	-
Total assets	\$ 90,776	\$ 281,019	\$ 19,129	\$ 46,157	\$ 22,715
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ 19,642	\$ -	\$ -	\$ 816
Accrued liabilities	3,688	4,090	1,382	-	-
Advances from other funds	-	-	-	48,100	-
Due to other governments	-	-	-	-	-
Total liabilities	3,688	23,732	1,382	48,100	816
Fund Balances:					
Reserve for memoranda of understanding	81,088	111,649	17,747	-	21,899
Reserved for advances	6,000	145,638	-	-	-
Unreserved, undesignated	-	-	-	(1,943)	-
Total (deficit) fund balances	87,088	257,287	17,747	(1,943)	21,899
Total liabilities and fund balances	\$ 90,776	\$ 281,019	\$ 19,129	\$ 46,157	\$ 22,715

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

Transportation Development Act	PVEA	Federal Aid Urban	Port Highway Improvement Match	Budget Change Proposal	FEMA Earthquake Reimb.	Federal Board of Education	Total
\$ 100,768	\$ 228	\$ 14,446	\$ 10,673	\$ 16	\$ 146	\$ 78	\$ 301,184
-	-	-	-	-	-	-	363
377	-	49	-	901	6,271	5,031	87,185
-	-	-	-	-	-	-	57,056
1,214	1	28	22	5	-	-	2,601
-	-	-	-	-	4,247	-	4,270
10,698	-	-	-	-	1,779	-	164,115
<u>\$ 113,057</u>	<u>\$ 229</u>	<u>\$ 14,523</u>	<u>\$ 10,695</u>	<u>\$ 922</u>	<u>\$ 12,443</u>	<u>\$ 5,109</u>	<u>\$ 616,774</u>
\$ 747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,205
761	-	-	16	-	-	-	9,937
2,795	-	-	-	500	7,679	202	59,276
17	-	-	-	-	-	-	17
<u>4,320</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>500</u>	<u>7,679</u>	<u>202</u>	<u>90,435</u>
98,039	-	14,523	-	-	2,985	4,907	352,837
10,698	-	-	-	-	1,779	-	164,115
-	229	-	10,679	422	-	-	9,387
<u>108,737</u>	<u>229</u>	<u>14,523</u>	<u>10,679</u>	<u>422</u>	<u>4,764</u>	<u>4,907</u>	<u>526,339</u>
<u>\$ 113,057</u>	<u>\$ 229</u>	<u>\$ 14,523</u>	<u>\$ 10,695</u>	<u>\$ 922</u>	<u>\$ 12,443</u>	<u>\$ 5,109</u>	<u>\$ 616,774</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, 1998
(Amounts expressed in thousands)

	Proposition A	Proposition C	State Transit Assistance	Rideshare CMAQ TSM	Service Authority For Fwy Emergency
Revenues:					
Sales tax	\$ 438,321	\$ 441,929	\$ 31,538	\$ -	\$ -
Intergovernmental	1,692	38,010	-	39,364	-
Investment income	5,349	12,710	667	115	717
Net appreciation in fair value of investments	118	245	-	1	13
Licenses and fines	-	-	-	-	5,682
Total revenues	445,480	492,894	32,205	39,480	6,412
Expenditures:					
Current					
Administration and other	1,283	6,503	-	-	909
Transportation subsidies	160,545	252,859	3,145	-	4,929
Total expenditures	161,828	259,362	3,145	-	5,838
Excess (deficiency) of revenues over expenditures	283,652	233,532	29,060	39,480	574
Other financing Sources (Uses):					
Operating transfers in	17,783	99,734	-	-	1,212
Operating transfers out	(294,915)	(253,645)	(11,200)	(44,332)	-
Total other financing sources (uses)	(277,132)	(153,911)	(11,200)	(44,332)	1,212
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	6,520	79,621	17,860	(4,852)	1,786
Fund (deficit) balance - beginning of year	80,568	177,666	(113)	2,909	20,113
Fund (deficit) balance - end of year	\$ 87,088	\$ 257,287	\$ 17,747	\$ (1,943)	\$ 21,899

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

Transportation Development Act	PVEA	Federal Aid Urban	Port Highway Improvement Match	Budget Change Proposal	FEMA Earthquake Reimb.	Federal Board of Education	Total
\$ 219,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,131,676
-	232	-	-	3,606	1,422	5,521	89,847
10,003	25	540	372	58	-	-	30,556
-	-	9	7	2	-	-	395
-	-	-	-	-	-	-	5,682
229,891	257	549	379	3,666	1,422	5,521	1,258,156
129	-	-	-	-	91	-	8,915
69,100	9	14	15	-	-	-	490,616
69,229	9	14	15	-	91	-	499,531
160,662	248	535	364	3,666	1,331	5,521	758,625
-	100	-	-	-	-	-	118,829
(187,281)	(1,223)	(2,880)	-	(3,247)	(338)	(463)	(799,524)
(187,281)	(1,123)	(2,880)	-	(3,247)	(338)	(463)	(680,695)
(26,619)	(875)	(2,345)	364	419	993	5,058	77,930
135,356	1,104	16,868	10,315	3	3,771	(151)	448,409
\$ 108,737	\$ 229	\$ 14,523	\$ 10,679	\$ 422	\$ 4,764	\$ 4,907	\$ 526,339

**Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Comparative Balance Sheets
June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-3

	<u>1998</u>	<u>1997</u>
Assets		
Cash and cash equivalents	\$ 59,341	\$ 59,163
Investments	118	-
Receivables:		
Sales tax	24,946	21,014
Interest	371	391
Advances to other funds	6,000	-
Total assets	<u>\$ 90,776</u>	<u>\$ 80,568</u>
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	\$ 3,688	\$ -
Total liabilities	<u>3,688</u>	<u>-</u>
Fund Balances:		
Reserve for memoranda of understanding	81,088	80,568
Reserved for advances	6,000	-
Total fund balances	<u>87,088</u>	<u>80,568</u>
Total liabilities and fund balances	<u>\$ 90,776</u>	<u>\$ 80,568</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
For the years ended June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-4

	1998	1997
Revenues:		
Sales tax	\$ 438,321	\$ 411,529
Intergovernmental	1,692	3
Investment income	5,349	6,388
Net appreciation in fair value of investments	118	-
	<hr/>	<hr/>
Total revenues	445,480	417,920
	<hr/>	<hr/>
Expenditures:		
Current:		
Administration and other	1,283	771
Transportation subsidies	160,545	143,953
	<hr/>	<hr/>
Total expenditures	161,828	144,724
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	283,652	273,196
	<hr/>	<hr/>
Other financing Sources (Uses):		
Operating transfers in	17,783	614
Operating transfers out	(294,915)	(298,015)
	<hr/>	<hr/>
Total other financing and sources (uses)	(277,132)	(297,401)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	6,520	(24,205)
	<hr/>	<hr/>
Fund balances - beginning of year	80,568	104,773
	<hr/>	<hr/>
Fund balances - end of year	\$ 87,088	\$ 80,568
	<hr/> <hr/>	<hr/> <hr/>

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-4A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 427,459	\$ 438,321	\$ 10,862	\$ 432,500	\$ 411,529	\$ (20,971)
Intergovernmental	-	1,692	1,692	-	3	3
Investment income	3,500	5,349	1,849	4,000	6,388	2,388
Net appreciation in fair value of investments	-	118	118	-	-	-
Total revenues	430,959	445,480	14,521	436,500	417,920	(18,580)
Expenditures:						
Current:						
Administration and other	97	1,283	(1,186)	-	771	(771)
Transportation subsidies	180,106	160,545	19,561	149,695	143,953	5,742
Total expenditures	180,203	161,828	18,375	149,695	144,724	4,971
Excess (deficiency) of revenues over expenditures	250,756	283,652	32,896	286,805	273,196	(13,609)
Other financing Sources (Uses):						
Operating transfers in	14,019	17,783	3,764	-	614	614
Operating transfers out	(283,504)	(294,915)	(11,411)	(291,845)	(298,015)	(6,170)
Total other financing and sources (uses)	(269,485)	(277,132)	(7,647)	(291,845)	(297,401)	(5,556)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(18,729)	6,520	25,249	(5,040)	(24,205)	(19,165)
Fund balances - beginning of year	80,568	80,568	-	104,773	104,773	-
Fund balances - end of year	\$ 61,839	\$ 87,088	\$ 25,249	\$ 99,733	\$ 80,568	\$ (19,165)

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, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-5

	1998	1997
Assets		
Cash and cash equivalents	\$ 79,490	\$ 152,898
Investments	245	-
Receivables:		
Intergovernmental	29,353	4,014
Sales tax	25,524	21,417
Notes	-	-
Interest	769	984
Advances to other funds	145,638	53,485
Total assets	\$ 281,019	\$ 232,798
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 19,642	\$ 12,197
Accrued liabilities	4,090	42,935
Total liabilities	23,732	55,132
Fund Balances:		
Reserve for memoranda of understanding	111,649	124,181
Reserved for advances	145,638	53,485
Total fund balances	257,287	177,666
Total liabilities and fund balances	\$ 281,019	\$ 232,798

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-6

	1998	1997
Revenues:		
Sales tax	\$ 441,929	\$ 411,224
Intergovernmental	38,010	4,650
Investment income	12,710	9,798
Net appreciation in fair value of investments	245	-
Total revenues	492,894	425,672
Expenditures:		
Current:		
Administration and other	6,503	889
Transportation subsidies	252,859	248,693
Total expenditures	259,362	249,582
Excess (deficiency) of revenues over expenditures	233,532	176,090
Other financing Sources (Uses):		
Operating transfers in	99,734	15,882
Operating transfers out	(253,645)	(204,322)
Total other financing and sources (uses)	(153,911)	(188,440)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	79,621	(12,350)
Fund balances - beginning of year	177,666	190,016
Fund balances - end of year	\$ 257,287	\$ 177,666

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-6A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 429,735	\$ 441,929	\$ 12,194	\$ 433,600	\$ 411,224	\$ (22,376)
Intergovernmental	-	38,010	38,010	-	4,650	4,650
Investment income	10,000	12,710	2,710	10,000	9,798	(202)
Net appreciation in fair value of investments	-	245	245	-	-	-
Total revenues	439,735	492,894	53,159	443,600	425,672	(17,928)
Expenditures:						
Current:						
Administration and other	8,441	6,503	1,938	-	889	(889)
Transportation subsidies	261,019	252,859	8,160	368,761	248,693	120,068
Total expenditures	269,460	259,362	10,098	368,761	249,582	119,179
Excess (deficiency) of revenues over expenditures	170,275	233,532	63,257	74,839	176,090	101,251
Other financing Sources (Uses):						
Operating transfers in	193,841	99,734	(94,107)	-	15,882	15,882
Operating transfers out	(231,193)	(253,645)	(22,452)	(200,411)	(204,322)	(3,911)
Total other financing and sources (uses)	(37,352)	(153,911)	(116,559)	(200,411)	(188,440)	11,971
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	132,923	79,621	(53,302)	(125,572)	(12,350)	113,222
Fund balances - beginning of year	177,666	177,666	-	190,016	190,016	-
Fund balances - end of year	\$ 310,589	\$ 257,287	\$ (53,302)	\$ 64,444	\$ 177,666	\$ 113,222

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, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-7

	1998	1997
Assets		
Cash and cash equivalents	\$ 12,371	\$ 3,235
Receivables:		
Sales tax	6,586	6,127
Interest	149	49
Leases and other	23	-
Total assets	\$ 19,129	\$ 9,411
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	\$ 1,382	\$ -
Advances from other funds	-	9,524
Total liabilities	1,382	9,524
Fund Balances:		
Reserve for memoranda of understanding	17,747	(113)
Total fund (deficit) balances	17,747	(113)
Total liabilities and fund balances	\$ 19,129	\$ 9,411

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-8

	1998	1997
Revenues:		
Sales tax	\$ 31,538	\$ 18,743
Investment income	667	341
	<hr/>	<hr/>
Total revenues	32,205	19,084
	<hr/>	<hr/>
Expenditures:		
Current:		
Transportation subsidies	3,145	1,715
	<hr/>	<hr/>
Total expenditures	3,145	1,715
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	29,060	17,369
	<hr/>	<hr/>
Other financing Sources (Uses):		
Operating transfers out	(11,200)	(21,968)
	<hr/>	<hr/>
Total other financing and sources (uses)	(11,200)	(21,968)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	17,860	(4,599)
Fund (deficit) balances - beginning of year	(113)	4,486
Fund (deficit) balances - end of year	\$ <u>17,747</u>	\$ <u>(113)</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 - Budget and Actual
 For the years ended June 30, 1998 and 1997
 (Amounts expressed in thousands)

Exhibit B-8A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 23,700	\$ 31,538	\$ 7,838	\$ 22,492	\$ 18,743	\$ (3,749)
Investment income	300	667	367	-	341	341
Total revenues	<u>24,000</u>	<u>32,205</u>	<u>8,205</u>	<u>22,492</u>	<u>19,084</u>	<u>(3,408)</u>
Expenditures:						
Current:						
Transportation subsidies	3,245	3,145	100	2,778	1,715	1,063
Total expenditures	<u>3,245</u>	<u>3,145</u>	<u>100</u>	<u>2,778</u>	<u>1,715</u>	<u>1,063</u>
Excess (deficiency) of revenues over expenditures	<u>20,755</u>	<u>29,060</u>	<u>8,305</u>	<u>19,714</u>	<u>17,369</u>	<u>(2,345)</u>
Other financing Sources (Uses):						
Operating transfers out	(20,649)	(11,200)	9,449	(19,679)	(21,968)	(2,289)
Total other financing and sources (uses)	<u>(20,649)</u>	<u>(11,200)</u>	<u>9,449</u>	<u>(19,679)</u>	<u>(21,968)</u>	<u>(2,289)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>106</u>	<u>17,860</u>	<u>17,754</u>	<u>35</u>	<u>(4,599)</u>	<u>(4,634)</u>
Fund (deficit) balances - beginning of year	<u>(113)</u>	<u>(113)</u>	<u>-</u>	<u>4,486</u>	<u>4,486</u>	<u>-</u>
Fund (deficit) balances - end of year	<u>\$ (7)</u>	<u>\$ 17,747</u>	<u>\$ 17,754</u>	<u>\$ 4,521</u>	<u>\$ (113)</u>	<u>\$ (4,634)</u>

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

**Los Angeles County Metropolitan Transportation Authority
Rideshare, CMAQ & TSM Special Revenue Fund
Comparative Balance Sheets
June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-9

	1998	1997
Assets		
Cash and cash equivalents	\$ 952	\$ 5,556
Receivables:		
Intergovernmental	45,203	31,126
Interest	2	12
Total assets	\$ 46,157	\$ 36,694
Liabilities and Fund Balance		
Liabilities:		
Advances from other funds	\$ 48,100	\$ 33,785
Total liabilities	48,100	33,785
Fund Balances:		
Unreserved, undesignated	(1,943)	2,909
Total fund (deficit) balances	(1,943)	2,909
Total liabilities and fund balances	\$ 46,157	\$ 36,694

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

**Los Angeles County Metropolitan Transportation Authority
Rideshare, CMAQ & TSM Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-10

	1998	1997
Revenues:		
Intergovernmental	\$ 39,364	\$ 31,126
Investment income	115	127
Net appreciation in fair value of investments	1	-
Total revenues	39,480	31,253
Expenditures:		
Current:		
Transportation subsidies	-	30
Total expenditures	-	30
Excess (deficiency) of revenues over expenditures	39,480	31,223
Other financing Sources (Uses):		
Operating transfers out	(44,332)	(25,741)
Total other financing and sources (uses)	(44,332)	(25,741)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,852)	5,482
Fund (deficit) balances - beginning of year	2,909	(2,573)
Fund (deficit) balances - end of year	\$ (1,943)	\$ 2,909

