

Los Angeles County Metropolitan Transportation Authority  
California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003



**Metro**



**Los Angeles County  
Metropolitan Transportation Authority**  
*California*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For The Fiscal Year Ended June 30, 2003**

Prepared by:  
**Accounting Department**

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*Controller*

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*Chief Financial Officer*

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION  
AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2003**

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# INTRODUCTORY



December 10, 2003

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

Dear Honorable Board Members:

Subject: MTA Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (MTA) for the fiscal year ended June 30, 2003, is submitted herewith. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with MTA's management. All material disclosures necessary to enable the reader to gain an understanding of MTA's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

- The Introductory Section includes this Letter of Transmittal from the Chief Financial Officer, a reproduction of MTA's Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2002, MTA's organization chart, and a list of Board Members;
- The Financial Section includes the independent auditors report on the basic financial statements, management's discussion and analysis, the basic financial statements, the notes to the financial statements, the required supplemental information, and the combining individual fund statements and schedules;
- The Statistical Section includes selected financial and demographic data depicting historical trends and other significant information.

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 *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are set forth in a separate Single Audit report.

## **Independent Audit**

MTA is required to have an annual audit performed by independent certified public accountants. PricewaterhouseCoopers LLP, a firm of licensed certified public accountants, has audited MTA's financial statements. The goal of the independent audit was to provide reasonable assurance that MTA's financial statements for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that MTA's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with generally accepted accounting principles (GAAP). The auditor's report on the financial statements is included in the Financial Section of this report. Reports related specifically to the Single Audit have been issued under separate cover. 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.

## **Management's Representations**

This report consists of management's representations concerning MTA's finances. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, MTA's management has established a comprehensive internal control framework that is designed both to protect MTA's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of MTA's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits, therefore, MTA's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

## **Internal Control**

The independent audit of MTA's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on MTA's internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in MTA's separately issued Single Audit Report.

## **Management's Discussion and Analysis**

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A that begins on page 3, and should be read in conjunction with it.

### **Reporting Entity**

MTA is the principal transportation agency in Los Angeles County, and is unique with respect to its broad responsibilities in the areas of operations, planning and programming, and construction. As the nation's third largest provider of public transit, MTA's directly operated bus system provides service to 1.1 million bus passenger boardings daily, with over 82.3 million annual vehicle revenue service miles. The entire fleet is wheelchair accessible, and over 64 percent of the buses are powered by compressed natural gas (CNG).

MTA's Metro Rail system consists of the following three lines:

- Metro Blue Line – a 22-mile light rail system connecting Long Beach to Los Angeles. This light rail line serves approximately 68,000 weekday passengers.
- Metro Red Line – a 17-mile heavy rail subway system running through downtown Los Angeles from the Gateway Transit Center/Union Station to North Hollywood. The western branch extends along Wilshire Boulevard to Western Avenue. This heavy rail line serves approximately 96,000 weekday passengers.
- Metro Green Line – a 20-mile light rail system linking Norwalk, the Metro Blue Line, El Segundo and Redondo Beach. This light rail line serves approximately 32,000 weekday passengers.
- Metro Gold Line – a 13-mile light rail line connecting downtown Los Angeles and Pasadena. The Gold Line was recently completed and opened to the public on July 26, 2003.

MTA works with the 16 municipal bus operators in Los Angeles County to maximize use of the transit dollar and to provide service coordination.

MTA also funds various commuter and motorist assistance programs. One such program is the Freeway Service Patrol, whose fleet of 147 tow trucks patrol LA County freeways, alleviating congestion by offering free assistance to motorists with disabled vehicles.

The Service Authority for Freeway Emergencies (SAFE), a separate entity from MTA, operates the Kenneth Hahn Call Box program, operating and servicing 4,471 call boxes along more than 500 miles of freeways, state highways, and selected County roads in Los Angeles County.



MTA is responsible for the planning and programming of funds for, and the construction and operation of, all major aspects of ground transportation in Los Angeles County, including: (1) highway construction and traffic flow management; (2) subway and light rail construction; (3) rapid bus line development and construction of fixed guideways for buses and multi-passenger vehicles; (4) bus and rail transit services, including funding administration for all L.A. County transit service providers; (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.

Although they are legally separate entities, blended component units are, in substance, part of MTA’s operations, and are included as part of MTA’s financial reporting. Accordingly, the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), two Benefit Assessment Districts (BADs), a single-employer public retirement system, the Service Authority for Freeway Emergencies (SAFE), and the LACMTA Leasing Authority are included as blended component units in the financial statements.

**Factors Affecting Financial Condition**

The largest single source of revenue is sales tax, which accounts for over \$1.4 billion out of \$2.1 billion in total revenues (see page 7). Propositions A and C are Los Angeles County voter approved sales tax initiatives for funding public transit and transportation. These revenues are sensitive to economic conditions in the greater Los Angeles metropolitan area. Monies received from the state of California under the State Transit Assistance Program and the Transportation Development Act are, in part, influenced by statewide economic conditions. MTA develops its spending plans in the context of expected economic conditions.

MTA’s long-range projections assume modest changes in key economic indicators in California and Los Angeles County. These changes are shown below:

<b>LONG-TERM ECONOMIC ASSUMPTIONS</b>		
<b>Average annual Percentage Change</b>		
<b><u>Indicator</u></b>	<b><u>California</u></b>	<b><u>L.A. County</u></b>
Retail sales	-0.13	1.23
Real personal income	0.93	4.79
Non-farm employment	-1.18	-0.80
Population	1.49	1.77

**Cash Management Policies and Practices**

Operating funds are maintained in trust companies and commercial banks, where idle balances are invested as permitted by state law in conformity with MTA’s investment policy.

MTA's investment policy affords it a broad spectrum of investment opportunities, provided the investment is deemed prudent and is authorized under the California Government Code Section 53600, et. seq. MTA has invested in U. S. treasury securities, commercial paper, corporate notes and bonds, and other low risk investments.

Restricted cash and investments with fiscal agents represent monies held by trustees specifically for payment of debt service (principal and interest expense). Also included in this category are reserves for self-insured public liability, property damage, and workers' compensation claims.

### **Risk Management**

MTA protects itself against the adverse consequences of material financial loss through a balanced program of risk retention and risk transfer. Exposures for which insurance is purchased with various retention or deductible levels include third-party public liability and property damage, specified construction risks, first-party building and contents (property damage), boiler and machinery, fiduciary and public official liability. MTA self-insures and self-administers its workers' compensation liabilities.

Rail construction and non-rail transit corridor projects may be insured through either an owner controlled insurance program (OCIP) or contractor controlled insurance program (CCIP), where the acquisition and administration of construction insurance and claims are consolidated and managed by either the owner or the prime contractor in order to achieve cost savings and superior coverage. Rail and non-rail insurance coverages include workers' compensation, employer's professional liability, commercial general liability, builders' risk, railroad protective liability, and environmental liability.

### **Pension and Other Post Employment Benefits**

Public Transportation Service Corporation (PTSC), a blended component unit, provides a defined benefit pension plan for its employees through the California Public Employees' Retirement System (PERS). Employee contributions are currently paid by PTSC.

MTA has a single-employer public employees retirement system that includes four defined benefit pension plans for its employees. Only those employees represented by the United Transportation Union, Amalgamated Transit Union and Transportation Communications Union, contribute a specified percentage of their annual salaries, as recommended by the plans' actuary. The financial statements for these pension plans are included in the fiduciary fund type.

MTA provides post-retirement benefits that consist of health care and life insurance benefits purchased for retired employees and families through a commercial insurance policy. Substantially all MTA retirees may become eligible for these benefits if they reach the appropriate eligibility requirements for retirement while working for MTA. The benefit provisions and all other requirements are established by collective bargaining

agreements and/or Board actions. There were approximately 3,000 participants, and the related outstanding long-term liability for the post-retirement benefits as of June 30, 2003, is \$86,388,000.

### **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 report for the fiscal year ended June 30, 2002. This was the fourth consecutive year that MTA has received this prestigious award. 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, MTA must publish an easily readable and well-organized comprehensive annual financial report whose contents conform to program standards. Such a 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 conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

### **Acknowledgments**

I wish to thank the entire staff of the Accounting Department and other professionals of MTA for their dedicated service and assistance that made the timely preparation of this report possible.

Respectfully submitted,



Josie V. Nicasio  
Controller

# 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, 2002

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.