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

Los Angeles County Metropolitan Transportation Authority
Rideshare, CMAQ & TSM Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the years ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-10A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 53,225	\$ 39,364	\$ (13,861)	\$ 43,296	\$ 31,126	\$ (12,170)
Investment income	-	115	115	-	127	127
Net appreciation in fair value of investments	-	1	1	-	-	-
Total revenues	<u>53,225</u>	<u>39,480</u>	<u>(13,745)</u>	<u>43,296</u>	<u>31,253</u>	<u>(12,043)</u>
Expenditures:						
Current:						
Transportation subsidies	-	-	-	-	30	(30)
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>(30)</u>
Excess (deficiency) of revenues over expenditures	<u>53,225</u>	<u>39,480</u>	<u>(13,745)</u>	<u>43,296</u>	<u>31,223</u>	<u>(12,073)</u>
Other financing Sources (Uses):						
Operating transfers out	(45,183)	(44,332)	851	(43,296)	(25,741)	17,555
Total other financing and sources (uses)	<u>(45,183)</u>	<u>(44,332)</u>	<u>851</u>	<u>(43,296)</u>	<u>(25,741)</u>	<u>17,555</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>8,042</u>	<u>(4,852)</u>	<u>(12,894)</u>	<u>-</u>	<u>5,482</u>	<u>5,482</u>
Fund (deficit) balances - beginning of year	<u>2,909</u>	<u>2,909</u>	<u>-</u>	<u>(2,573)</u>	<u>(2,573)</u>	<u>-</u>
Fund (deficit) balances - end of year	<u>\$ 10,951</u>	<u>\$ (1,943)</u>	<u>\$ (12,894)</u>	<u>\$ (2,573)</u>	<u>\$ 2,909</u>	<u>\$ 5,482</u>

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, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-11

	<u>1998</u>	<u>1997</u>
Assets		
Cash and cash equivalents	\$ 22,675	\$ 21,086
Receivables:		
Interest	40	44
Total assets	<u>\$ 22,715</u>	<u>\$ 21,130</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 816	\$ 551
Accrued liabilities	-	466
Total liabilities	<u>816</u>	<u>1,017</u>
Fund Balances:		
Reserve for memoranda of understanding	21,899	20,113
Total fund balances	<u>21,899</u>	<u>20,113</u>
Total liabilities and fund balances	<u>\$ 22,715</u>	<u>\$ 21,130</u>

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-12

	1998	1997
	_____	_____
Revenues:		
Investment income	\$ 717	\$ 464
Net appreciation in fair value of investments	13	-
Licenses and fines	5,682	6,223
	_____	_____
Total revenues	6,412	6,687
	_____	_____
Expenditures:		
Current:		
Administration and other	909	997
Transportation subsidies	4,929	4,647
	_____	_____
Total expenditures	5,838	5,644
	_____	_____
Excess (deficiency) of revenues over expenditures	574	1,043
	_____	_____
Other financing Sources (Uses):		
Operating transfers in	1,212	-
	_____	_____
Total other financing and sources (uses)	1,212	-
	_____	_____
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,786	1,043
Fund balances - beginning of year	20,113	19,070
Fund balances - end of year	\$ 21,899	\$ 20,113
	=====	=====

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-12A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Investment income	\$ -	\$ 717	\$ 717	\$ -	\$ 464	\$ 464
Net appreciation in fair value of investments	-	13	13	-	-	-
Licenses and fines	6,050	5,682	(368)	6,600	6,223	(377)
Total revenues	6,050	6,412	362	6,600	6,687	87
Expenditures:						
Current:						
Administration and other	1,037	909	128	-	997	(997)
Transportation subsidies	12,774	4,929	7,845	16,713	4,647	12,066
Total expenditures	13,811	5,838	7,973	16,713	5,644	11,069
Excess (deficiency) of revenues over expenditures	(7,761)	574	8,335	(10,113)	1,043	11,156
Other financing Sources (Uses):						
Operating transfers in	-	1,212	1,212	-	-	-
Total other financing and sources (uses)	-	1,212	1,212	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(7,761)	1,786	9,547	(10,113)	1,043	11,156
Fund balances - beginning of year	20,113	20,113	-	19,070	19,070	-
Fund balances - end of year	\$ 12,352	\$ 21,899	\$ 9,547	\$ 8,957	\$ 20,113	\$ 11,156

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, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-13

	1998	1997
Assets		
Cash and cash equivalents	\$ 100,768	\$ 150,881
Receivables:		
Intergovernmental	377	744
Notes	-	853
Interest	1,214	1,134
Advances to other funds	10,698	10,698
Total assets	\$ 113,057	\$ 164,310
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 747	\$ -
Accrued liabilities	761	-
Advances from other funds	2,795	28,954
Due to other governments	17	-
Total liabilities	4,320	28,954
Fund Balances:		
Reserve for memoranda of understanding	98,039	123,805
Reserved for notes receivable	-	853
Reserved for advances	10,698	10,698
Total fund balances	108,737	135,356
Total liabilities and fund balances	\$ 113,057	\$ 164,310

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 ended June 30, 1998 and 1997
 (Amounts expressed in thousands)**

Exhibit B-14

	<u>1998</u>	<u>1997</u>
Revenues:		
Sales tax	\$ 219,888	\$ 209,000
Investment income	10,003	8,392
	<u> </u>	<u> </u>
Total revenues	<u>229,891</u>	<u>217,392</u>
Expenditures:		
Current:		
Administration and other	129	4,619
Transportation subsidies	69,100	60,588
	<u> </u>	<u> </u>
Total expenditures	<u>69,229</u>	<u>65,207</u>
Excess (deficiency) of revenues over expenditures	<u>160,662</u>	<u>152,185</u>
Other financing Sources (Uses):		
Operating transfers in	-	5,403
Operating transfers out	(187,281)	(150,461)
	<u> </u>	<u> </u>
Total other financing and sources (uses)	<u>(187,281)</u>	<u>(145,058)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(26,619)</u>	<u>7,127</u>
Fund balance - beginning of year	135,356	128,229
Fund balance - end of year	<u>\$ 108,737</u>	<u>\$ 135,356</u>

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-14A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sales tax	\$ 217,360	\$ 219,888	\$ 2,528	\$ 225,700	\$ 209,000	\$ (16,700)
Investment income	8,000	10,003	2,003	-	8,392	8,392
Total revenues	225,360	229,891	4,531	225,700	217,392	(8,308)
Expenditures:						
Current:						
Administration and other	-	129	(129)	-	4,619	(4,619)
Transportation subsidies	86,159	69,100	17,059	65,638	60,588	5,050
Total expenditures	86,159	69,229	16,930	65,638	65,207	431
Excess (deficiency) of revenues over expenditures	139,201	160,662	21,461	160,062	152,185	(7,877)
Other financing Sources (Uses):						
Operating transfers in	-	-	-	-	5,403	5,403
Operating transfers out	(187,264)	(187,281)	(17)	(176,935)	(150,461)	26,474
Total other financing and sources (uses)	(187,264)	(187,281)	(17)	(176,935)	(145,058)	31,877
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(48,063)	(26,619)	21,444	(16,873)	7,127	24,000
Fund balance - beginning of year	135,356	135,356	-	128,229	128,229	-
Fund balance - end of year	\$ 87,293	\$ 108,737	\$ 21,444	\$ 111,356	\$ 135,356	\$ 24,000

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, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-15

	1998	1997
Assets		
Cash and cash equivalents	\$ 228	\$ 1,102
Receivables:		
Interest	1	2
Total assets	\$ 229	\$ 1,104
Fund Balances:		
Unreserved, undesignated	229	1,104
Total fund balances	229	1,104
Totla fund balances	\$ 229	\$ 1,104

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-16

	1998	1997
	<u> </u>	<u> </u>
Revenues:		
Intergovernmental	\$ 232	\$ 158
Investment Income	25	24
	<u> </u>	<u> </u>
Total revenues	257	182
	<u> </u>	<u> </u>
Expenditures:		
Current:		
Transportation subsidies	9	1
	<u> </u>	<u> </u>
Total expenditures	9	1
	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	248	181
	<u> </u>	<u> </u>
Other financing Sources (Uses):		
Operating transfers in	100	-
Operating transfers out	(1,223)	-
	<u> </u>	<u> </u>
Total other financing and sources (uses)	(1,123)	-
	<u> </u>	<u> </u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(875)	181
Fund balances - beginning of year	1,104	923
Fund balances - end of year	\$ <u>229</u>	\$ <u>1,104</u>
	=====	=====

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

PVEA Special Revenue Fund

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

For the years ended June 30, 1998 and 1997

(Amounts expressed in thousands)

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	-	\$ 232	\$ 232	\$ -	\$ 158	\$ 158
Investment income	-	25	25	-	24	24
Other	-	-	-	700	-	(700)
Total revenues	-	257	257	700	182	(518)
Expenditures:						
Current:						
Transportation subsidies	-	9	(9)	700	1	699
Total expenditures	-	9	(9)	700	1	699
Excess (deficiency) of revenues over expenditures	-	248	248	-	181	181
Other financing Sources (Uses):						
Operating transfers in	100	100	-	-	-	-
Operating transfers out	(1,102)	(1,223)	(121)	-	-	-
Total other financing and sources (uses)	(1,002)	(1,123)	(121)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,002)	(875)	127	-	181	181
Fund balances - beginning of year	1,104	1,104	-	923	923	-
Fund balances - end of year	\$ 102	\$ 229	\$ 127	\$ 923	\$ 1,104	\$ 181

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, 1998 and 1997
 (Amounts expressed in thousands)**

Exhibit B-17

	<u>1998</u>	<u>1997</u>
Assets		
Cash and cash equivalents	\$ 14,446	\$ 16,348
Receivables:		
Intergovernmental	49	475
Interest	28	45
Total assets	<u>\$ 14,523</u>	<u>\$ 16,868</u>
Fund Balances:		
Reserve for memoranda of understanding	14,523	16,868
Total fund balances	<u>14,523</u>	<u>16,868</u>
Total liabilities and fund balances	<u>\$ 14,523</u>	<u>\$ 16,868</u>

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-18

	<u>1998</u>	<u>1997</u>
Revenues:		
Intergovernmental	\$ -	\$ 130
Investment income	540	849
Net appreciation in fair value of investments	9	-
	<u>549</u>	<u>979</u>
Total revenues	<u>549</u>	<u>979</u>
Expenditures:		
Current:		
Transportation subsidies	14	244
	<u>14</u>	<u>244</u>
Total expenditures	<u>14</u>	<u>244</u>
Excess (deficiency) of revenues over expenditures	<u>535</u>	<u>735</u>
Other financing Sources (Uses):		
Operating transfers out	(2,880)	(9,517)
	<u>(2,880)</u>	<u>(9,517)</u>
Total other financing and sources (uses)	<u>(2,880)</u>	<u>(9,517)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(2,345)</u>	<u>(8,782)</u>
Fund balances - beginning of year	16,868	25,650
Fund balances - end of year	<u>\$ 14,523</u>	<u>\$ 16,868</u>

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 - Budget and Actual
 For the years ended June 30, 1998 and 1997
 (Amounts expressed in thousands)

Exhibit B-18A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 130	\$ 130
Investment income	1,500	540	(960)	-	849	849
Net appreciation in fair value of investments	-	9	9	-	-	-
Other	-	-	-	3,100	-	(3,100)
Total revenues	<u>1,500</u>	<u>549</u>	<u>(951)</u>	<u>3,100</u>	<u>979</u>	<u>(2,121)</u>
Expenditures:						
Current:						
Transportation subsidies	-	14	(14)	2,800	244	2,556
Total expenditures	<u>-</u>	<u>14</u>	<u>(14)</u>	<u>2,800</u>	<u>244</u>	<u>2,556</u>
Excess (deficiency) of revenues over expenditures	<u>1,500</u>	<u>535</u>	<u>(965)</u>	<u>300</u>	<u>735</u>	<u>435</u>
Other financing Sources (Uses):						
Operating transfers out	(2,880)	(2,880)	-	-	(9,517)	(9,517)
Total other financing and sources (uses)	<u>(2,880)</u>	<u>(2,880)</u>	<u>-</u>	<u>-</u>	<u>(9,517)</u>	<u>(9,517)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,380)</u>	<u>(2,345)</u>	<u>(965)</u>	<u>300</u>	<u>(8,782)</u>	<u>(9,082)</u>
Fund balances - beginning of year	16,868	16,868	-	25,650	25,650	-
Fund balances - end of year	<u>\$ 15,488</u>	<u>\$ 14,523</u>	<u>\$ (965)</u>	<u>\$ 25,950</u>	<u>\$ 16,868</u>	<u>\$ (9,082)</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 Balance Sheets
June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-19

	1998	1997
Assets		
Cash and cash equivalents	\$ 10,673	\$ 10,292
Receivables:		
Interest	22	23
Total assets	<u>\$ 10,695</u>	<u>\$ 10,315</u>
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	16	-
Total liabilities	<u>16</u>	<u>-</u>
Fund Balances:		
Unreserved, undesignated	10,679	10,315
Total fund balances	<u>10,679</u>	<u>10,315</u>
Total liabilities and fund balances	<u>\$ 10,695</u>	<u>\$ 10,315</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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-20

	<u>1998</u>	<u>1997</u>
Revenues:		
Investment income	\$ 372	\$ 252
Net appreciation in fair value of investments	7	-
	<u>379</u>	<u>252</u>
Total revenues	<u>379</u>	<u>252</u>
Expenditures:		
Current:		
Transportation subsidies	15	-
	<u>15</u>	<u>-</u>
Total expenditures	<u>15</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>364</u>	<u>252</u>
Fund balances - beginning of year	10,315	10,063
Fund balances - end of year	\$ <u>10,679</u>	\$ <u>10,315</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 - Budget and Actual
For the years ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-20A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 773	\$ -	\$ (773)	\$ -	\$ -	\$ -
Investment income	-	372	372	-	252	252
Net appreciation in fair value of investments	-	7	7	-	-	-
Total revenues	773	379	(394)	-	252	252
Expenditures:						
Current:						
Transportation subsidies	-	15	(15)	-	-	-
Total expenditures	-	15	(15)	-	-	-
Excess (deficiency) of revenues over expenditures	773	364	(409)	-	252	252
Fund balances - beginning of year	10,315	10,315	-	10,063	10,063	-
Fund balances - end of year	\$ 11,088	\$ 10,679	\$ (409)	\$ 10,063	\$ 10,315	\$ 252

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, 1998 and 1997
 (Amounts expressed in thousands)**

Exhibit B-21

	1998	1997
Assets		
Cash and cash equivalents	\$ 16	\$ -
Receivables:		
Intergovernmental	901	-
Interest	5	3
Total assets	\$ 922	\$ 3
Liabilities and Fund Balance		
Liabilities:		
Advances from other funds	\$ 500	\$ -
Total liabilities	500	-
Fund Balances:		
Unreserved, undesignated	422	3
Total fund balances	422	3
Total liabilities and fund balances	\$ 922	\$ 3

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 ended June 30, 1998 and 1997
 (Amounts expressed in thousands)**

Exhibit B-22

	<u>1998</u>	<u>1997</u>
Revenues:		
Intergovernmental	\$ 3,606	\$ 3,699
Investment income	58	38
Net appreciation in fair value of investments	2	-
	<u>3,666</u>	<u>3,737</u>
Total revenues	<u>3,666</u>	<u>3,737</u>
Expenditures:		
Current:		
Administration and other	-	369
Transportation subsidies	-	5,543
	<u>-</u>	<u>5,912</u>
Total expenditures	<u>-</u>	<u>5,912</u>
Excess (deficiency) of revenues over expenditures	<u>3,666</u>	<u>(2,175)</u>
Other financing Sources (Uses):		
Operating transfers out	(3,247)	-
	<u>(3,247)</u>	<u>-</u>
Total other financing and sources (uses)	<u>(3,247)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	419	(2,175)
Fund balances - beginning of year	3	2,178
Fund balances - end of year	<u>\$ 422</u>	<u>\$ 3</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 ended June 30, 1998 and 1997
 (Amounts expressed in thousands)

Exhibit B-22A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 3,535	\$ 3,606	\$ 71	\$ 6,065	\$ 3,699	\$ (2,366)
Investment income	-	58	58	-	38	38
Net appreciation in fair value of investments	-	2	2	-	-	-
Total revenues	3,535	3,666	131	6,065	3,737	(2,328)
Expenditures:						
Current:						
Administration and other	-	-	-	-	369	(369)
Transportation subsidies	-	-	-	6,063	5,543	520
Total expenditures	-	-	-	6,063	5,912	151
Excess (deficiency) of revenues over expenditures	3,535	3,666	131	2	(2,175)	(2,177)
Other financing Sources (Uses):						
Operating transfers out	-	(3,247)	(3,247)	-	-	-
Total other financing and sources (uses)	-	(3,247)	(3,247)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	3,535	419	(3,116)	2	(2,175)	(2,177)
Fund balances - beginning of year	3	3	-	2,178	2,178	-
Fund balances - end of year	\$ 3,538	\$ 422	\$ (3,116)	\$ 2,180	\$ 3	\$ (2,177)

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, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-23

	1998	1997
Assets		
Cash and cash equivalents	\$ 146	\$ 2
Receivables:		
Intergovernmental	6,271	10,080
Leases and other	4,247	-
Advances to other funds	1,779	1,779
Total assets	\$ 12,443	\$ 11,861
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	\$ -	\$ 993
Advances from other funds	7,679	7,097
Total liabilities	7,679	8,090
Fund Balances:		
Reserve for memoranda of understanding	2,985	1,992
Reserved for advances	1,779	1,779
Total fund balances	4,764	3,771
Total liabilities and fund balances	\$ 12,443	\$ 11,861

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 ended June 30, 1998 and 1997
 (Amounts expressed in thousands)**

Exhibit B-24

	1998	1997
	_____	_____
Revenues:		
Intergovernmental	\$ 1,422	\$ 6,400
Investment income	-	115
	_____	_____
Total revenues	1,422	6,515
	_____	_____
Expenditures:		
Current:		
Administration and other	91	-
Transportation subsidies	-	1,418
	_____	_____
Total expenditures	91	1,418
	_____	_____
Excess (deficiency) of revenues over expenditures	1,331	5,097
	_____	_____
Other financing Sources (Uses):		
Operating transfers out	(338)	-
	_____	_____
Total other financing and sources (uses)	(338)	-
	_____	_____
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	993	5,097
Fund (deficit) balances - beginning of year	3,771	(1,326)
Fund balances - end of year	\$ 4,764	\$ 3,771
	=====	=====

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, 1998 and 1997
(Amounts expressed in thousands)**

Exhibit B-25

	1998	1997
Assets		
Cash and cash equivalents	\$ 78	\$ -
Receivables:		
Intergovernmental	5,031	4,706
Leases and other	-	1
Total assets	\$ 5,109	\$ 4,707
Liabilities and Fund Balance		
Liabilities:		
Advances from other funds	\$ 202	\$ 4,858
Total liabilities	202	4,858
Fund Balances:		
Reserve for memoranda of understanding	4,907	(151)
Total fund (deficit) balances	4,907	(151)
Total liabilities and fund balances	\$ 5,109	\$ 4,707

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 ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit B-26

	<u>1998</u>	<u>1997</u>
Revenues:		
Intergovernmental	\$ 5,521	\$ 4,661
	<u>5,521</u>	<u>4,661</u>
Total revenues	5,521	4,661
	<u>5,521</u>	<u>4,661</u>
Expenditures:		
Current:		
Transportation subsidies	-	39
	<u>-</u>	<u>39</u>
Total expenditures	-	39
	<u>-</u>	<u>39</u>
Excess (deficiency) of revenues over expenditures	5,521	4,622
	<u>5,521</u>	<u>4,622</u>
Other financing Sources (Uses):		
Operating transfers out	(463)	(4,707)
	<u>(463)</u>	<u>(4,707)</u>
Total other financing and sources (uses)	(463)	(4,707)
	<u>(463)</u>	<u>(4,707)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	5,058	(85)
Fund (deficit) balances - beginning of year	(151)	(66)
Fund (deficit) balances - end of year	\$ <u>4,907</u>	\$ <u>(151)</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 - Budget and Actual
 For the years ended June 30, 1998 and 1997
 (Amounts expressed in thousands)

Exhibit B-26A

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 13,387	\$ 5,521	\$ (7,866)	\$ -	\$ 4,661	\$ 4,661
Total revenues	13,387	5,521	(7,866)	-	4,661	4,661
Expenditures:						
Current:						
Transportation subsidies	-	-	-	-	39	(39)
Total expenditures	-	-	-	-	39	(39)
Excess (deficiency) of revenues over expenditures	13,387	5,521	(7,866)	-	4,622	4,622
Other financing Sources (Uses):						
Operating transfers out	(384)	(463)	(79)	-	(4,707)	(4,707)
Total other financing and sources (uses)	(384)	(463)	(79)	-	(4,707)	(4,707)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	13,003	5,058	(7,945)	-	(85)	(85)
Fund (deficit) balances - beginning of year	(151)	(151)	-	(66)	(66)	-
Fund (deficit) balances - end of year	\$ 12,852	\$ 4,907	\$ (7,945)	\$ (66)	\$ (151)	\$ (85)

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

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.

Los Angeles County Metropolitan Transportation Authority
Debt Service Fund
Comparative Balance Sheets
June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit C-1

	<u>1998</u>	<u>1997</u>
Assets		
Cash and cash equivalents	\$ 2,439	\$ 1,400
Receivables:		
Intergovernmental	210	-
Interest	2,503	2,068
Leases and other	2,541	1,208
	<u> </u>	<u> </u>
Restricted:		
Cash and cash equivalents	134,737	118,621
Investments	88,286	279,133
Total assets	<u>\$ 230,716</u>	<u>\$ 402,430</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 431	\$ 435
Accrued liabilities	1,230	961
Accrued interest payable	77,906	74,725
Bonds and notes payable - current	41,675	36,980
Total liabilities	<u>121,242</u>	<u>113,101</u>
Fund Balances:		
Reserved for debt service	109,474	289,329
Total fund balances	<u>109,474</u>	<u>289,329</u>
Total liabilities and fund balances	<u>\$ 230,716</u>	<u>\$ 402,430</u>

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

Los Angeles County Metropolitan Transportation Authority

Exhibit C-2

Debt Service Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

For the years ended June 30, 1998 and 1997

(Amounts expressed in thousands)

	1998	1997
	<u> </u>	<u> </u>
Revenues:		
Intergovernmental	\$ 3,583	\$ 1,559
Investment income	12,574	6,386
Net appreciation in fair value of investments	157	-
Other	278	-
	<u> </u>	<u> </u>
Total revenues	16,592	7,945
	<u> </u>	<u> </u>
Expenditures:		
Current:		
Interest and fiscal charges	172,579	166,552
Bond issuance costs	89	5,710
Bond principal	45,025	40,200
Joint development expenditure	1,657	1,215
	<u> </u>	<u> </u>
Total expenditures	219,350	213,677
	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	(202,758)	(205,732)
	<u> </u>	<u> </u>
Other financing Sources (Uses):		
Operating transfers in	184,820	222,885
Operating transfers out	(3,906)	(3,787)
Proceeds of refunding bonds	219,710	442,605
Payment to refunding bond escrow agent	(377,721)	(378,147)
	<u> </u>	<u> </u>
Total other financing and sources (uses)	22,903	283,556
	<u> </u>	<u> </u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(179,855)	77,824
Fund balances - beginning of year	289,329	211,505
Fund balances - end of year	\$ <u>109,474</u>	\$ <u>289,329</u>
	=====	=====

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

Debt Service Fund

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

For the years ended June 30, 1998 and 1997

(Amounts expressed in thousands)

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 4,108	\$ 3,583	\$ (525)	\$ -	\$ 1,559	\$ 1,559
Investment income	-	12,574	12,574	-	6,386	6,386
Net appreciation in fair value of investments	-	157	157	-	-	-
Other	-	278	278	15,552	-	(15,552)
Total revenues	4,108	16,592	12,484	15,552	7,945	(7,607)
Expenditures:						
Current:						
Interest and fiscal charges	199,641	172,579	27,062	185,000	166,552	18,448
Bond issuance costs	-	89	(89)	22,000	5,710	16,290
Bond principal	62,265	45,025	17,240	45,756	40,200	5,556
Joint development expenditure	-	1,657	(1,657)	-	1,215	(1,215)
Total expenditures	261,906	219,350	42,556	252,756	213,677	39,079
Excess (deficiency) of revenues over expenditures	(257,798)	(202,758)	55,040	(237,204)	(205,732)	(31,472)
Other financing Sources (Uses):						
Operating transfers in	257,798	184,820	(72,978)	182,252	222,885	40,633
Operating transfers out	-	(3,906)	(3,906)	(10,236)	(3,787)	6,449
Proceeds from financing	-	-	-	40,487	-	(40,487)
Proceeds of refunding bonds	-	219,710	219,710	-	442,605	442,605
Payment to refunding bond escrow agent	-	(377,721)	(377,721)	-	(378,147)	(378,147)
Total other financing and sources (uses)	257,798	22,903	(234,895)	212,503	283,556	71,053
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(179,855)	(179,855)	(24,701)	77,824	102,525
Fund balances - beginning of year	289,329	289,329	-	211,505	211,505	-
Fund balances - end of year	\$ 289,329	\$ 109,474	\$ (179,855)	\$ 186,804	\$ 289,329	\$ 102,525

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

Light Rail Fund - Pasadena and Greenline

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, 1998
 (Amounts expressed in thousands)

Exhibit D-I

	Light Rail	Metro Rail	Commuter Rail	Other Capital	Total
Assets					
Cash and cash equivalents	\$ 64,319	\$ 10,132	\$ 25,516	\$ 27,258	\$ 127,225
Investments	12,582	15,752	-	-	28,334
Receivables:					
Accounts	-	-	496	-	496
Intergovernmental	9,655	214,043	-	13,787	237,485
Interest	214	484	45	-	743
Leases and other	7,650	-	-	-	7,650
Prepaid items and other assets	-	4,052	-	-	4,052
Total Current Assets	<u>94,420</u>	<u>244,463</u>	<u>26,057</u>	<u>41,045</u>	<u>405,985</u>
Restricted:					
Cash and cash equivalents	5,340	1,619	-	-	6,959
Investments	-	33,490	-	-	33,490
Total assets	<u>\$ 99,760</u>	<u>\$ 279,572</u>	<u>\$ 26,057</u>	<u>\$ 41,045</u>	<u>\$ 446,434</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 8,468	\$ 40,704	\$ 286	\$ 20,558	\$ 70,016
Accrued liabilities	11,180	33,076	333	894	45,483
Claims and judgement payable	2,135	20,517	-	-	22,652
Advances from other funds	-	64,698	-	28,000	92,698
Due to other governments	-	-	69	-	69
Deferred revenues	7,650	166,165	-	-	173,815
Other liabilities	5,363	121	127	-	5,611
Total liabilities	<u>34,796</u>	<u>325,281</u>	<u>815</u>	<u>49,452</u>	<u>410,344</u>
Fund Balances:					
Reserved for encumbrances	179,197	424,684	1,052	115,296	720,229
Reserve for prepaid and other assets	-	4,052	-	-	4,052
Unreserved, undesignated	(114,233)	(474,445)	24,190	(123,703)	(688,191)
Total fund (deficit) balances	<u>64,964</u>	<u>(45,709)</u>	<u>25,242</u>	<u>(8,407)</u>	<u>36,090</u>
Total liabilities and fund balances	<u>\$ 99,760</u>	<u>\$ 279,572</u>	<u>\$ 26,057</u>	<u>\$ 41,045</u>	<u>\$ 446,434</u>

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, 1998
 (Amounts expressed in thousands)

Exhibit D-2

	Light Rail	Metro Rail	Commuter Rail	Other Capital	Total
Revenues:					
Intergovernmental	\$ 23,868	\$ 162,447	\$ -	\$ 100,977	\$ 287,292
Investment income	7,581	6,512	768	245	15,106
Net appreciation in fair value of investments	-	251	14	-	265
Lease and rental	-	74	9,023	-	9,097
Other	26	250	87	-	363
Total revenues	31,475	169,534	9,892	101,222	312,123
Expenditures:					
Current:					
Administration and other	7,156	32,614	1,037	13,372	54,179
Capital Outlay	56,106	330,150	2,441	135,175	523,872
Total expenditures	63,262	362,764	3,478	148,547	578,051
Excess (deficiency) of revenues over expenditures	(31,787)	(193,230)	6,414	(47,325)	(265,928)
Other financing Sources (Uses):					
Operating transfers in	19,078	219,392	-	22,144	260,614
Operating transfers out	(151,371)	(92,657)	(9,655)	(10,000)	(263,683)
Total other financing and sources (uses)	(132,293)	126,735	(9,655)	12,144	(3,069)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(164,080)	(66,495)	(3,241)	(35,181)	(268,997)
Fund balances - beginning of year	229,044	20,786	28,483	26,774	305,087
Fund (deficit) balances - end of year	\$ 64,964	\$ (45,709)	\$ 25,242	\$ (8,407)	36,090

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 ended June 30, 1998 and 1997

(Amounts expressed in thousands)

	1998			1997		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 576,206	\$ 287,292	\$ (288,914)	\$ 431,834	\$ 354,791	\$ (77,043)
Investment income	-	15,106	15,106	-	25,912	25,912
Net appreciation in fair value of investments	-	265	265	-	-	-
Lease and rental	9,100	9,097	(3)	8,100	6,551	(1,549)
Other	-	363	363	120	71	(49)
Total revenues	585,306	312,123	(273,183)	440,054	387,325	(52,729)
Expenditures:						
Current:						
Administration and other	61,284	54,179	7,105	4,752	68,127	(63,375)
Capital Outlay	756,220	523,872	232,348	1,130,440	677,586	452,854
Total expenditures	817,504	578,051	239,453	1,135,192	745,713	389,479
Excess (deficiency) of revenues over expenditures	(232,198)	(265,928)	(33,730)	(695,138)	(358,388)	336,750
Other financing Sources (Uses):						
Operating transfers in	394,229	260,614	(133,615)	176,964	62,350	(114,614)
Operating transfers out	(349,909)	(263,683)	86,226	(14,957)	(90,542)	(75,585)
Proceeds from financing	225,217	-	(225,217)	346,867	222,740	(124,127)
Total other financing sources (uses)	269,537	(3,069)	(272,606)	508,874	194,548	(314,326)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	37,339	(268,997)	(306,336)	(186,264)	(163,840)	22,424
Fund balances - beginning of year	305,087	305,087	-	468,927	468,927	-
Fund balances - end of year	\$ 342,426	\$ 36,090	\$ (306,336)	\$ 282,663	\$ 305,087	\$ 22,424