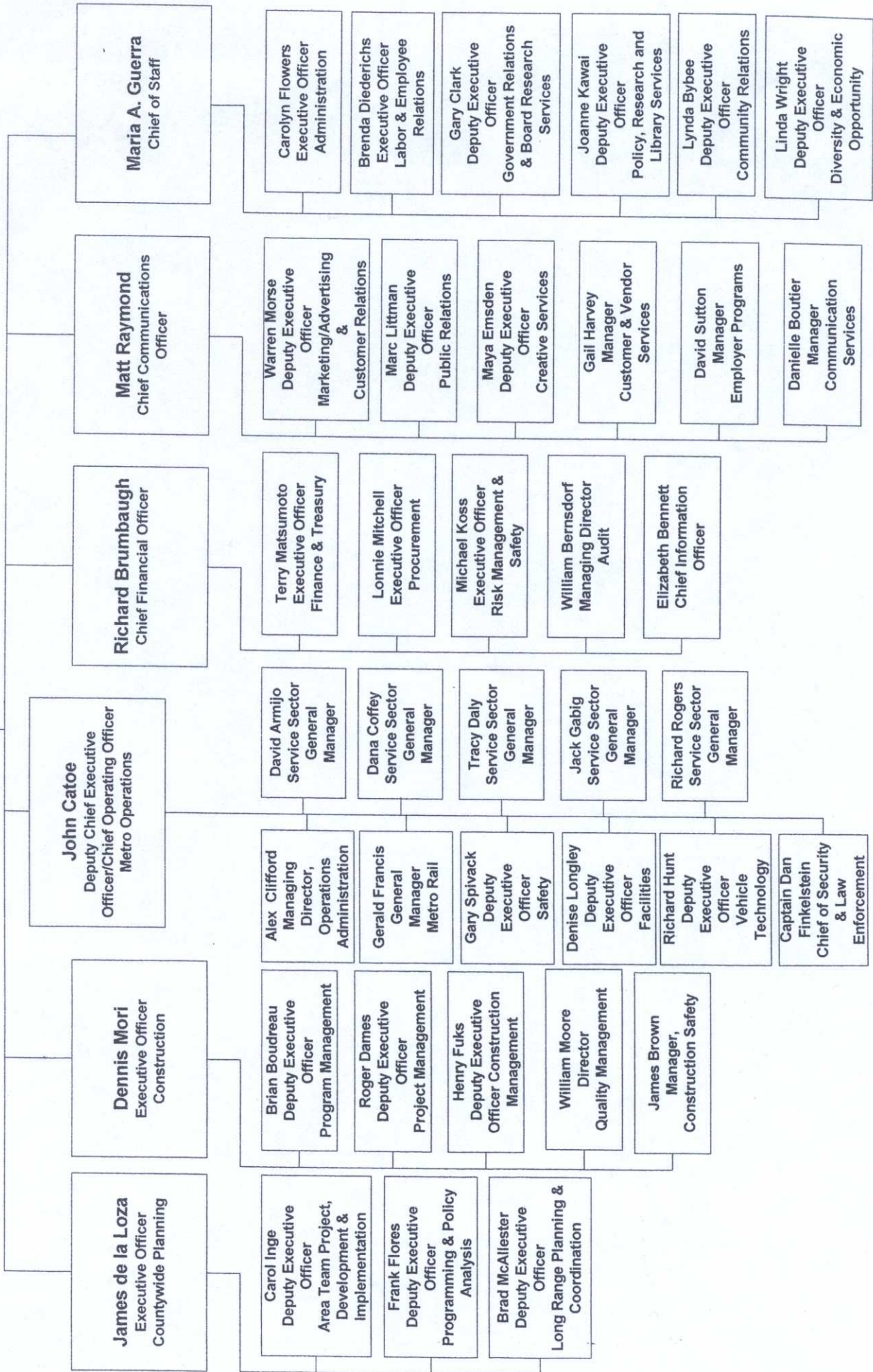


President

Executive Director



**Roger Snoble**  
Chief Executive Officer





**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
BOARD OF DIRECTORS**

**COUNTY OF LOS ANGELES**

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

**CITY OF LOS ANGELES**

Mayor James K. Hahn, 2 <sup>nd</sup> Vice Chair	- Los Angeles
Councilmember Tom LaBonge	- Fourth District
Councilmember Martin Ludlow	- Tenth District
Councilmember Antonio Villaraigosa	- Fourteenth District

**LOS ANGELES COUNTY CITY SELECTION COMMITTEE**

Councilmember John Fasana	- Duarte
Councilmember Pam O'Connor	- Santa Monica
Councilmember Beatrice Proo	- Pico Rivera
Mayor Frank C. Roberts, 1 <sup>st</sup> Vice Chair	- Lancaster

**EX-OFFICIO MEMBER APPOINTED BY THE GOVERNOR**

Douglas Failing, Ex-Officio

**CONSTRUCTION COMMITTEE EX-OFFICIO MEMBER**

William Dahl

**Mailing Address**

One Gateway Plaza  
Los Angeles, CA 90012  
Phone: 213-922-4600  
Fax No. 213-922-4594

July 1, 2003

# FINANCIAL



## Report of Independent Auditors

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority

In our opinion, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (MTA), which collectively comprise the MTA's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the MTA, at June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the MTA's management; our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management's discussion and analysis on pages 3 through 16 and budgetary comparison information on pages 79 through 82 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MTA's basic financial statements. The accompanying supplementary information, such as the introductory section on pages I through IX, combining and individual nonmajor fund financial statements on pages 77 through 78 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical data on pages 91 through 117 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2003 on our consideration of the MTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an internal part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*PricewaterhouseCoopers LLP*

December 5, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Los Angeles County Metropolitan Transportation Authority (MTA), we offer readers of our financial statements this narrative overview and analysis. It is designed to:

- Provide an overview of MTA's financial activity;
- Highlight significant financial issues;
- Discuss changes in MTA's financial position;
- Explain any material deviations from the approved budget; and
- Identify individual fund issues.

We encourage readers to consider information presented here in conjunction with the letter of transmittal (beginning on page I) and the financial statements (beginning on page 18). All dollar amounts are expressed in thousands unless otherwise indicated.

### Financial Highlights

- Net assets decreased by \$137,448 (2.7 percent). Business-type net assets decreased by \$259,825 (4.6 percent) and governmental net assets increased by \$122,377 (19.9 percent).
- At year-end, unrestricted net assets stood at (\$2,831,973) in total. This included (\$236,261) and (\$2,595,712) for business-type and governmental activities respectively. This is due to investment in capital assets and debt obligations in governmental activities.
- At year's end the governmental funds reported fund balances totaling \$1,717,992, an increase of \$319,069 from the prior year. Of this amount, \$336,855 is available for spending at the Authority's discretion.
- The enterprise fund's net assets decreased by \$259,825 (4.6 percent).
- MTA's total long term debt increased by \$300,400 (7.4 percent) during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MTA's basic financial statements. MTA's basic financial statements comprise three components: (1) the government-wide financial statements; (2) the fund financial statements; and (3) the notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

## **Government-wide financial statements**

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

The statement of net assets (page 18) presents information on all of MTA's assets and liabilities, with the difference between the two being reported as net assets. Trends of increasing or decreasing net assets may serve as useful indicators of financial health.

The statement of activities (pages 19-20) shows how net assets changed during the year. It reports these changes when the underlying event occurs (total economic resources measurement focus) regardless of the timing of related cash flows. It shows the gross and net costs of MTA's functions.

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

The government-wide financial statements include not only MTA itself, but also legally separate entities that are financially accountable to MTA. Since they are in substance part of MTA's operations, their information has been blended with MTA's information. These entities include the Public Services Transportation Corporation, the PTSC-MTA Risk Management Authority, and the Service Authority for Freeway Emergencies.

## **Fund financial statements**

A fund is a group of accounts that is distinguished by a specific activity or objective in accordance with special regulations or restrictions. As is customary with governmental entities, MTA uses fund accounting to ensure and demonstrate compliance with legal requirements. All of MTA's funds can be divided into three categories: proprietary, governmental, and fiduciary.

### **Proprietary funds**

MTA maintains two different types of proprietary funds:

1) Enterprise funds are used to report the type of functions presented in the business-type activities in the government-wide financial statements. MTA uses an enterprise fund to account for its transit operations (bus, rail, and regional programs). The basic proprietary fund financial statements are on pages 28 and 29.

2) Internal service funds are used to account for goods and services provided to the government's various functions. MTA uses internal service funds to accumulate and

allocate personnel and insurance costs. Since these costs pertain mostly to transit operations, the internal service funds are included within the business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund information for the internal service funds is provided in the form of combined statements on pages 83-86.

### Governmental funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus they report flows of spendable resources and balances of spendable resources. The basic governmental fund financial statements are on pages 21-22 and 25-26.

Since governmental funds have a different measurement focus from the government-wide financial statements, it is useful to compare governmental fund information with the governmental activities information in the government-wide financial statements. This information is provided in reconciling schedules on pages 24 and 27.

MTA maintains nine individual governmental funds, six of which are considered major funds. Individual fund data for the major funds are presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for the nonmajor governmental funds are presented on pages 77-78.

MTA adopts a spending plan each year. Budgetary comparison schedules are provided for general fund and for each major special revenue funds on pages 79-82.

### Fiduciary funds

Fiduciary funds are used to account for assets held by MTA in a trustee capacity or as an agent. Since these assets are not available to fund MTA's programs, they are excluded from the government-wide financial statements. The basic fiduciary fund statements can be found on pages 33-34. They cover the four employee pension funds administered by MTA and the Business Assessment Districts, which were formed to assist in the financing of a portion of the countywide rail rapid transit system.