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, 1998 and 1997
(Amounts expressed in thousands)

Exhibit E-1

	<u>1998</u>	<u>1997</u>
Assets:		
Cash and cash equivalents	\$ 11,218	\$ 30,637
Receivables:		
Accounts	18,805	21,830
Intergovernmental	32,279	34,411
Interest	341	255
Leases and other	152	105
Advances to other funds	2,795	9,399
Inventory	51,386	47,712
Prepaid items and other assets	3,017	3,288
Restricted Assets:		
Cash and cash equivalents	35,130	14,843
Investments	13,843	17,831
Fixed Assets - net	<u>3,093,735</u>	<u>3,114,011</u>
Total assets	<u><u>\$ 3,262,701</u></u>	<u><u>\$ 3,294,322</u></u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 30,034	\$ 20,972
Accrued liabilities	213	291
Advances from other funds	176,590	230,377
Accrued interest payable	2,054	2,313
Bonds and notes payable - current	9,865	9,865
Deferred revenue	9,104	8,818
Bonds and notes payable	59,185	69,050
Claims and judgement payable	36,421	-
Total Liabilities	<u>323,466</u>	<u>341,686</u>
Equity:		
Retained earnings (deficit)	(102,240)	(97,841)
Capital grants (contributed capital)		
Federal	970,495	912,140
State	308,664	304,409
Local	1,762,316	1,833,928
Total equity	<u>2,939,235</u>	<u>2,952,636</u>
Total liabilities and equity	<u><u>\$ 3,262,701</u></u>	<u><u>\$ 3,294,322</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, 1998 and 1997
(Amounts expressed in thousands)

Exhibit E-2

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Passenger fares	\$ 222,502	\$ 214,519
Route subsidies	265	761
Auxiliary transportation	8,570	5,207
Total operating revenues	<u>231,337</u>	<u>220,487</u>
Operating expenses:		
Transportation	433,560	400,982
Vehicle maintenance	113,368	132,206
Non-vehicle maintenance	27,352	35,415
General and administrative	140,332	146,457
Depreciation	158,027	159,100
Total operating expenses	<u>872,639</u>	<u>874,160</u>
Operating loss	<u>(641,302)</u>	<u>(653,673)</u>
Non-operating revenues (expenses):		
Local operating grants	1,560	4,895
Federal operating grants	26,372	28,476
Interest revenues	3,691	3,686
Interest expenses	(4,108)	(5,318)
Net appreciation in fair value of investments	192	-
Gain (loss) on disposition of fixed assets	2,606	(260)
Other	3,045	2,676
Total non-operating revenues (expenses)	<u>33,358</u>	<u>34,155</u>
Loss before operating transfers in (out)	(607,944)	(619,518)
Operating transfers in	445,861	457,868
Operating transfers out	-	(9,858)
Loss for the year	<u>(162,083)</u>	<u>(171,508)</u>
Add back depreciation on assets acquired with capital grants	<u>157,684</u>	<u>159,024</u>
Decrease in retained earnings	(4,399)	(12,484)
Retained earnings (deficit) - beginning of year	<u>(97,841)</u>	<u>(85,357)</u>
Retained earnings (deficit) - end of year	<u>\$ (102,240)</u>	<u>\$ (97,841)</u>

The notes to this 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, 1998 and 1997
 (Amount expressed in thousands)

Exhibit E-3

	<u>1998</u>	<u>1997</u>
Cash flow from operating activities:		
Operating loss	\$ (641,302)	\$ (653,673)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation	158,027	159,100
Net effect of changes in:		
Accounts receivables	3,025	(2,729)
Leases and other receivables	2,997	4,114
Advances to other funds	6,604	72,062
Prepaid and other assets	272	823
Inventories	(3,674)	(1,676)
Accounts payables	9,062	(1,021)
Accrued liabilities	(78)	(1,345)
Advances from other funds	(53,787)	(63,210)
Claims and judgement payable	36,421	-
Deferred revenues	286	1,358
Net cash used in operating activities	<u>(482,147)</u>	<u>(486,197)</u>
Cash flow from non-capital financing activities:		
Proceeds from operating grants	30,065	35,241
Operating transfers in from other funds	445,861	457,868
Operating transfers out to other funds	-	(9,858)
Repayment of matured Revenue Anticipation Notes	-	(30,000)
Interest paid on Revenue Anticipation Notes	-	(1,091)
Interest received on Revenue Anticipation Notes	-	1,040
Net cash provided by non-capital financing activities	<u>475,926</u>	<u>453,200</u>
Cash flow from capital and related financing activities:		
Proceeds from capital grants received	10,228	10,463
Proceeds from sale and leaseback of capital assets	-	38,464
Proceeds from sale/retirement of fixed assets	3,308	151
Defeasance of capital lease obligation	-	(33,247)
Payment of matured bonds and notes payable	(9,865)	(13,185)
Interest paid on bonds and notes payable	(4,367)	(4,931)
Net cash used in capital and related financing activities	<u>(696)</u>	<u>(2,285)</u>
Cash flow from investing activities:		
Proceeds from sales and maturity of investments	11,661	55,732
Purchase of investments	(7,481)	(10,898)
Interest received on investments	3,605	3,338
Net cash provided by investing activities	<u>7,785</u>	<u>48,172</u>
Net increase (decrease) in cash and cash equivalents	868	12,890
Cash and cash equivalents, beginning of year	<u>45,480</u>	<u>32,590</u>
Cash and cash equivalents, end of year	<u>\$ 46,348</u>	<u>\$ 45,480</u>
Supplemental schedule of noncash investing, capital and financing transactions:		
Transfer of fixed assets from General Fixed Assets Account Group	<u>\$ 138,454</u>	<u>\$ 104,208</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
Combining Balance Sheets
June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit F-1

	1998		1997	
	LACMTA	PTSC	Totals (Memorandum Only)	
Assets:				
Cash and cash equivalents	\$ 153,421	\$ 895	\$ 154,316	\$ 105,748
Receivables:				
Interest	147	-	147	174
Intergovernmental	-	25,079	25,079	-
Leases and others	1,242	-	1,242	334
Advances to other funds	161,654	-	161,654	230,377
Prepaid and other assets	3,467	-	3,467	6,155
Restricted Assets:				
Cash and cash equivalents	17,626	-	17,626	27,906
Investments	53,944	-	53,944	53,699
Fixed assets - net	147,896	-	147,896	154,786
Total Assets	\$ 539,397	\$ 25,974	\$ 565,371	\$ 579,179
Liabilities and Equity				
Liabilities:				
Accounts payable	\$ 32,383	\$ 461	\$ 32,844	\$ 6,942
Accrued liabilities	28,054	4,836	32,890	35,787
Accrued interest payable	4,595	-	4,595	4,788
Compensated absences payable	33,246	18,986	52,232	55,999
Bonds and notes payable - current	7,400	-	7,400	6,900
Post retirement benefits payable	55,258	-	55,258	48,001
Bonds and notes payable	133,100	-	133,100	140,500
Claims and judgement payable	97,465	1,691	99,156	126,687
Total Liabilities	391,501	25,974	417,475	425,604
Equity:				
Retained earnings (deficit)	-	-	-	(1,211)
Capital grants (contributed capital):				
Local	147,896	-	147,896	154,786
Total equity	147,896	-	147,896	153,575
Total Liabilities and Equity	\$ 539,397	\$ 25,974	\$ 565,371	\$ 579,179

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

Los Angeles County Metropolitan Transportation Authority
Internal Service Fund
Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Years Ended June 30, 1998 and 1997
(Amounts expressed in thousands)

Exhibit F-2

	1998		1997	
	LACMTA	PTSC	Totals (Memorandum Only)	
Operating revenues:				
Charges for services	\$ 358,803	\$ 126,111	\$ 484,914	\$ 331,055
Total operating revenues	<u>358,803</u>	<u>126,111</u>	<u>484,914</u>	<u>331,055</u>
Operating expenses:				
General and administrative	55,090	351	55,441	57,864
Depreciation	6,890	-	6,890	5,423
Salaries and wages	90,435	87,393	177,828	37,379
Fringe benefits	217,069	38,367	255,436	241,307
Total operating expenses	<u>369,484</u>	<u>126,111</u>	<u>495,595</u>	<u>341,973</u>
Operating loss	(10,681)	-	(10,681)	(10,918)
Non-operating revenues (expenses):				
Interest revenues	3,058	-	3,058	2,970
Interest expenses	(9,472)	-	(9,472)	(9,858)
Net appreciation in fair value of investments	1,071	-	1,071	-
Other	873	-	873	652
Total non-operating revenues (expenses)	<u>(4,470)</u>	<u>-</u>	<u>(4,470)</u>	<u>(6,236)</u>
Loss before operating transfers in	(15,151)	-	(15,151)	(17,154)
Operating transfers in	<u>9,472</u>	<u>-</u>	<u>9,472</u>	<u>9,858</u>
Loss for the year	(5,679)	-	(5,679)	(7,296)
Add back depreciation on assets acquired with capital grants	<u>6,890</u>	<u>-</u>	<u>6,890</u>	<u>5,423</u>
Increase (Decrease) in retained earnings	1,211	-	1,211	(1,873)
Retained earnings (deficit) - beginning of year	<u>(1,211)</u>	<u>-</u>	<u>(1,211)</u>	<u>662</u>
Retained earnings (deficit) - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,211)</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, 1998 and 1997
(Amount expressed in thousands)

Exhibit F-3

	<u>1998</u>	<u>1997</u>
Cash flow from operating activities:		
Operating loss	\$ (10,681)	\$ (10,918)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,890	5,423
Net effect of changes in:		
Leases and other receivables	(34)	411
Advances to other funds	68,723	50,999
Prepaid and other assets	2,407	(2,047)
Accounts payables	25,441	(3,040)
Accrued liabilities	(7,733)	10,769
Compensated absences payable	(22,753)	1,064
Post retirement benefits payable	7,256	12,805
Claims and judgement payable	(29,222)	(4,053)
Other liabilities	-	(69)
Net cash used in operating activities	<u>40,294</u>	<u>61,344</u>
Cash flow from non-capital financing activities:		
Operating transfers in from other funds	<u>9,472</u>	<u>9,858</u>
Net cash provided by non-capital financing activities	<u>9,472</u>	<u>9,858</u>
Cash flow from capital and related financing activities:		
Payment of matured bonds and notes payable	(6,900)	(6,500)
Interest paid on bonds and notes payable	<u>(9,383)</u>	<u>(9,752)</u>
Net cash used in capital and related financing activities	<u>(16,283)</u>	<u>(16,252)</u>
Cash flow from investing activities:		
Proceeds from sales and maturity of investments	20,346	31,831
Purchase of investments	(19,519)	(73,940)
Interest received on investments	<u>3,083</u>	<u>3,294</u>
Net cash provided by investing activities	<u>3,910</u>	<u>(38,815)</u>
Net increase (decrease) in cash and cash equivalents	37,393	16,135
Cash and cash equivalents - beginning of year	<u>133,654</u>	<u>117,519</u>
Cash and cash equivalents - end of year	<u>\$ 171,047</u>	<u>\$ 133,654</u>
Supplemental schedule of noncash investing, capital and financing transactions:		
Transfer of fixed assets from the General Fixed Assets Account Group	<u>\$ -</u>	<u>\$ 14,670</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 other 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.

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, 1998
(Amounts expressed in thousands)

Exhibit G-1

	Pension Trust				Agency	
	United Transportation Union Retirement Trust	Transportation Communication Union Retirement Trust	Amalgamated Transportation Union Retirement Trust	Non-Contract Employee's Retirement Trust	Benefit Assessment District	Total
Assets						
Receivables:						
Interest	\$ 2,041	\$ 314	\$ 1,072	\$ 1,057	\$ 271	\$ 4,755
Benefit assessment	-	-	-	-	605	605
Leases and other	323	33	111	913	-	1,380
Total Current Assets	<u>2,364</u>	<u>347</u>	<u>1,183</u>	<u>1,970</u>	<u>876</u>	<u>6,740</u>
Restricted:						
Cash and cash equivalents	458	71	241	237	3,921	4,928
Investments	324,823	50,064	170,716	168,222	-	713,825
Total assets	<u>\$ 327,645</u>	<u>\$ 50,482</u>	<u>\$ 172,140</u>	<u>\$ 170,429</u>	<u>\$ 4,797</u>	<u>\$ 725,493</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 4,706	\$ 592	\$ 3,465	\$ 1,080	\$ 514	\$ 10,357
Accrued liabilities	2,184	336	1,148	1,131	-	4,799
Accrued interest payable	-	-	-	-	2,973	2,973
Bonds and notes payable - current	-	-	-	-	1,310	1,310
Liabilities for retirement income plan	6,625	1,021	3,481	3,431	-	14,558
Total liabilities	<u>13,515</u>	<u>1,949</u>	<u>8,094</u>	<u>5,642</u>	<u>4,797</u>	<u>33,997</u>
Fund Balances:						
Reserved for employee retirements	314,130	48,533	164,046	164,787	-	691,496
Total fund balances	<u>314,130</u>	<u>48,533</u>	<u>164,046</u>	<u>164,787</u>	<u>-</u>	<u>691,496</u>
Total liabilities and fund balances	<u>\$ 327,645</u>	<u>\$ 50,482</u>	<u>\$ 172,140</u>	<u>\$ 170,429</u>	<u>\$ 4,797</u>	<u>\$ 725,493</u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Expendable Trust Fund
For the year ended June 30, 1998
(Amounts expressed in thousands)

Exhibit G-2

	<u>Transportation Foundation</u>
Other financing Sources (Uses):	
Operating transfers in	\$ 2
	<u> </u>
Total other financing sources (uses)	2
	<u> </u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2
Fund (deficit) balance - beginning of year	(2)
Fund balance - end of year	\$ <u> </u> <u> </u>

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, 1998
(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	\$ 9,330	\$ 1,321	\$ 4,635	\$ 4,434	\$ 19,720
Net appreciation in fair value of investments	37,220	5,213	18,387	17,611	78,431
Employer contributions	5,086	574	3,278	2,448	11,386
Employee contributions	8,433	791	2,563	1	11,788
Total operating revenues	60,069	7,899	28,863	24,494	121,325
Operating expenses:					
Administration and other	1,512	299	855	809	3,475
Benefits and contribution refunds paid to participants and beneficiaries	62,751	4,834	18,478	12,467	98,530
Total operating expenses	64,263	5,133	19,333	13,276	102,005
Net income	(4,194)	2,766	9,530	11,218	19,320
Fund balances - beginning of year	318,324	45,767	154,516	153,569	672,176
Fund balances - end of year	\$ 314,130	\$ 48,533	\$ 164,046	\$ 164,787	\$ 691,496

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

Los Angeles County Metropolitan Transportation Authority
 Agency Fund
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 1998
 (Amounts expressed in thousands)

Exhibit G-4

	<u>Balance July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1998</u>
Benefit Assessment Districts -				
Agency Fund				
Assets				
Assessment receivable	\$ 2,348	\$ 11,461	\$ 13,204	\$ 605
Interest receivable	705	271	705	271
Restricted assets:				
Cash and investment with fiscal agents	<u>1,800</u>	<u>13,540</u>	<u>11,419</u>	<u>3,921</u>
Total assets	<u>\$ 4,853</u>	<u>\$ 25,272</u>	<u>\$ 25,328</u>	<u>\$ 4,797</u>
Liabilities				
Accounts payable	\$ 605	\$ 420	\$ 511	\$ 514
Accrued interest payable	2,993	2,973	2,993	2,973
Accrued bond principal payable	<u>1,255</u>	<u>1,310</u>	<u>1,255</u>	<u>1,310</u>
Total liabilities	<u>\$ 4,853</u>	<u>\$ 4,703</u>	<u>\$ 4,759</u>	<u>\$ 4,797</u>

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



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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, 1998 and 1997
(Amounts expressed in thousands)

	<u>1998</u>	<u>1997</u>
General Fixed Assets:		
Contributed Capital - SCRRA	\$ 142,297	\$ 134,797
Land	903,417	903,680
Construction in Progress:		
Call Boxes	7,750	7,750
Other Equipment	25,745	30,751
Leasehold Improvements	1,746	1,746
Metro Rail MOS-2	1,473,285	1,325,438
Metro Rail MOS-3 (North Hollywood)	834,867	624,294
Metro Rail MOS-3 (East Side)	113,620	80,077
Metro Rail MOS-3 (Mid-City)	13,637	12,561
Metro Rail MOS-3 (Eastern Ext.)	849	835
Pasadena Line	210,528	179,638
L.A. Car	120,724	92,378
Systemwide	77,825	42,866
Rail Development	22,461	22,461
Other Operations Capital Projects	205,964	197,976
Other Construction in Progress	158,293	124,281
Total General Fixed Assets	\$ 4,313,008	\$ 3,781,529
Investments in General Fixed Assets by Source:		
General Fund	\$ 7,755	\$ 7,755
Capital Projects Funds	4,305,253	3,773,774
Total Investment in General Fixed Assets	\$ 4,313,008	\$ 3,781,529

Los Angeles County Metropolitan Transportation Authority
 Schedule of General Fixed Assets - By Activity and Function
 June 30, 1998
 (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/SCRRRA				
Contributed Capital - SCRRRA	\$ -	\$ 142,297	\$ -	\$ 142,297
Land	-	903,417	-	903,417
Construction in Progress:				
Call boxes	-	7,750	-	7,750
Other Equipment	10,811	14,934	-	25,745
Leasehold Improvements	1,746	-	-	1,746
Metro Rail MOS 2	-	-	1,473,285	1,473,285
Metro Rail MOS 3 (North Hollywood)	-	-	834,867	834,867
Metro Rail MOS 3 (East Side)	-	-	113,620	113,620
Metro Rail MOS 3 (Mid-City)	-	-	13,637	13,637
Metro Rail MOS 3 (Eastern Ext.)	-	-	849	849
Pasadena line	-	-	210,528	210,528
L.A. Car	-	-	120,724	120,724
Systemwide	-	-	77,825	77,825
Rail Development	-	-	22,461	22,461
Other Operations Capital Projects	-	-	205,964	205,964
Other Construction in Progress	-	-	158,293	158,293
Total General Fixed Assets	\$ 12,557	\$ 1,068,398	\$ 3,232,053	\$ 4,313,008

Los Angeles County Metropolitan Transportation Authority
 Schedule of Changes in General Fixed Assets—by Function and Activity
 For the year ended June 30, 1998
 (Amounts expressed in thousands)

<u>Function and Activity</u>	<u>General Fixed Assets June 30, 1997</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets June 30, 1998</u>
Equity in JPA/SCRRA				
Contributed Capital - SCRRA	\$ 134,797	7,500	\$ -	\$ 142,297
Land	903,680		263	903,417
Construction in Progress:				
Call boxes	7,750	-	-	7,750
Other Equipment	30,751	1,080	6,086	25,745
Leasehold Improvements	1,746	-	-	1,746
Metro Rail MOS 2	1,325,438	147,847	-	1,473,285
Metro Rail MOS 3 (North Hollywood)	624,294	210,573	-	834,867
Metro Rail MOS 3 (East Side)	80,077	33,543	-	113,620
Metro Rail MOS 3 (Mid-City)	12,561	1,076	-	13,637
Metro Rail MOS 3 (Eastern Ext.)	835	14	-	849
Pasadena line	179,638	30,890	-	210,528
L.A. Car	92,378	28,346	-	120,724
Systemwide	42,866	34,959	-	77,825
Rail Development	22,461		-	22,461
Other Operations Capital Projects	197,976	25,586	17,598	205,964
Other Construction in Progress	124,281	34,012		158,293
Total General Fixed Assets	\$ 3,781,529	555,426	\$ 23,947	\$ 4,313,008

STATISTICAL SECTION

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

Table 1

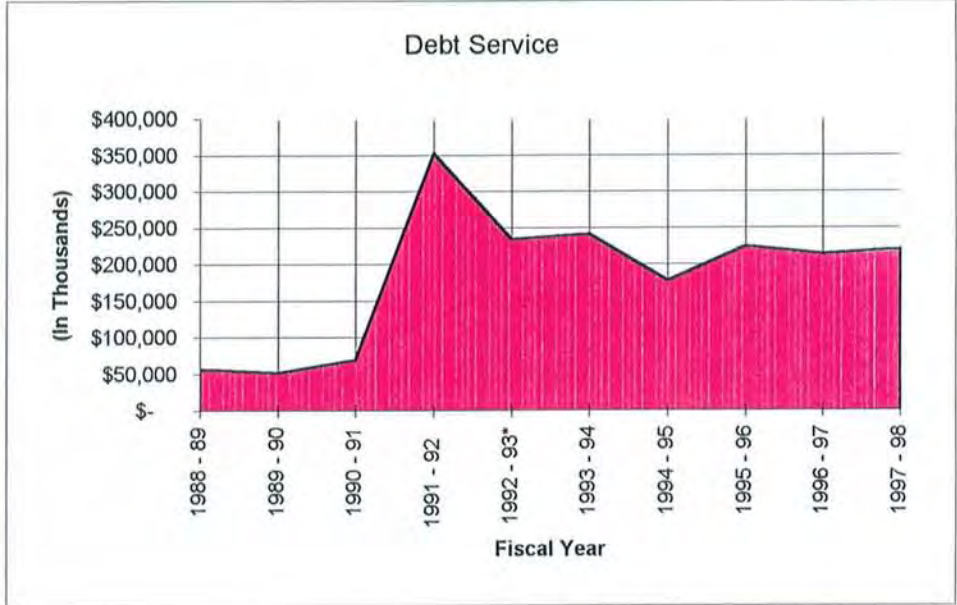
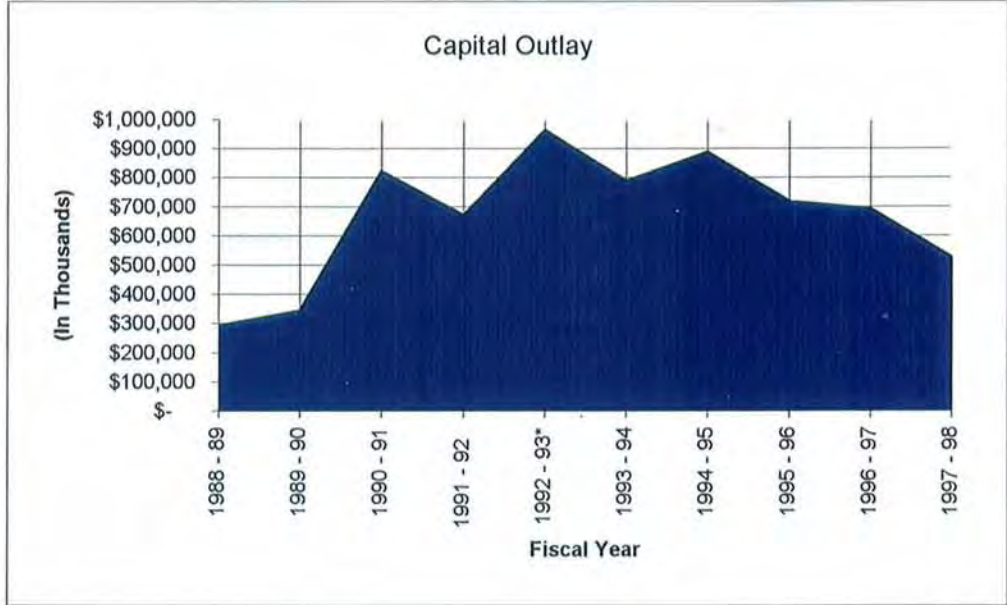
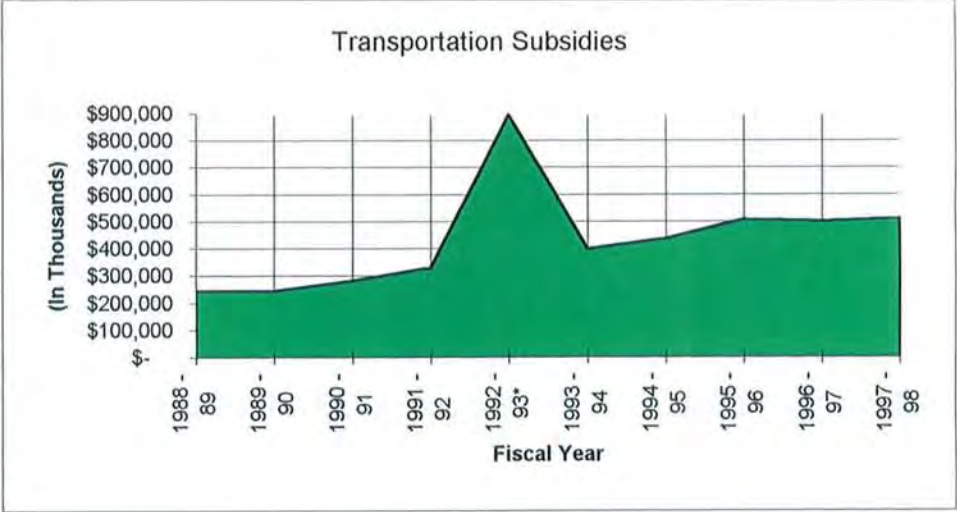
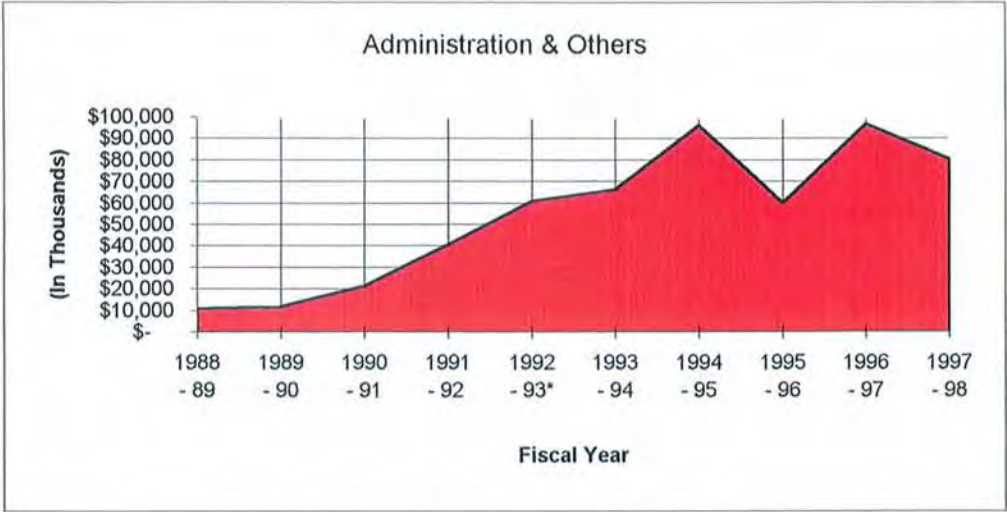
Fiscal Year	Administration & Others	Transportation Subsidies	Capital Outlay	Debt Service	Total
1988 - 89	\$ 10,695	\$ 243,320	\$ 290,986	\$ 56,921	\$ 601,922
1989 - 90	11,679	243,278	342,416	50,907	648,280
1990 - 91	21,370	281,574	820,000	68,852	1,191,796
1991 - 92	40,391	328,870	669,076	352,308 ⁽²⁾	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
1997 - 98	80,216	509,698	523,872	219,350	1,333,136
TOTAL	\$ 544,028	\$ 4,343,544	\$ 6,690,844	\$ 1,836,753	\$ 13,415,169

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 & SCRTD

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)