### **Notes to the financial statements**

Various disclosures accompany the government-wide and fund financial statements in order to provide a full picture of MTA's finances. The notes to the financial statements are on pages 36-74.

## Other information

Besides the basic financial statements and accompanying notes, this report presents certain required supplemental information starting on page 76 and certain additional supplemental and statistical information beginning on page 91.

## Government-wide Financial Analysis

### Statement of Net Assets

The following table is a summary of the statement of net assets at June 30, 2003.

<b>Los Angeles County Metropolitan Transportation Authority</b>						
<b>Net Assets</b>						
<b>(Amounts expressed in thousands)</b>						
	<b>Business-Type</b>		<b>Governmental</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Current & other assets	\$ 546,154	\$ 609,009	\$ 2,539,669	\$ 2,118,232	\$ 3,085,823	\$ 2,727,241
Capital assets	<u>5,709,506</u>	<u>5,934,684</u>	<u>1,317,283</u>	<u>1,182,791</u>	<u>7,026,789</u>	<u>7,117,475</u>
Total assets	<u>6,255,660</u>	<u>6,543,693</u>	<u>3,856,952</u>	<u>3,301,023</u>	<u>10,112,612</u>	<u>9,844,716</u>
Current & other liabilities	284,876	325,372	395,667	310,428	680,543	635,800
Long-term liabilities	<u>535,947</u>	<u>523,659</u>	<u>3,952,977</u>	<u>3,604,664</u>	<u>4,488,924</u>	<u>4,128,323</u>
Total liabilities	<u>820,823</u>	<u>849,031</u>	<u>4,348,644</u>	<u>3,915,092</u>	<u>5,169,467</u>	<u>4,764,123</u>
<b>Net Assets</b>						
Investment in capital assets						
net of debt	5,671,098	5,729,224	1,280,274	1,182,791	6,951,372	6,912,015
Restricted	0	64,587	823,746	546,219	823,746	610,806
Unrestricted (deficit)	<u>(236,261)</u>	<u>(99,149)</u>	<u>(2,595,712)</u>	<u>(2,343,079)</u>	<u>(2,831,973)</u>	<u>(2,442,228)</u>
Total net assets	<u>\$ 5,434,837</u>	<u>\$ 5,694,662</u>	<u>\$ (491,692)</u>	<u>\$ (614,069)</u>	<u>\$ 4,943,145</u>	<u>\$ 5,080,593</u>

For more detailed information refer to Page 18. Prior year reclassified to be consistent with current year presentation.

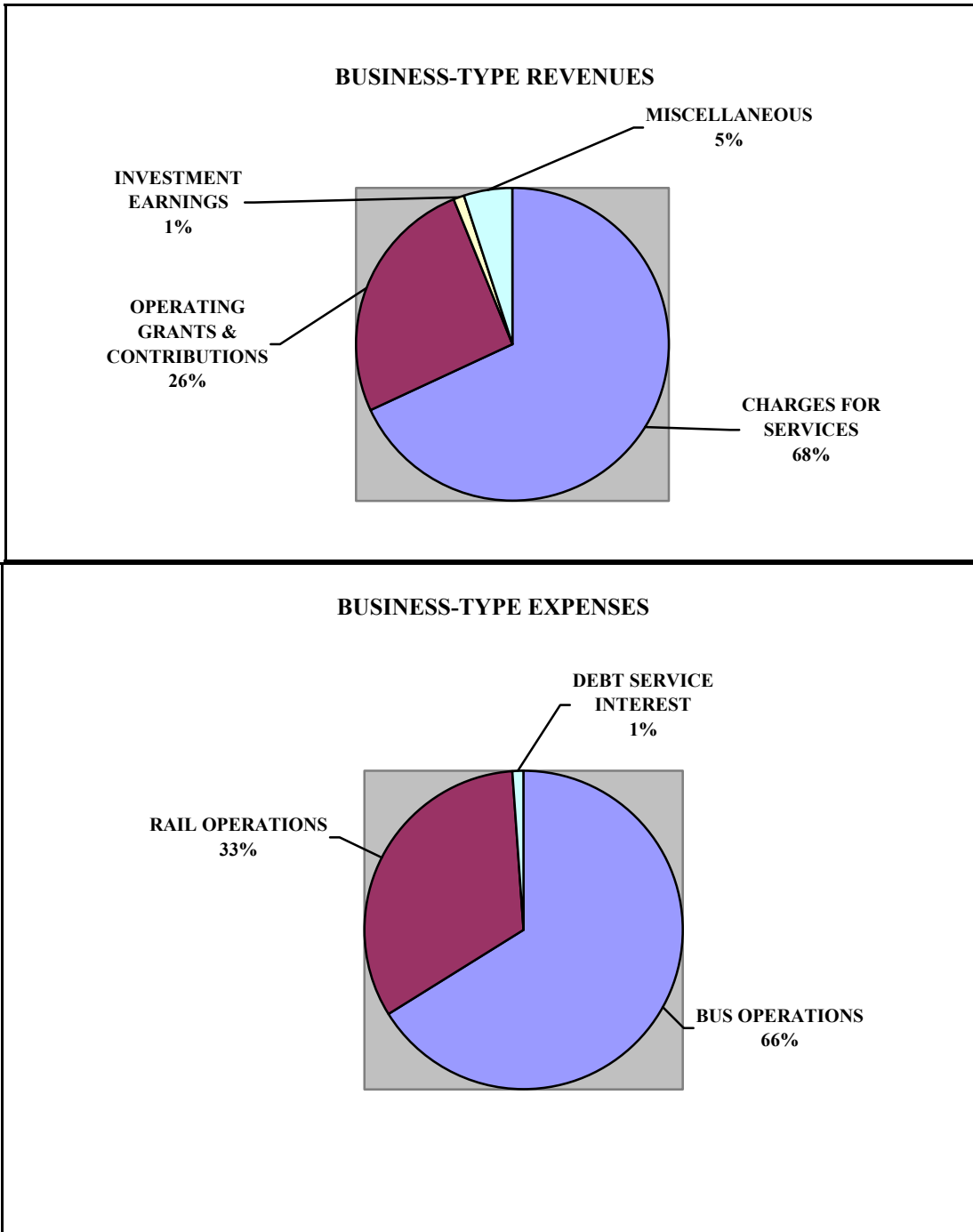
As mentioned earlier, net assets can serve as an indicator of financial health. MTA's assets exceeded liabilities by \$4,943,145 at the end of the fiscal year. This amount represents our investment in capital assets (land, buildings, machinery, equipment and construction-in-progress) less the debt incurred to acquire those assets, and is therefore not available for spending. The \$823,746 in restricted net assets is also unavailable for discretionary spending because it is legally restricted to debt service payments. The unrestricted (deficit) portion of net assets totaled (\$2,831,973); of this amount the business-type portion totaled (\$236,261).

## Statement of Activities

The following table is a summary of the statement of activities for the fiscal year ended June 30, 2003.

<b>Los Angeles County Metropolitan Transportation Authority</b>						
<b>Change in Net Assets</b>						
<b>(Amounts expressed in thousands)</b>						
	<b>Business-type</b>		<b>Governmental</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Revenues:						
Program revenues:						
Charges for services	\$ 247,426	\$ 256,392	\$ 0	\$ 2,670	\$ 247,426	\$ 259,062
Operating grants and contributions	94,791	110,623	14,700	70,006	109,491	180,629
General revenues:						
Sales tax	0	0	1,403,750	1,380,364	1,403,750	1,380,364
Intergovernmental revenues	0	0	235,743	263,119	235,743	263,119
Lease and rental revenues	0	0	12,186	40,896	12,186	40,896
Investment earnings	3,130	9,648	24,855	23,876	27,985	33,524
Miscellaneous	15,934	787	12,837	3,412	28,771	4,199
Total revenues	<u>361,281</u>	<u>377,450</u>	<u>1,704,071</u>	<u>1,784,343</u>	<u>2,065,352</u>	<u>2,161,793</u>
Expenses:						
Bus operations	840,577	793,903	0	0	840,577	793,903
Rail operations	398,679	376,832	0	0	398,679	376,832
Debt service interest	7,732	8,985	180,028	178,216	187,760	187,201
Regional programs	4,755	6,838	0	0	4,755	6,838
Subsidies to other agencies & Regional discretionary capital programs	0	0	609,509	459,823	609,509	459,823
General planning programs	0	0	47,845	125,577	47,845	125,577
Congestion relief operations	0	0	26,068	19,619	26,068	19,619
Planning for operating programs	-	0	11,052	8,760	11,052	8,760
Real estate management	0	0	6,865	5,691	6,865	5,691
General government	0	0	69,690	59,051	69,690	59,051
Total expenses	<u>1,251,743</u>	<u>1,186,558</u>	<u>951,057</u>	<u>856,737</u>	<u>2,202,800</u>	<u>2,043,295</u>
Increase (decrease) in net assets before transfers	(890,462)	(809,108)	753,014	927,606	(137,448)	118,498
Transfers	630,637	967,859	(630,637)	(967,859)	0	
Increase (decrease) in net assets	<u>(259,825)</u>	<u>158,751</u>	<u>122,377</u>	<u>(40,253)</u>	<u>(137,448)</u>	<u>118,498</u>
Net assets – beginning of year	<u>5,694,662</u>	<u>5,535,911</u>	<u>(614,069)</u>	<u>(573,816)</u>	<u>5,080,593</u>	<u>4,962,095</u>
Net assets – ending of year	<u>\$ 5,434,837</u>	<u>\$ 5,694,662</u>	<u>\$ (491,692)</u>	<u>\$ (614,069)</u>	<u>\$ 4,943,145</u>	<u>\$ 5,080,593</u>
(For more detailed information refer to pages 19-20.)						
Prior year reclassified to be consistent with current year presentation.						