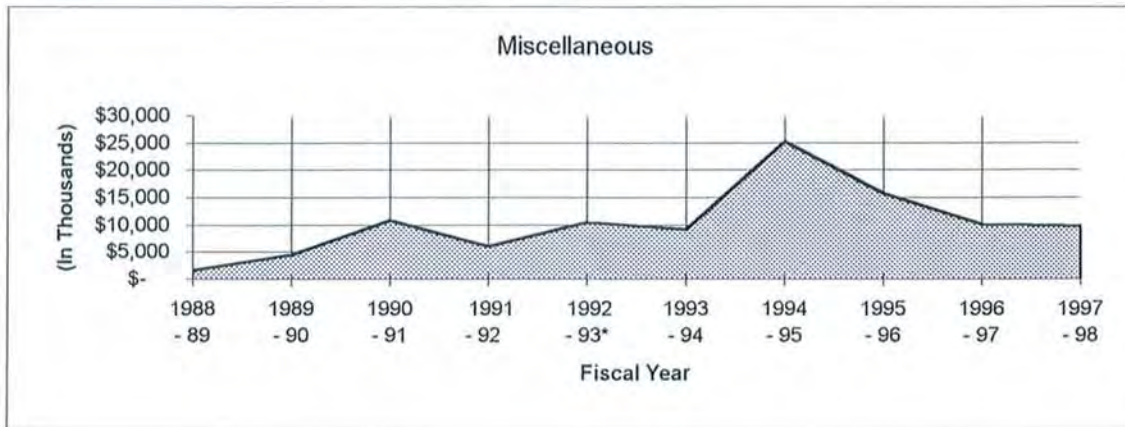
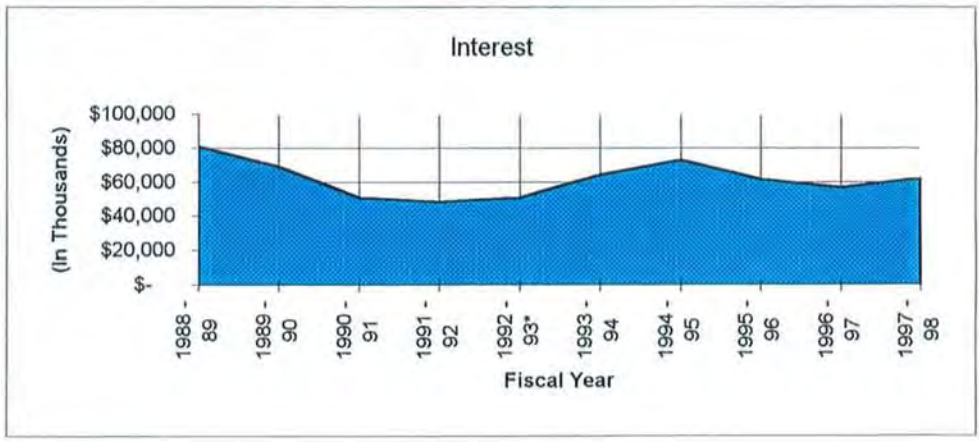
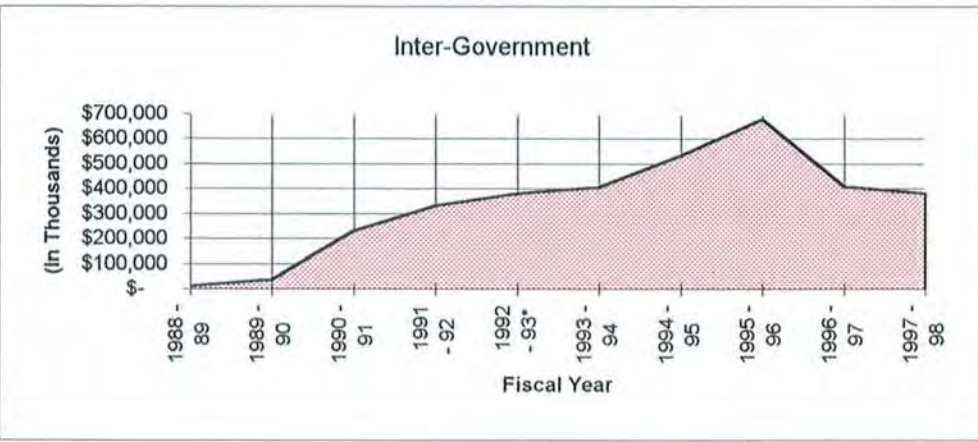
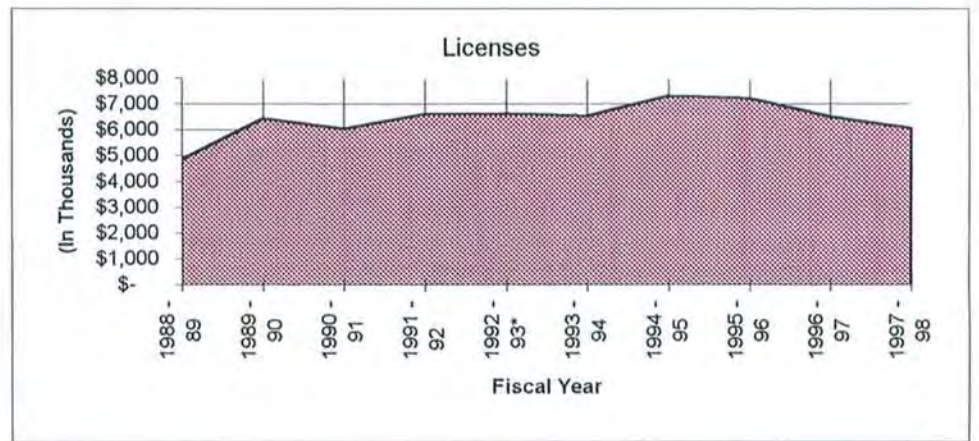
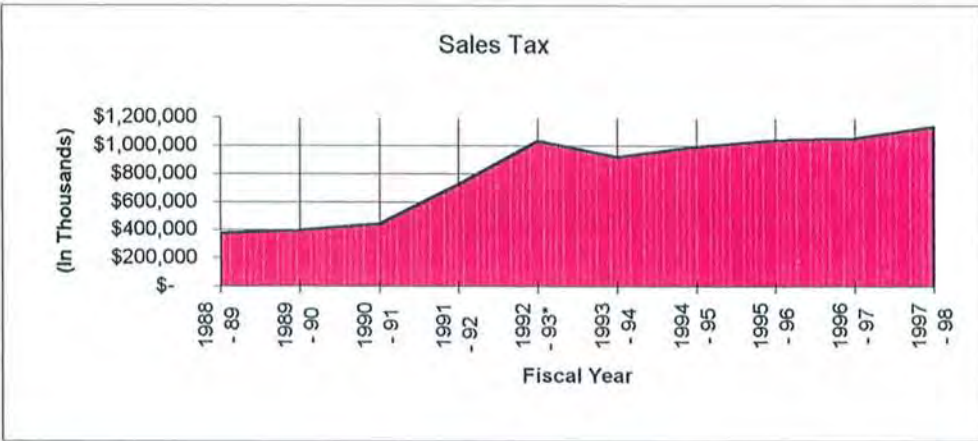
Table 2

Fiscal Year	Sales Tax	Licenses	Inter-Gov't	Interest	Misc.	Total
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
1997 - 98	1,131,676	6,047	381,089	61,640	9,739	1,590,191
TOTAL	\$8,088,976	\$ 64,092	\$ 3,396,559	\$ 615,522	\$ 103,146	\$ 12,268,295

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, \$2644,000 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 Revenue 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 & SCRITD

Graphical Presentation of Table 2



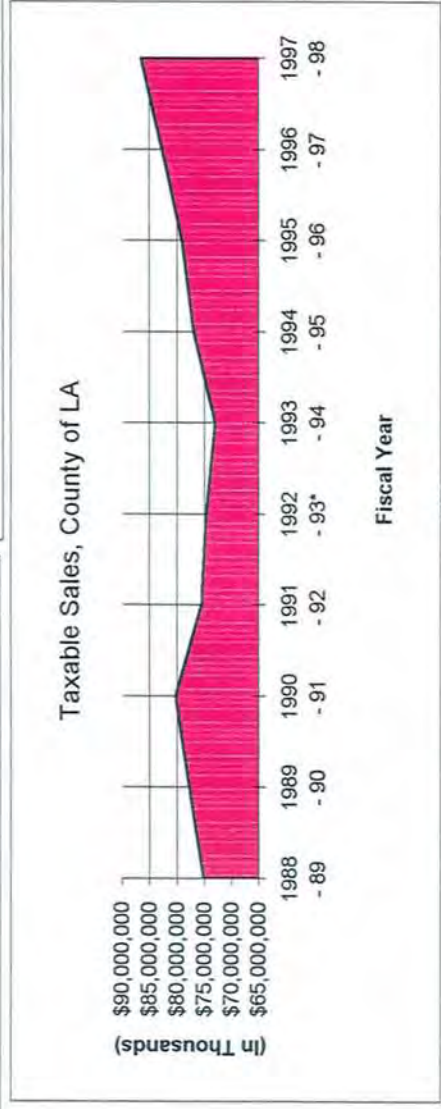
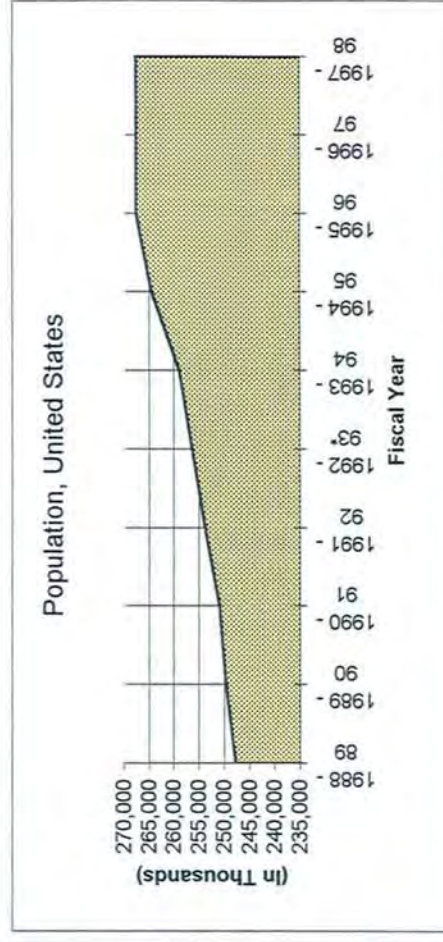
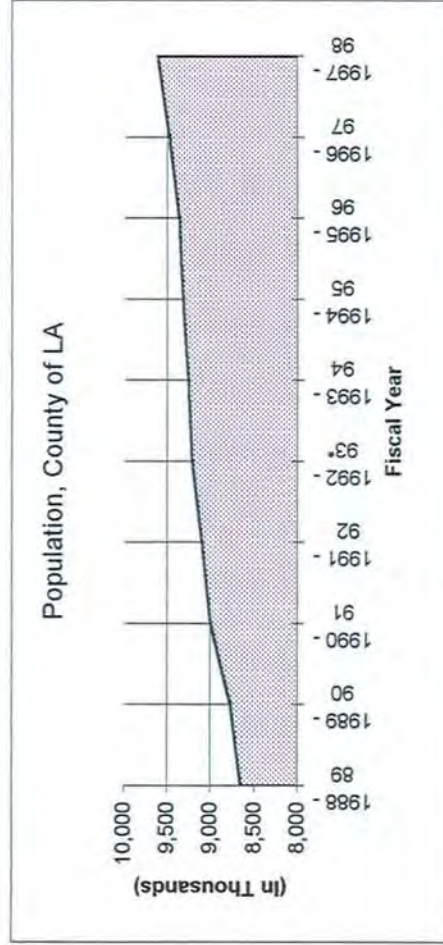
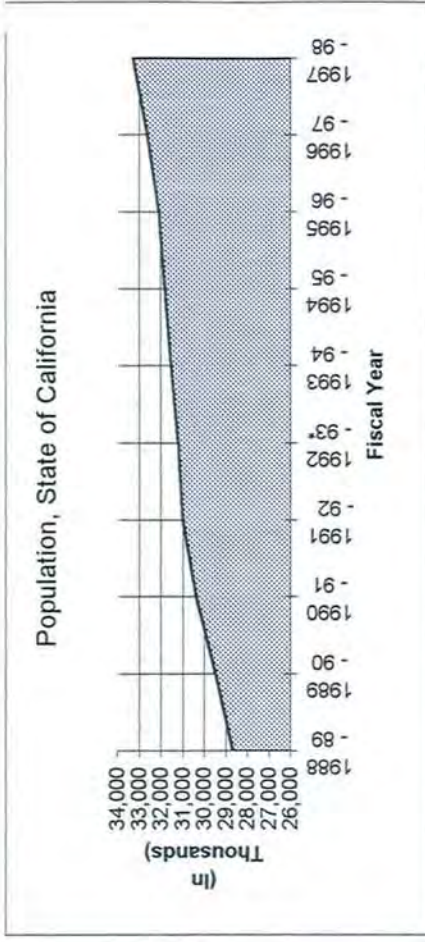
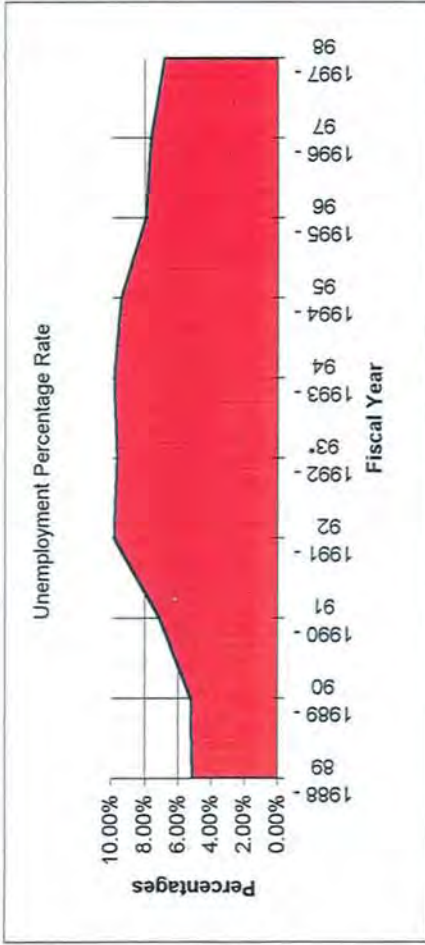
Los Angeles County Metropolitan Transportation Authority
 Demographic Statistics
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 3

Fiscal Year	(1) Unemployment Percentage Rate	(2) Population County Of Los Angeles	(2) Population State of California	(2) Population United States	(3) Taxable Sales County Of Los Angeles
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	264,500	76,898,666
1995 - 96	7.9	9,352	32,063	267,500	79,068,152
1996 - 97	7.6	9,468	32,609	267,567	82,620,919
1997 - 98	6.8	9,603	33,252	267,636	86,397,850

Sources: (1) State Department of Employment Development for the County of Los Angeles
 (2) California Department of Finance
 (3) State Board of Equalization
 * Merger between LACTC & SCRTRD

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	Net Prop A Sales Tax Revenue (1)	Less 25% Local Allocation (2)	Prop A Bonds Amount Available For Debt Service On Sales Tax Bonds	Prop A Bonds Aggregate Debt Service	Debt Service Coverage Ratio (2)
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%
1997 - 98	438,321	109,580	328,741	115,270	2.85%

Source: Comprehensive Annual Financial Report

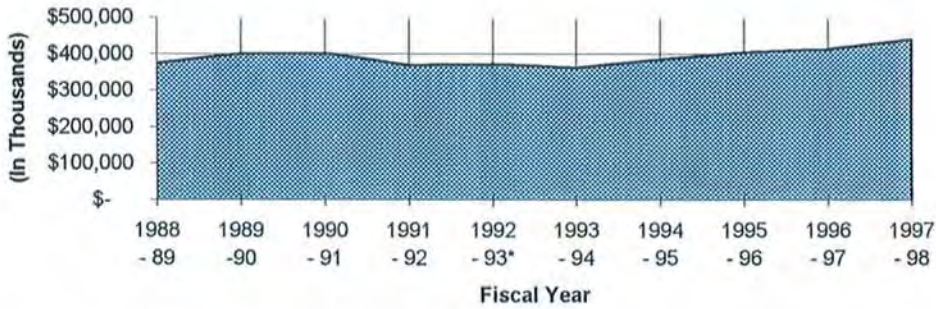
(1) As of June 30, only Prop A Sales tax had been pledged.