Business-type activities decreased MTA's net assets by \$259,825. Transit operations recovered about 27 percent of total costs net of depreciation of \$330,613 from charges for services and about 13 percent from other revenues. The remaining costs, excluding depreciation, were covered by subsidies of sales tax revenues from governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources. Below are graphical depictions of the components of business-type revenues and expenses.

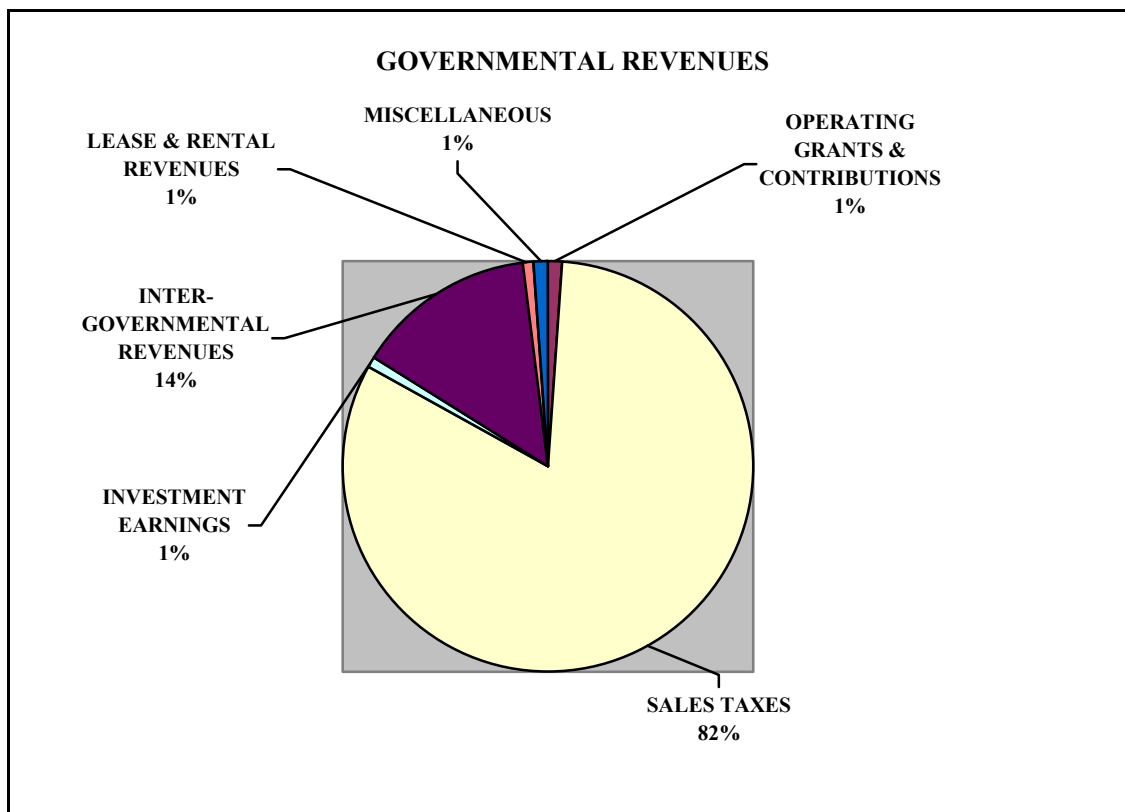


Governmental activities increased MTA's net assets by \$122,377, thereby accounting for the growth of 19.9 percent.

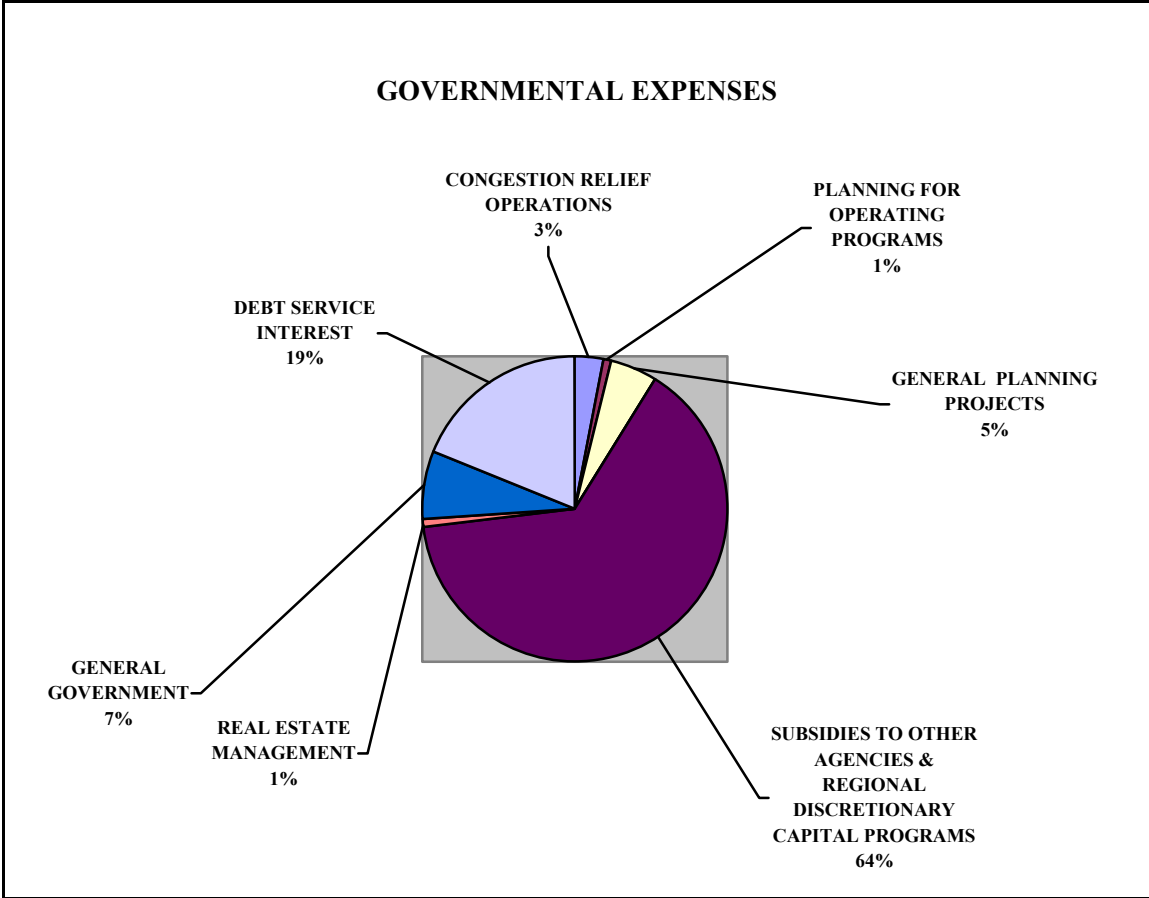
Other significant capital projects included: East Side Light Rail, LA Rail Car, the Universal City pedestrian underpass of the Red Line, and the Regional Rebuild Center.

Most of the non-capital portion of governmental activities related to countywide transportation planning and development. These programs are funded mostly by local sales taxes. Subsidies totaling \$608,636 to other agencies represented the largest governmental expense, and consisted of the pass-through of state and local funding to other agencies in Los Angeles County for public transit, transportation demand management, bikeways, and highway projects.

Below are graphical depictions of the components of governmental revenues and expenses.







**Financial Analysis of the Authority’s Funds**

As with other governmental entities, MTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These requirements include segregating resources according to stated purpose and limiting spending to authorized levels.

**Proprietary funds**

As mentioned above, the business-type information in the government-wide financial statements is the same as the information presented in the proprietary funds.

The enterprise fund’s net assets decreased by \$259,825 due to less capital projects expended this year. Capital assets for the enterprise fund are normally funded with governmental resources.

Since transit operations are not economically self-sufficient, transit agencies use operating statistics to gauge operational effectiveness. Key among these are: (a) the cost

per revenue service hour, which measures the cost for each hour spent generating revenue, and (b) the subsidy per boarding, which measures the amount of non-passenger fare per boarding. These statistics are calculated for bus and rail.

The table below gives the statistics for FY 2003.

<b>Los Angeles County Metropolitan Transportation Authority</b>				
	<b>Bus</b>		<b>Rail</b>	
	<b>Cost Per Revenue Service Hours*</b>			
	2003	2002**	2003	2002
Budget	\$ 101.42	\$ 97.51	\$ 272.67	\$ 269.58
Actual	101.54	97.82	273.45	282.31
Variance	(0.12)	(0.31)	(0.78)	(12.73)
	<b>Subsidy per Passenger Boarding</b>			
Budget	\$ 1.47	\$ 1.32	\$ 1.45	\$ 1.70
Actual	1.45	1.34	1.82	1.61
Variance	0.02	(0.02)	(0.37)	0.09
*Refer to the attached schedules beginning on page 114.				
**Excludes interest on workers' compensation COP of \$7,000.				

Bus operations provided 7.45 million revenue service hours (RSH), which was slightly (0.9 percent) below the target level of 7.52 million RSH. This under run in RSH primarily reflects delays in implementing pilot line program services. The shortfall in RSH more than offsets the budgetary savings resulting in an unfavorable cost per RSH variance of \$0.12 (0.1 percent). The bus subsidy per boarding was marginally under the target (1.36 percent).

Rail operated 550,059 revenue service hours (RSH) in FY 2003. This was 3.93 percent below the budgeted target of 572,571 due to delays in the planned implementation of expanded hours of service.

The cost savings were more than offset by the reduced service level resulting in an unfavorable rail cost per service hour variance of \$0.78 (0.29 percent).

The rail subsidy per boarding was ahead of budget by \$0.37 (20.32 percent) due to actual boardings exceeding their budgeted projections by 25.6 percent.

MTA reports three internal service funds (pages 83-86). Two of them, the PTSC and the PTSC-MTA Risk Management Authority, are separate entities that provide personnel and risk management services, respectively, to MTA and each other. The third is MTA's own internal service fund, which also provides personnel services to the rest of MTA's funds. Since these funds recover the full cost of their services, their net assets remain at zero.

## Governmental funds

As noted above, governmental funds present information about current financial (spendable) resources because they directly impact short-term financing requirements. This is especially true of the unreserved fund balance, which represents uncommitted available resources.

MTA's governmental funds ended the fiscal year with \$1,717,992 in total fund balances. Most of this, or \$1,381,137, was committed for future programs, leaving \$336,855 uncommitted. The major governmental funds are discussed below.

The General fund balance decreased by \$11,924 to \$141,586 due to \$27 million in transfers to the Enterprise fund. This is to cover shortfalls in the enterprise fund that arise from the high costs of fuel and worker's compensation.

The Debt Service fund balance increased by \$387,663 to \$823,746 primarily due to the proceeds of the lease/leaseback transactions. This amount was entirely reserved because all debt service fund assets were legally restricted for debt service.

Proposition A fund balance decreased by \$30,854 mainly due to expenditures relating to discretionary monies encumbered prior year and paid this year. Of the \$71,141 fund balance, \$40,476 is reserved for future programs.

Proposition C fund balance decreased by \$11,177 due to funding of capital acquisition. Of the \$334,548 fund balance, \$269,138 is reserved for future programs.

TDA Fund balance decreased by \$20,707 mainly due to accelerated program expenditures of project sponsors. Of the \$146,974 fund balance, \$146,900 is unreserved.

Capital project fund balance increased slightly by \$2,783 to \$123,645. The total fund balance is reserved for future commitments.

## **General Fund Budgetary Highlights**

Budgeted general fund transfers out to Enterprise fund increased by \$25,800 in order to cover increased fuel, and worker's compensation costs. There was an \$8,500 increase over the original budget for proceeds on lease/leaseback, and budgeted transit subsidies were reduced by \$2,000.

## Capital Asset and Debt Administration

### Capital Assets

At the end of the current fiscal year, MTA had \$7,026,789 (net of accumulated depreciation) invested in its business-type and governmental capital assets. This was a 1 percent decrease from the previous fiscal year. These assets included land, buildings, equipment, vehicles, and construction in progress, as shown below.

<b>Los Angeles County Metropolitan Transportation Authority</b>						
<b>Capital Assets (net of Depreciation)</b>						
(Amounts expressed in thousands)						
	<u>Business type Activities</u>		<u>Governmental Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002*</u>	<u>2003</u>	<u>2002*</u>	<u>2003</u>	<u>2002</u>
Land	\$ 518,267	537,423	\$ 832,156	714,420	\$ 1,350,423	\$ 1,251,843
Building	3,997,943	4,128,246	0	0	3,997,943	4,128,246
Equipments	258,892	272,713	0	0	258,892	272,713
Vehicles	934,404	1,018,767	0	0	934,404	1,018,767
Constructions in Process	0	0	485,127	445,906	485,127	445,906
<b>Total Capital Assets</b>	<b>\$ 5,709,506</b>	<b>\$ 5,957,149</b>	<b>\$ 1,317,283</b>	<b>\$ 1,160,326</b>	<b>\$ 7,026,789</b>	<b>\$ 7,117,475</b>

\*Prior year reclassified to be consistent with current year presentation.

Capital assets are purchased or constructed with governmental resources and then contributed to the enterprise fund. For the year, the capital expenditure is about 20 percent of total expenditures. Additional information on MTA's capital assets can be found on pages 50-52 of this report.

### Heavy Rail

Closeout activities related to the Metro Red Line's Segments (North Hollywood) continued throughout the year. Construction of the Universal City pedestrian underpass, which was scheduled to commence in 2003 is on hold pending MTA Board approval and adoption of a separate project budget as it was determined that this work is not part of the Metro Red Line Segment 3 Project.

### Transit Corridor Projects

The Metro Gold Line Eastside Extension Project moved from Final Design to the Bid Solicitation phase for the Tunnel and Station / Trackwork / System major construction contracts. Utility relocation and Pre-construction Surveys work began in 2003. The revenue Operation Date (ROD) is forecasted to occur in summer 2009.

The San Fernando Valley Metro Rapidway bridge construction began in January 2003, followed by Construction Notice-To-Proceed in May 2003 for the Busway, Stations and Bikeway design-build contract.

### Long-term Debt

At the end of the current fiscal year, MTA had total bonded debt outstanding of \$4,362,851, of which \$2,956,285 represented bonds secured by sales tax revenue, and \$750,055 represented lease/leaseback obligations. The remainder of the debt represents commercial paper, general revenue bonds, certificates of participation, and others as shown below.

<b>Los Angeles County Metropolitan Transportation Authority</b>						
<b>Long-Term Debt</b>						
<b>(Amounts expressed in thousands)</b>						
	<u>Business-type Activities:</u>		<u>Governmental Activities:</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Sales Tax Revenue Bonds & Refunding Bonds \$	0	\$ 0	\$ 2,956,285	\$ 3,057,905	\$ 2,956,285	\$ 3,057,905
General Revenue Bonds	185,735	185,735	0	0	185,735	185,735
Lease/Leaseback to Service Obligation	0	0	750,055	329,154	750,055	329,154
Commercial Paper Notes	0	0	265,414	265,414	265,414	265,414
Certificates of Participation	104,565	137,790	2,330	4,340	106,895	142,130
Others	<u>38,408</u>	<u>17,264</u>	<u>60,059</u>	<u>64,850</u>	<u>98,467</u>	<u>82,114</u>
Total Long-Term Liabilities	<u>\$ 328,708</u>	<u>\$ 340,789</u>	<u>\$ 4,034,143</u>	<u>\$ 3,721,663</u>	<u>\$ 4,362,851</u>	<u>\$ 4,062,452</u>

During the current fiscal year, MTA refinanced \$639,075 debt to take advantage of favorable interest rates. The MTA has also entered into lease/leaseback agreements to lease the rail cars and buses to investors for \$449,864 and simultaneously entered into sublease agreements to lease them back.

Additional information on the MTA's long-term debt can be found in notes I and J on pages 55-66.

### Consent Decree

In 1996, MTA entered into a consent decree requiring it to reduce bus overcrowding. MTA must meet load factor targets that limit how many passengers, on average, can stand on MTA buses. Before the consent decree was signed, an average of 18 people stood during rush hours on the busiest lines. The final peak period load factor required

by the consent decree of 1.20 (9 standees) applies through the end of the consent decree in October 2006.

The number of standees has been cut in half. However, the parties to the consent decree cannot agree on the standards for identifying the load factor compliance.

### **Economic Factors and Next Year's Budget**

The budget for fiscal year 2004 assumes a modest improvement in economic conditions for the Los Angeles region. Economic conditions in Los Angeles are expected to be generally weaker than those in the Inland Empire and Ventura County, but substantially stronger than in Northern California, which continues to suffer from the massive technology downturn. Weakness in the technology sector is expected to continue through fiscal year 2004.