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

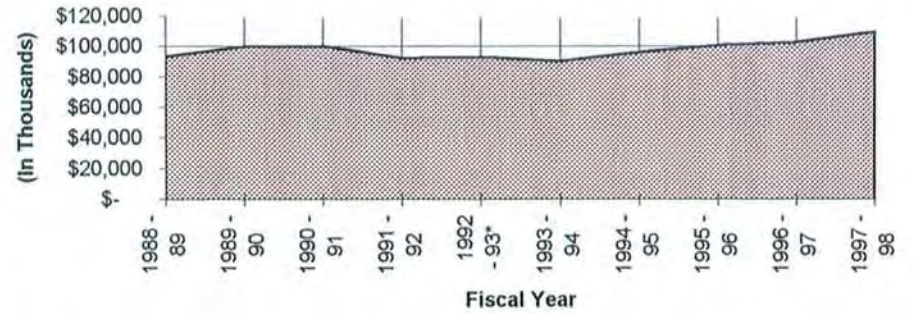
* Merger between LACTC & SCRTD

Graphical Presentation of Table 4

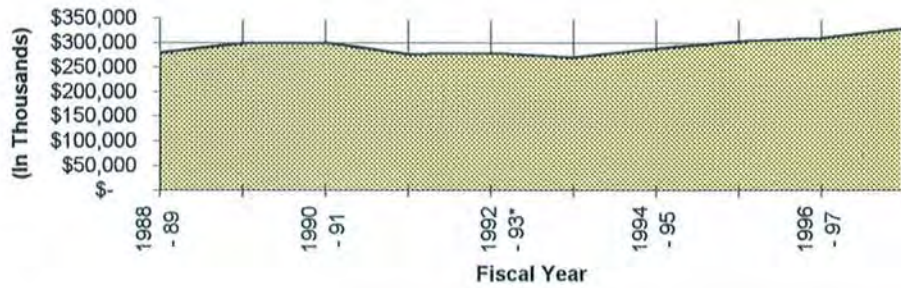
Net Prop A Sales Tax Revenue



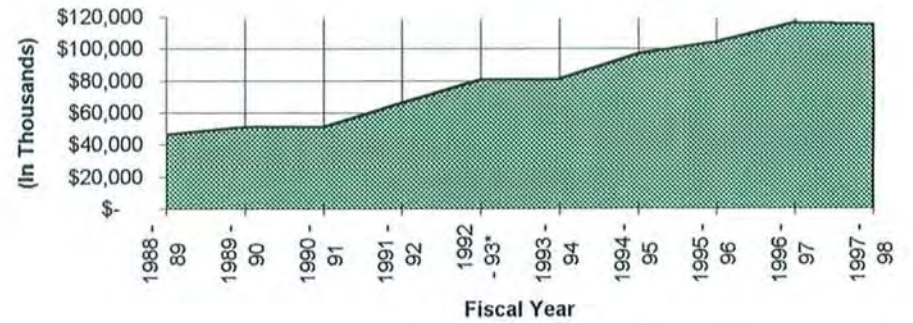
Less 25% Local Allocation



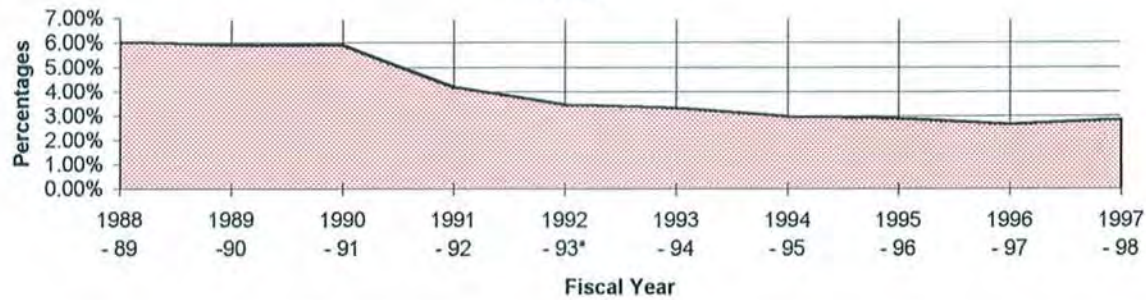
Prop A Bonds Amt Available For Debt Service On Sales Tax Bonds



Prop A Bonds Aggregate Debt Service



Debt Service Coverage Ratio



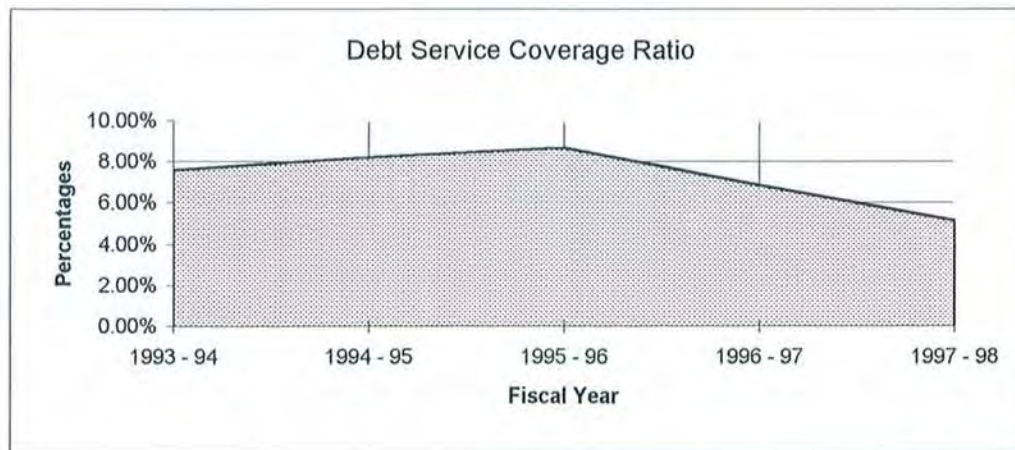
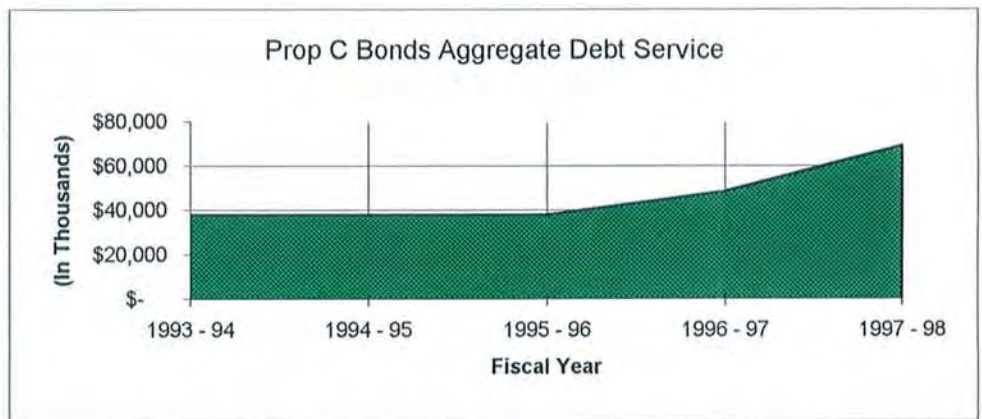
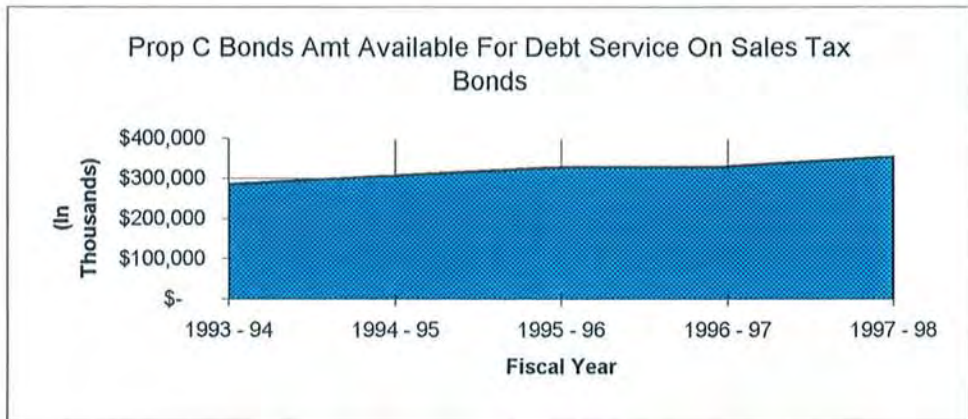
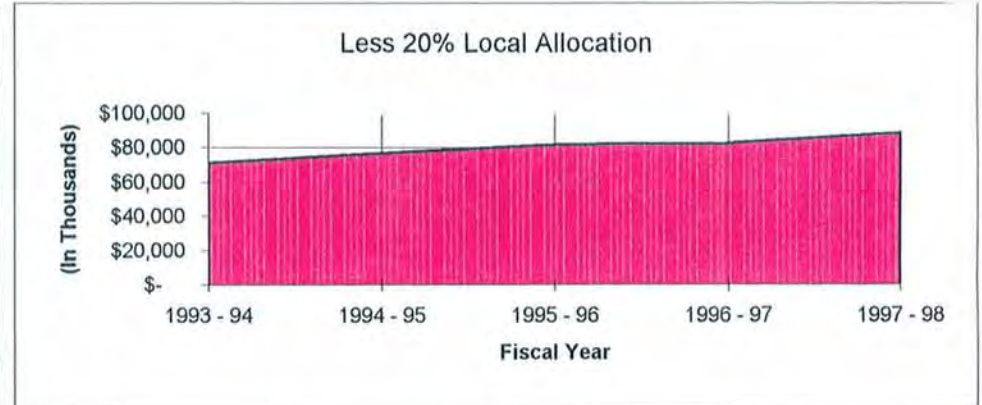
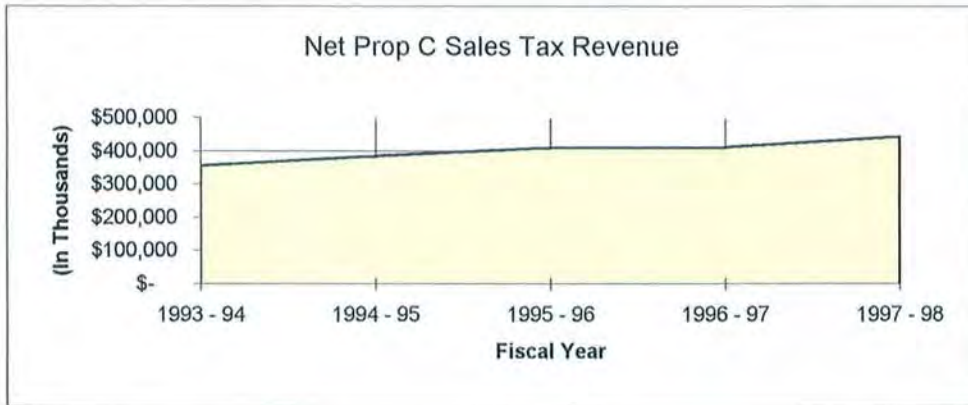
Los Angeles County Metropolitan Transportation Authority
 Historical Debt Service Coverage Ratios - Prop C
 Last Five Fiscal Years
 (Amounts expressed in thousands)

Table 5

Fiscal Year	Net Prop C Sales Tax Revenue	Less 20% Local Allocation	Prop C Bonds Amount Available For Debt Service On Sales Tax Bonds	Prop C Bonds Aggregate Debt Service	Debt Service Coverage Ratio
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%
1997 - 98	441,929	88,386	353,543	68,828	5.13%

Source: Comprehensive Annual Financial Report

Graphical Presentation of Table 5



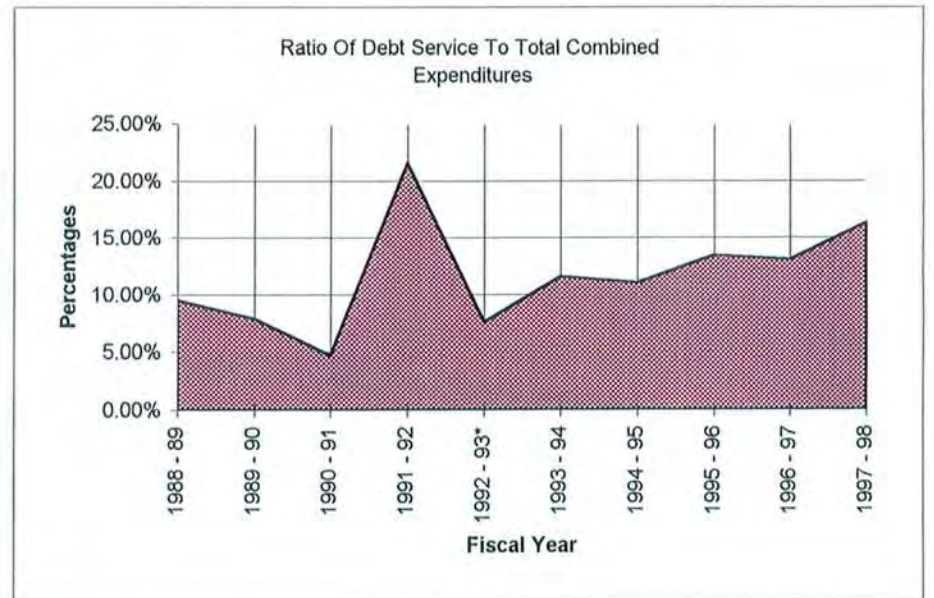
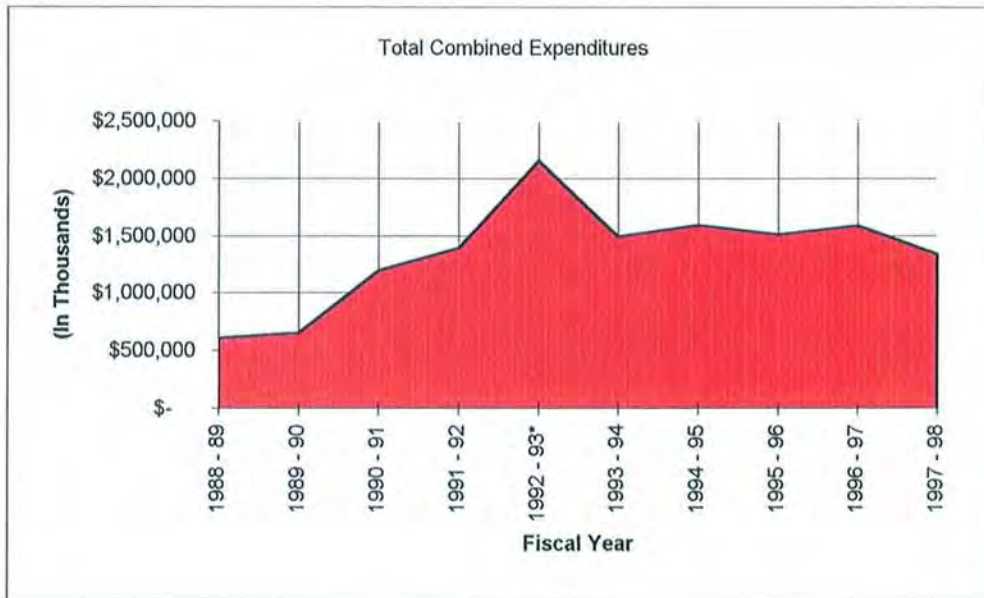
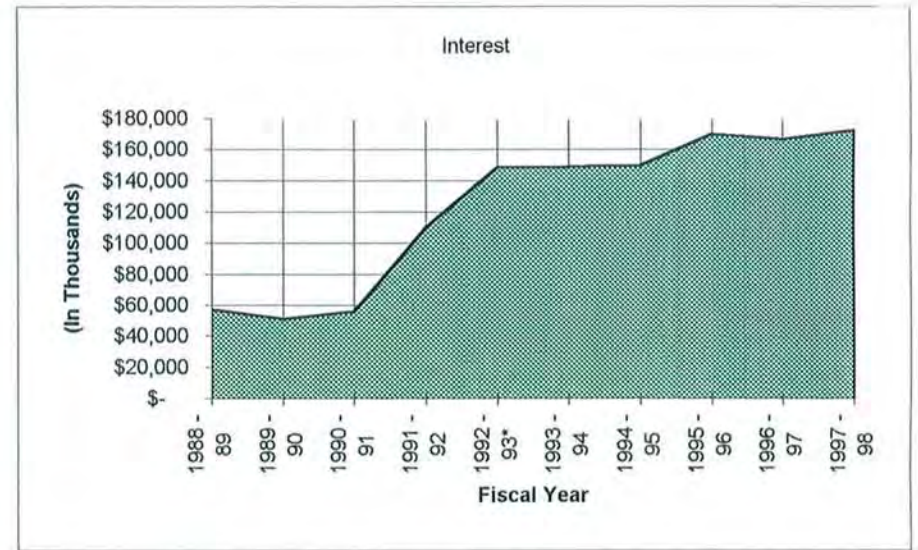
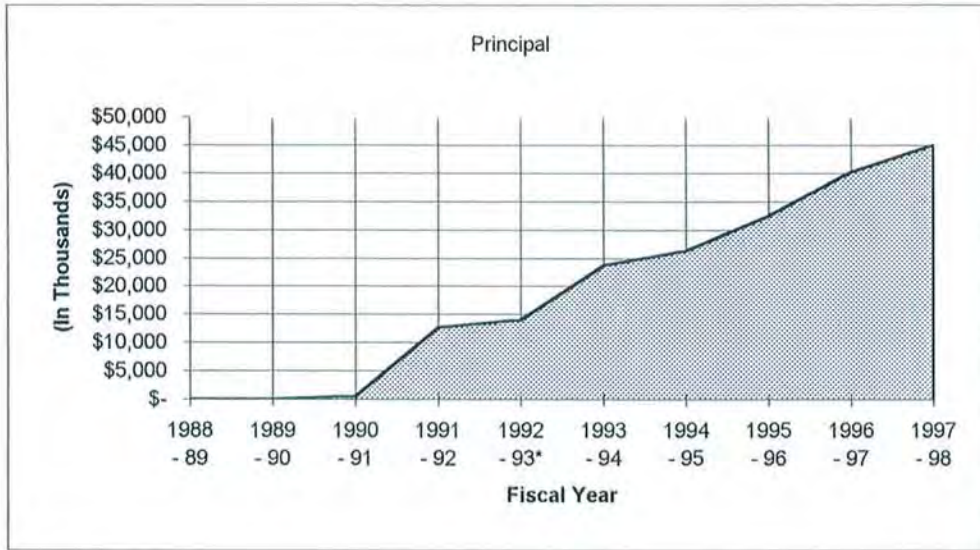
Los Angeles County Metropolitan Transportation Authority
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Expenditures
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 6