Los Angeles County, with a diverse economic base, is expected to experience continued growth in the hospitality, entertainment, and trade sectors. Health care services and pharmaceuticals are expected to grow considerably. Growth is also anticipated in apparel and manufacturing due to higher productivity, though job losses may continue. The fiscal stimulus resulting from federal tax cuts is expected to improve sales tax growth for the fiscal years 2004 and 2005. On balance, Los Angeles County is expected to have greater economic and sales tax growth in fiscal year 2004 than in 2003, though job creation will likely continue to lag. The economic factors affecting MTA's financial condition are presented in page IV.

### **Service Sectors**

In fiscal year 2003, MTA began to operate bus service on the community based service sector concept. Two sectors became operational on July 1, 2003: San Gabriel Valley and San Fernando Valley. The remaining three sectors have since commenced operations. The key objective in implementing service sectors was to facilitate community-based transportation services.

Each sector area is distinguished by its geographic cohesiveness as a group of communities, as well as by transit service patterns. Rail lines will not be sectorized because they are inter-regional in nature.

Community-based bus service sectors create smaller operating units under local management, putting MTA managers closer to the communities they serve and facilitating community input into the delivery and quality of those services. This enhanced community input enables sectors to improve service by making it more responsive to our customers' needs, which results in increased community satisfaction.

## **Safety**

MTA has initiated a major safety improvement program called “Safety’s 1<sup>st</sup>” in response to an unacceptably high level of injuries. Nearly 95 percent of all employees completed classes aimed at improving safety skills. These classes are designed to increase safety awareness in the workplace and improve skills for recognizing and correcting unsafe conditions and actions. This aggressive safety management program resulted in a 37 percent reduction in the incidence of new injuries being reported for the October 2001 to July 2003 period.

Beginning July 2003, the MTA embarked on a major program to develop and certify major safety policies and practices. These policies include: return to work, field observation and feed back incident investigations, performance management and reporting, ergonomics, Safety Committees, and rules and procedures. Once implemented in the third quarter of fiscal year 2004, the agency expects to see a further reduction in injuries and associate cost. While injuries are being reduced, changes in the state law have increased the dollar amount paid by 25 percent in year 2003. The next 25 percent benefit increase will occur January 1, 2004.

## **Further Information**

This report has been designed to provide our stakeholders with a general overview of MTA’s financial condition and related issues. Inquiries should be directed to the Chief Financial Officer, One Gateway Plaza, Mail Stop 99-24-1, Los Angeles, CA 90012-2952.

# **BASIC FINANCIAL STATEMENTS**



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**Los Angeles County Metropolitan Transportation Authority**  
**Statement of Net Assets**  
**June 30, 2003**  
(Amounts expressed in thousands)

	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 47,139	\$ 309,669	\$ 356,808
Investments	21,451	472,772	494,223
Receivables (net of allowance for uncollectibles)	127,969	225,814	353,783
Internal balances	12,289	(12,289)	-
Inventories	76,280	-	76,280
Prepaid items	10,673	342	11,015
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	71,098	179,374	250,472
Investments	179,255	861,397	1,040,652
Investment in other agencies	-	502,590	502,590
Capital assets (net of accumulated depreciation)			
Land	518,267	832,156	1,350,423
Buildings	3,997,943	-	3,997,943
Equipment	258,892	-	258,892
Vehicles	934,404	-	934,404
Construction in progress	-	485,127	485,127
<b>Total assets</b>	<u>6,255,660</u>	<u>3,856,952</u>	<u>10,112,612</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	111,046	121,423	232,469
Accrued interest payable	8,630	61,537	70,167
Other liabilities - current	1,124	691	1,815
Compensated absences payable	62,206	-	62,206
Claims and judgments payable	196,634	37,009	233,643
Bonds and notes payable - current	25,383	81,166	106,549
Post-retirement benefits payable	100,388	-	100,388
Deferred revenue	12,087	93,841	105,928
Bonds and notes payable - noncurrent	303,325	3,952,977	4,256,302
<b>Total liabilities</b>	<u>820,823</u>	<u>4,348,644</u>	<u>5,169,467</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	5,671,098	1,280,274	6,951,372
Restricted for:			
Debt service	-	823,746	823,746
Unrestricted (Deficit)	(236,261)	(2,595,712)	(2,831,973)
<b>Total net assets (deficit)</b>	<u>\$ 5,434,837</u>	<u>\$ (491,692)</u>	<u>\$ 4,943,145</u>

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

**Los Angeles County Metropolitan Transportation Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**  
**(Amounts expressed in thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Business-type activities:			
Bus operations	\$ 840,577	\$ 213,773	\$ 94,791
Rail operations	398,679	33,240	-
Debt service interest	7,732	-	-
Regional programs	4,755	413	-
Total Business-type Activities	<u>1,251,743</u>	<u>247,426</u>	<u>94,791</u>
Governmental activities:			
Subsidies to other agencies and Regional discretionary capital projects	609,509	-	80
Debt service interest	180,028	-	-
General government	69,690	-	-
General planning projects	47,845	-	14,569
Congestion relief operations	26,068	-	40
Planning for operating programs	11,052	-	11
Real estate management	6,865	-	-
Total Governmental Activities	<u>951,057</u>	<u>-</u>	<u>14,700</u>
Total	<u>\$ 2,202,800</u>	<u>\$ 247,426</u>	<u>\$ 109,491</u>
General revenues:			
Sales taxes			
Intergovernmental			
Lease & rentals			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in Net Assets			
Net assets (deficit) - beginning of year			
Net assets (deficit) - ending of year			

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

Net (Expense) Revenue and Changes in Net Assets

<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Total</u>
\$ (532,013)	\$ -	\$ (532,013)
(365,439)	-	(365,439)
(7,732)	-	(7,732)
(4,342)	-	(4,342)
<u>(909,526)</u>	<u>-</u>	<u>(909,526)</u>
-	(609,429)	(609,429)
-	(180,028)	(180,028)
-	(69,690)	(69,690)
-	(33,276)	(33,276)
-	(26,028)	(26,028)
-	(11,041)	(11,041)
-	(6,865)	(6,865)
<u>-</u>	<u>(936,357)</u>	<u>(936,357)</u>
\$ (909,526)	\$ (936,357)	\$ (1,845,883)
-	1,403,750	1,403,750
-	235,743	235,743
-	12,186	12,186
3,130	24,855	27,985
15,934	12,837	28,771
<u>630,637</u>	<u>(630,637)</u>	<u>-</u>
<u>649,701</u>	<u>1,058,734</u>	<u>1,708,435</u>
(259,825)	122,377	(137,448)
<u>5,694,662</u>	<u>(614,069)</u>	<u>5,080,593</u>
<u>\$ 5,434,837</u>	<u>\$ (491,692)</u>	<u>\$ 4,943,145</u>

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**Los Angeles County Metropolitan Transportation Authority**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2003**  
(Amounts expressed in thousands)

	<u>General Fund</u>	<u>Debt Service</u>	<u>Proposition A</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,896	\$ 3,993	\$ 26,628
Investments	136,499	-	23,232
Receivables (net of allowances for uncollectibles)			
Accounts	1,756	572	-
Interest	795	1,264	413
Intergovernmental	17,286	-	-
Sales tax	-	-	36,335
Leases and other	540	784	-
Due from other funds	-	-	-
Prepaid items and other assets	342	-	-
Restricted assets:			
Cash and cash equivalents - restricted	-	177,201	-
Investments	25	791,220	-
<b>TOTAL ASSETS</b>	<u>\$ 166,139</u>	<u>\$ 975,034</u>	<u>\$ 86,608</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 7,019	\$ 814	\$ 15,467
Accrued interest payable	-	61,537	-
Other liabilities - current	270	-	-
Claims and judgment payable	-	-	-
Bonds and notes payable - current	-	81,166	-
Deferred revenue	17,264	-	-
Advances from other funds	-	7,771	-
<b>TOTAL LIABILITIES</b>	<u>24,553</u>	<u>151,288</u>	<u>15,467</u>
<b>FUND BALANCES</b>			
Fund balances			
Reserved for:			
Memoranda of understanding	-	-	40,476
Encumbrances	8,867	-	-
Advances	-	-	-
Prepaid and other assets	342	-	-
Debt service	-	823,746	-
Unreserved, reported in:			
General fund	132,377	-	-
Special revenue funds	-	-	30,665
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>141,586</u>	<u>823,746</u>	<u>71,141</u>
<b>TOTAL LIABILITIES, FUND BALANCES</b>	<u>\$ 166,139</u>	<u>\$ 975,034</u>	<u>\$ 86,608</u>

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

<b>Proposition C</b>	<b>TDA</b>	<b>Capital</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 55,830	\$ 138,875	\$ 33,121	\$ 42,326	\$ 309,669
187,780	-	97,883	27,378	472,772
14,775	-	21,741	417	39,261
2,392	-	599	193	5,656
329	-	59,777	-	77,392
36,340	18,547	-	10,959	102,181
-	-	-	-	1,324
-	953	9,417	1,485	11,855
-	-	-	-	342
20	-	2,153	-	179,374
67,609	-	2,543	-	861,397
<u>\$ 365,075</u>	<u>\$ 158,375</u>	<u>\$ 227,234</u>	<u>\$ 82,758</u>	<u>\$ 2,061,223</u>
\$ 30,327	\$ -	\$ 66,366	\$ 1,429	\$ 121,422
-	-	-	-	61,537
200	-	214	6	690
-	-	37,009	-	37,009
-	-	-	-	81,166
-	-	-	-	17,264
-	11,401	-	4,971	24,143
<u>30,527</u>	<u>11,401</u>	<u>103,589</u>	<u>6,406</u>	<u>343,231</u>
269,138	74	-	-	309,688
-	-	225,674	1,918	236,459
-	-	9,417	1,485	10,902
-	-	-	-	342
-	-	-	-	823,746
-	-	-	-	132,377
65,410	146,900	-	72,949	315,924
-	-	(111,446)	-	(111,446)
<u>334,548</u>	<u>146,974</u>	<u>123,645</u>	<u>76,352</u>	<u>1,717,992</u>
<u>\$ 365,075</u>	<u>\$ 158,375</u>	<u>\$ 227,234</u>	<u>\$ 82,758</u>	<u>\$ 2,061,223</u>

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Los Angeles County Metropolitan Transportation Authority  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Assets - Governmental Activities  
 For the Year Ended June 30, 2003  
 (Amounts expressed in thousands)

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Fund Balance - total governmental funds (page 22)	\$ 1,717,992
Capital assets are not financial resources, and therefore , are not reported in the funds.	
Government capital assets	1,317,283
Investment in other agencies	502,590
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,952,978)
Government funds report expenses only to the extent that they increase current financial resources. However, in the Statement of Activities, amortization of deferred bond premiums are reported when incurred. The amount of amortization of deferred revenue pertaining to the current period.	(37,706)
Government funds report revenues only to the extent that they increase current financial resources. However, in the Statement of Activities, revenues are reported when earned. The amount of revenue pertaining to future periods.	<u>(38,873)</u>
Net Assets (Deficit) of governmental activities (page 20)	<u><u>\$ (491,692)</u></u>

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



**Los Angeles County Metropolitan Transportation Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2003**  
**(Amounts expressed in thousands)**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Proposition A</u>
<b>REVENUES</b>			
Sales tax	\$ -	\$ -	\$ 548,287
Intergovernmental	4,780	3,394	-
Investment income	5,491	20,587	2,193
Net decline in fair value of investments	(47)	(4,815)	(24)
Lease and rental	12,186	-	-
Licenses and fines	487	-	-
Proceeds on lease/leaseback to service	13,507	449,864	-
Other	2,093	-	-
<b>TOTAL REVENUES</b>	<u>38,497</u>	<u>469,030</u>	<u>550,456</u>
<b>EXPENDITURES</b>			
Current:			
Administration and other	53,099	9,507	-
Transportation subsidies	843	-	207,319
Capital outlay	-	-	-
Debt and interest expenditures			
Interest and fiscal charges	-	180,984	-
Bond principal & commercial paper retirement	-	132,998	-
<b>TOTAL EXPENDITURES</b>	<u>53,942</u>	<u>323,489</u>	<u>207,319</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(15,445)</u>	<u>145,541</u>	<u>343,137</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	33,994	230,769	394
Transfers out	(30,473)	(394)	(374,385)
Payment to refunding bond escrow agent	-	(639,075)	-
Proceeds of refunding bonds	-	650,822	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>3,521</u>	<u>242,122</u>	<u>(373,991)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(11,924)	387,663	(30,854)
Fund balances - beginning	153,510	436,083	101,995
<b>FUND BALANCES - ENDING</b>	<u>\$ 141,586</u>	<u>\$ 823,746</u>	<u>\$ 71,141</u>

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

<b>Proposition C</b>	<b>TDA</b>	<b>Capital</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 548,264	\$ 279,893	\$ -	\$ 27,306	\$ 1,403,750
54,929	-	180,286	7,055	250,444
13,299	3,898	5,480	1,945	52,893
(136)	-	(14)	(12)	(5,048)
-	-	-	-	12,186
431	-	-	7,165	8,083
-	-	-	-	463,371
68	-	7	279	2,447
<u>616,855</u>	<u>283,791</u>	<u>185,759</u>	<u>43,738</u>	<u>2,188,126</u>
51,148	-	40,083	9,508	163,345
308,945	93,825	-	8,506	619,438
-	-	223,629	-	223,629
-	-	-	-	180,984
-	-	-	-	132,998
<u>360,093</u>	<u>93,825</u>	<u>263,712</u>	<u>18,014</u>	<u>1,320,394</u>
<u>256,762</u>	<u>189,966</u>	<u>(77,953)</u>	<u>25,724</u>	<u>867,732</u>
23,998	1,880	80,746	2,031	373,812
(291,937)	(212,553)	(10)	(24,470)	(934,222)
-	-	-	-	(639,075)
-	-	-	-	650,822
<u>(267,939)</u>	<u>(210,673)</u>	<u>80,736</u>	<u>(22,439)</u>	<u>(548,663)</u>
(11,177)	(20,707)	2,783	3,285	319,069
345,725	167,681	120,862	73,067	1,398,923
<u>\$ 334,548</u>	<u>\$ 146,974</u>	<u>\$ 123,645</u>	<u>\$ 76,352</u>	<u>\$ 1,717,992</u>

Los Angeles County Metropolitan Transportation Authority  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2003  
 (Amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities (page 20) are different because:

Net change in fund balances - total governmental funds (page 26)	\$ 319,069
Government funds accounts for principal payment as expenditures. The payment of principal of long term debts consumes current financial resources but has no effect on net assets. Principal payments.	132,997
The issuance of long-term debts (e.g. bonds, leases / leaseback, bond premium) provides current financial resources to governmental funds but has no effect on net assets. Proceeds from refunding long-term debts.	(1,100,686)
Government funds accounts for refunding principal payments as expenditures. The repayment of principal of long term debts consumes current financial resources but has no effect on net assets. Principal payments.	639,075
Government funds account for capital outlay as expenditures. However, in the Statement of Net Assets, capital outlays are reported as constructions in progress until the projects are completed and placed in service. The amount of capital outlays capitalized.	223,629
Government funds report revenue only to the extent that they increase current resources. However, in the Statement of Activities revenues are reported when earned. The amount of revenue recognized in the current period in the governmental funds, but in future periods in the Statement of Activities.	(34,270)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds (e.g. amortization of leaseback proceeds, bond premiums, and others)	1,992
Government funds accounts for capital payments to other agencies as expenditures. However, in the Statement of Assets, these expenditures are reported as an investment in other agencies. The amount of capital outlays added to investment in other agencies.	10,802
When construction of capital assets are completed, the assets are placed in service in transit operations. The amount of capital assets transferred from government construction in progress to business-type capital assets.	<u>(70,231)</u>
Change in net assets of government activities (page 20)	<u><u>\$ 122,377</u></u>

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

**Los Angeles County Metropolitan Transportation Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2003**  
(Amounts expressed in thousands)

	<b>Business-type Activities</b>		
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,394	\$ 45,745	\$ 47,139
Investments	21,451	-	21,451
Receivables (net of allowance for uncollectibles)	98,497	29,472	127,969
Inventories	76,280	-	76,280
Advances to others	2,408	13,385	15,793
Due from other funds	-	48,346	48,346
Prepaid items	10,343	330	10,673
Total current assets	<u>210,373</u>	<u>137,278</u>	<u>347,651</u>
Noncurrent assets:			
Restricted assets:			
Temporarily Restricted:			
Cash and cash equivalents	60,658	10,440	71,098
Investments	91,436	87,819	179,255
Total restricted assets	<u>152,094</u>	<u>98,259</u>	<u>250,353</u>
Capital assets (net of accumulated depreciation)			
Land	518,267	-	518,267
Buildings	3,997,943	-	3,997,943
Equipment	258,892	-	258,892
Vehicles	934,404	-	934,404
Total capital assets	<u>5,709,506</u>	<u>-</u>	<u>5,709,506</u>
Total noncurrent assets	<u>5,861,600</u>	<u>98,259</u>	<u>5,959,859</u>
Total assets	<u>6,071,973</u>	<u>235,537</u>	<u>6,307,510</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	47,576	63,470	111,046
Accrued interest payable	8,630	-	8,630
Advances from other funds	-	3,504	3,504
Other liabilities - current	317	807	1,124
Claims and judgments payable - current	33,801	31,200	65,001
Bonds and notes payable - current	25,383	-	25,383
Due to other funds	-	48,346	48,346
Deferred revenue	12,087	-	12,087
Compensated absences payable - current	28,738	18,867	47,605
Post-retirement fund - current	14,000	-	14,000
Total current liabilities	<u>170,532</u>	<u>166,194</u>	<u>336,726</u>
Noncurrent liabilities:			
Post-retirement benefits payable	86,388	-	86,388
Claims and judgments payable - noncurrent	68,078	63,556	131,634
Compensated absences payable - noncurrent	8,813	5,787	14,600
Bonds and notes payable - noncurrent	303,325	-	303,325
Total noncurrent liabilities	<u>466,604</u>	<u>69,343</u>	<u>535,947</u>
Total liabilities	<u>637,136</u>	<u>235,537</u>	<u>872,673</u>
<b>NET ASSETS</b>			
Invested in capital Assets, net of related debt	5,671,098	-	5,671,098
Unrestricted (Deficit)	(236,261)	-	(236,261)
Total Net Assets	<u>\$ 5,434,837</u>	<u>\$ -</u>	<u>\$ 5,434,837</u>