FISCAL YEAR	1988 - 89	1989 - 90	1990 - 91	1991 - 92	1992 - 93*	1993 - 94	1994 - 95	1995 - 96	1996 - 97	1997 - 98
Principal	\$ -	\$ -	\$ 586	\$ 12,592	\$ 14,019	\$ 23,639	\$ 26,345	\$ 32,498	\$ 40,200	\$ 45,025
Interest	56,921	50,907	55,780	110,090	148,576	148,975	149,630	169,876	166,552	172,579
Commercial Paper Retirement	-	-	-	177,000	-	-	-	-	-	-
Total Debt Service Expenditures	\$ 56,921	\$ 50,907	\$ 56,366	\$ 299,682	\$ 162,595	\$ 172,614	\$ 175,975	\$ 202,374	\$ 206,752	\$ 217,604
Total Combined Expenditures	\$ 601,922	\$ 648,280	\$ 1,196,198	\$ 1,390,645	\$ 2,151,711	\$ 1,492,832	\$ 1,595,752	\$ 1,508,202	\$ 1,588,259	\$ 1,329,967
Ratio of Debt Service to Total Combined Expenditures (%)	9.46%	7.85%	4.71%	21.55%	7.56%	11.56%	11.03%	13.42%	13.02%	16.36%

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

Graphical Presentation of Table 6



Los Angeles County Metropolitan Transportation Authority
 Operating Revenues By Source (Bus & Rail)
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 7

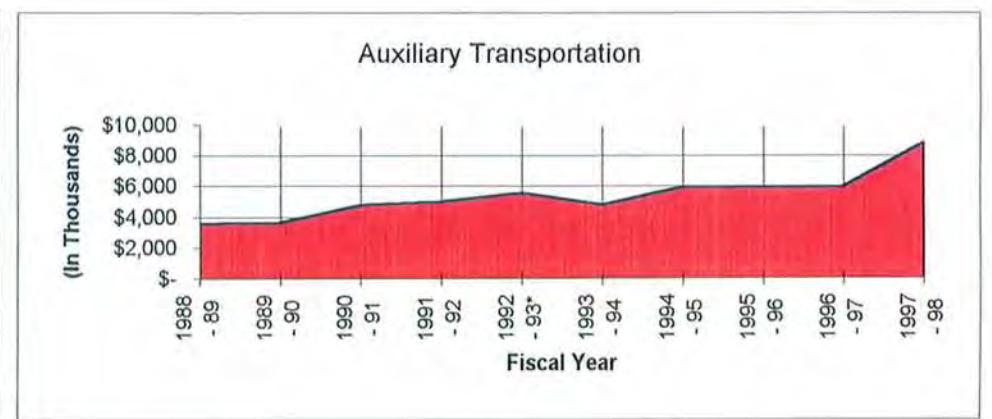
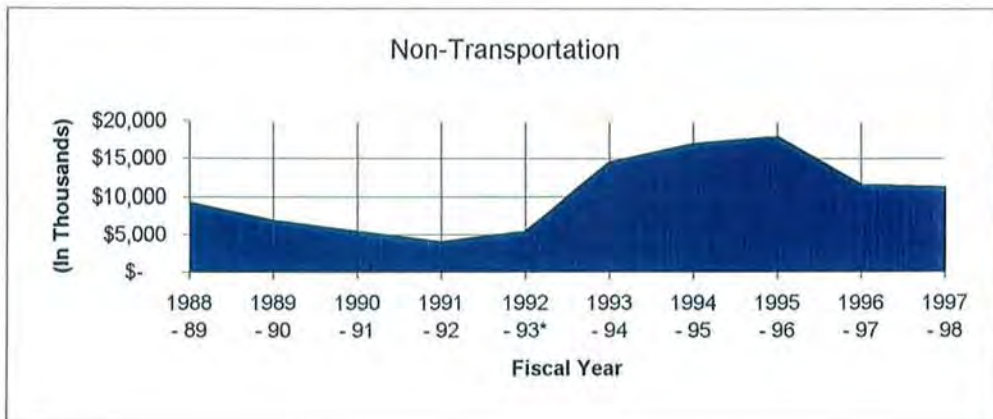
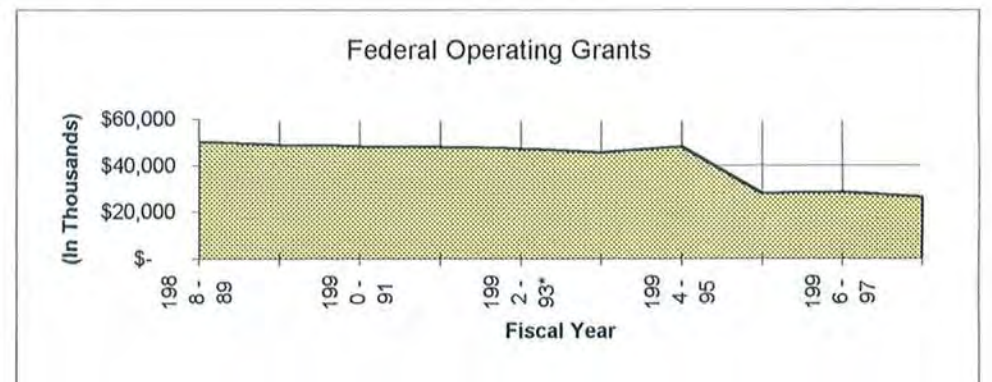
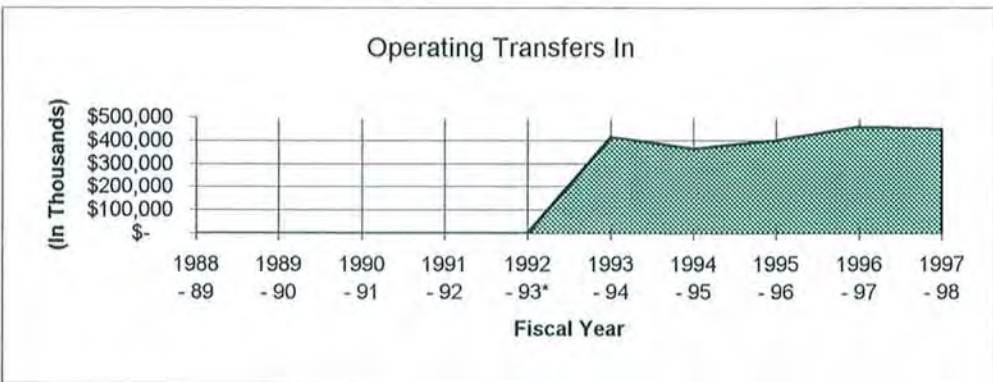
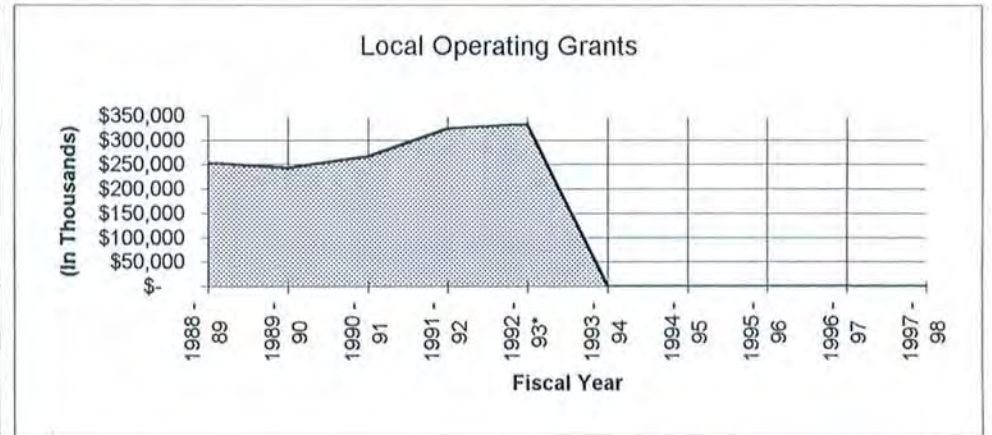
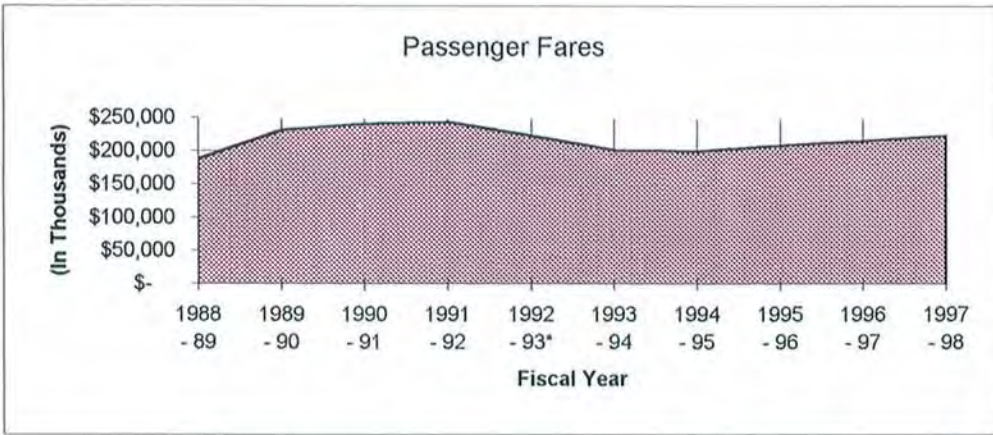
Fiscal Year	Passenger Fares	Local Operating Grants	Operating Transfers In (1)	Federal Operating Grants	State Operating Grants	Non-Transportation	Auxiliary Transportation	Total
1988 - 89	\$ 187,772	\$ 253,631	\$ -	\$ 50,171	\$ 79	\$ 9,173	\$ 3,595	\$ 504,421
1989 - 90	230,859	242,268	-	48,870	694	6,775	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
1997 - 98	222,502	-	445,861	26,372	-	11,094	8,835	714,664
TOTAL	\$ 2,169,851	\$ 1,418,063	\$ 2,080,373	\$ 418,795	\$ 19,141	\$ 102,371	\$ 53,971	\$ 6,262,565

Source: Comprehensive Annual Financial Report

* Merger between LACTC & SCRTD

(1) Represents local government revenue.

Graphical Presentation of Table 7



**Los Angeles County Metropolitan Transportation Authority
Operating Expenses By Function (Bus & Rail)**

Table 8

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal Year	Operations	Vehicle Maintenance	General & Administrative (1)	Non-Vehicle Maintenance	Depreciation	Total
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	400,982	132,206	146,457	35,415	159,100	874,160
1997 - 98	433,560	113,368	140,332	27,352	158,027	872,639
TOTAL	\$ 3,337,971	\$ 1,311,151	\$ 1,262,166	\$ 239,501	\$ 894,210	\$ 7,044,999

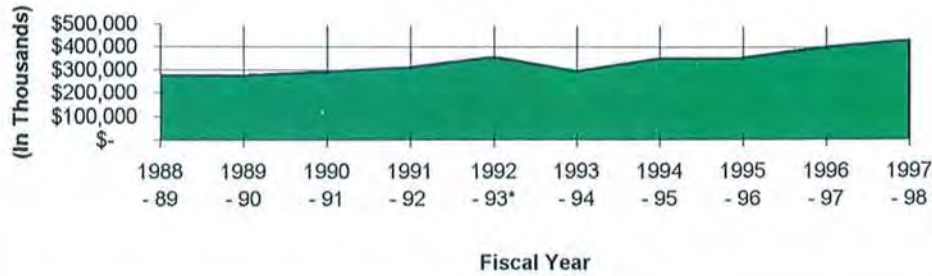
Source: Comprehensive Annual Financial Report

* Merger between LACTC & SCRTD

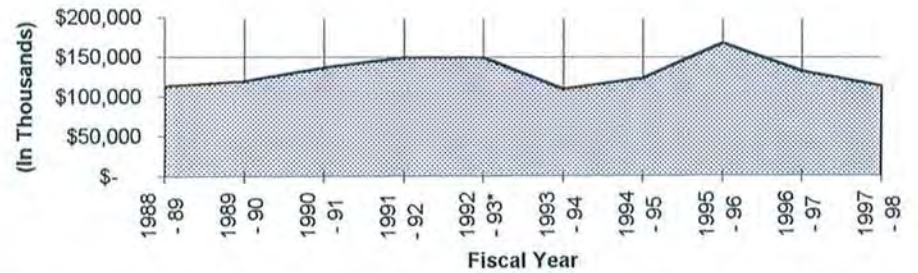
(1) Includes interest expense, a non-operating cost.

Graphical Presentation of Table 8

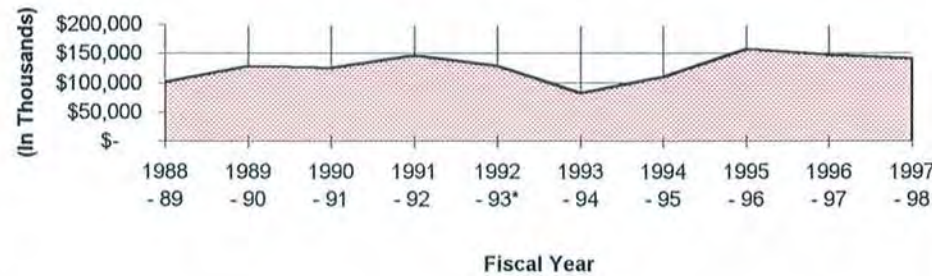
Operations



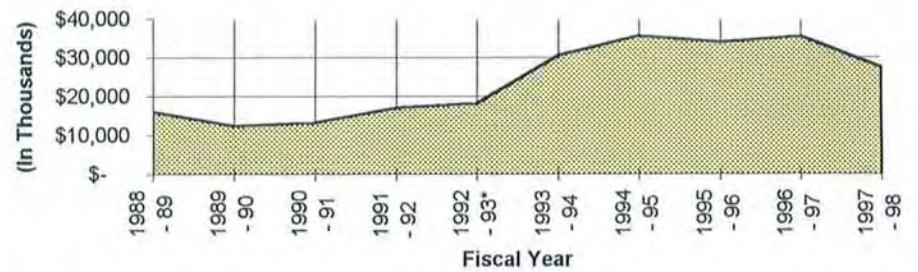
Vehicle Maintenance



General & Administrative



Non-Vehicle Maintenance



Depreciation