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

Los Angeles County Metropolitan Transportation Authority  
Proprietary Funds  
Statement of Revenues, Expenses and  
Changes in Net Assets  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	Business-Type Activities		
	Enterprise Fund	Internal Service Funds	Total
<b>OPERATING REVENUES:</b>			
Passenger fares	\$ 247,426	\$ -	\$ 247,426
Route subsidies	500	-	500
Auxiliary transportation	13,602	-	13,602
Charges for services	-	252,396	252,396
<b>TOTAL OPERATING REVENUES</b>	<b>261,528</b>	<b>252,396</b>	<b>513,924</b>
<b>OPERATING EXPENSES:</b>			
Transportation	528,403		528,403
Maintenance	317,182	-	317,182
General and administrative	64,879	255,126	320,005
Depreciation	330,613	-	330,613
<b>TOTAL OPERATING EXPENSES</b>	<b>1,241,077</b>	<b>255,126</b>	<b>1,496,203</b>
<b>OPERATING LOSS</b>	<b>979,549</b>	<b>2,730</b>	<b>982,279</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Local operating grants	685	-	685
Federal operating grants	93,606	72	93,678
Interest revenues	2,943	1,056	3,999
Net appreciation (decline) in fair value of investments	186	1,051	1,237
Interest expense	(7,732)	-	(7,732)
(Loss) on disposition of fixed assets	(2,928)	-	(2,928)
Other revenue	2,332	543	2,875
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>89,092</b>	<b>2,722</b>	<b>91,814</b>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>890,457</b>	<b>8</b>	<b>890,465</b>
Capital contributions	70,230		70,230
Transfers in	560,402	8	560,410
<b>CHANGE IN NET ASSETS</b>	<b>(259,825)</b>	<b>-</b>	<b>(259,825)</b>
Net assets - beginning of year	5,694,662		5,694,662
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,434,837</b>	<b>\$ -</b>	<b>\$ 5,434,837</b>

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

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**Los Angeles County Metropolitan Transportation Authority**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended June 30, 2003**  
**(Amounts expressed in thousands)**

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>	<u>Total</u>
<b>Cash flow from operating activities:</b>			
Receipts from customers and users	\$ 184,714	\$ -	\$ 184,714
Receipts from interfund services provided	-	337,465	337,465
Payment to suppliers	(515,854)	-	(515,854)
Payment to employees	(382,342)	(301,773)	(684,115)
Net cash provided (used) in operating activities	<u>(713,482)</u>	<u>35,692</u>	<u>(677,790)</u>
<b>Cash flow from non-capital financing activities:</b>			
Proceeds from operating grants	157,737		157,737
Proceeds from sales of surplus parts and other	277	615	892
Transfers in from other funds	560,402	8	560,410
Net cash provided by non-capital financing activities	<u>718,416</u>	<u>623</u>	<u>719,039</u>
<b>Cash flow from capital financing activities:</b>			
Proceeds from other non operating revenues	2,332	-	2,332
Payment of matured bonds and notes payable	(33,225)	-	(33,225)
Interest paid on bonds on notes payable	(8,823)	-	(8,823)
Net cash used in capital and related financing activities	<u>(39,716)</u>	<u>-</u>	<u>(39,716)</u>
<b>Cash flow from investing activities:</b>			
Proceeds from sales and maturity of investments	81,759	1,051	82,810
Purchase of investments	(77,688)	(30,766)	(108,454)
Interest received on investments	5,776	1,056	6,832
Net cash provided (used) by investing activities	<u>9,847</u>	<u>(28,659)</u>	<u>(18,812)</u>
Net increase (decrease) in cash and cash equivalents	(24,935)	7,656	(17,279)
Cash and cash equivalents, June 30, 2002	<u>86,987</u>	<u>48,529</u>	<u>135,516</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 62,052</u>	<u>\$ 56,185</u>	<u>\$ 118,237</u>

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

**Los Angeles County Metropolitan Transportation Authority  
Proprietary Funds  
Statement of Cash Flows  
For the year ended June 30, 2003  
(Amounts expressed in thousands)**

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash provided (used ) by operating activities:</b>			
Operating loss	\$ (979,549)	\$ (2,730)	\$ (982,279)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	330,613	-	330,613
Accounts receivable	(79,559)	(10,978)	(90,537)
Leases and other receivables	210	-	210
Due from other funds	-	47,410	47,410
Prepaid and other assets	(110)	255	145
Inventories	(11,891)	-	(11,891)
Accounts payable	18,407	40,191	58,598
Accrued liabilities	(12,000)	2,158	(9,842)
Compensated absences payable	4,576	492	5,068
Advances from other funds	-	(110,341)	(110,341)
Advances to other funds	22,375	(13,385)	8,990
Due to other funds	-	48,346	48,346
Claims and judgment payable	(18,920)	46,612	27,692
Post retirement benefits payable	9,960	(19)	9,941
Other liabilities	(59)	(12,319)	(12,378)
Deferred revenues	2,465	-	2,465
Total adjustments	<u>266,067</u>	<u>38,422</u>	<u>304,489</u>
Net cash (used) provided by operating activities	<u>\$ (713,482)</u>	<u>\$ 35,692</u>	<u>\$ (677,790)</u>
<b>Noncash investing, capital and financing transactions:</b>			
Net increase (decrease) in fair value of investments	\$ 186	-	\$ 186
Transfer of capital assets from governmental funds	108,635	-	108,635
Capital lease payments donated by government funds	18,785	-	18,785

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



**Los Angeles County Metropolitan Transportation Authority**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2003**  
**(Amounts expressed in thousands)**

	Employee Retirement Funds	Agency Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 73	\$ 10,310	\$ 10,383
Investments	580,967	-	580,967
Receivables:			
Interest	1,516	130	1,646
Leases and other	511	1,464	1,975
Prepaid items and other assets	56	-	56
<b>TOTAL ASSETS</b>	<u>583,123</u>	<u>11,904</u>	<u>595,027</u>
<b>LIABILITIES</b>			
Accounts payable	5,945	531	6,476
Accrued interest payable	-	2,118	2,118
Accrued bond principal payable	-	9,255	9,255
Liabilities for retirement income plan	31,664	-	31,664
<b>TOTAL LIABILITIES</b>	<u>37,609</u>	<u>11,904</u>	<u>49,513</u>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes	545,514	-	545,514
<b>TOTAL NET ASSETS</b>	<u>\$ 545,514</u>	<u>\$ -</u>	<u>\$ 545,514</u>

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

**Los Angeles County Metropolitan Transportation Authority**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2003**  
**(Amounts expressed in thousands)**

	<b>Employee Retirement Trust Funds</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 28,693
Member	14,098
	<hr/>
Total contributions	42,791
	<hr/>
Investment earnings	
Net appreciation in fair value of investments	15,155
Investment income	9,237
Investment expense	(2,711)
Other revenue	130
	<hr/>
Net investment earnings	21,811
	<hr/>
<b>TOTAL ADDITIONS</b>	<b>64,602</b>
	<hr/>
<b>DEDUCTIONS</b>	
Retiree benefits	(71,307)
Administrative expense	(1,164)
	<hr/>
<b>TOTAL DEDUCTIONS</b>	<b>(72,471)</b>
	<hr/>
<b>NET INCREASE (DECREASE)</b>	<b>(7,869)</b>
	<hr/>
Net Assets Beginning of year	553,383
	<hr/>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 545,514</b>
	<hr/> <hr/>

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

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to the Financial Statements

June 30, 2003

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

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Los Angeles County Metropolitan Transportation Authority (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, three members appointed by the Mayor, four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

Management has prepared the financial statements of the MTA and its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially dependent upon MTA and because MTA's approval is needed for the units to expend their budgets, set taxes or charges, and issue bonded debts. Also, it would be misleading for MTA to exclude potential component units such as BAD, a special financing district established to help finance transit systems, from its financial statements. Although they are legally separate entities, the blended component units are in substance part of the MTA's operations, and data from these units are combined with financial data of the MTA.

The MTA administers the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), two Benefit Assessment Districts (BADs), a single-employer public employees retirement system, the LACMTA Leasing Authority, and the Service Authority for Freeway Emergencies (SAFE), and therefore includes these activities in the accompanying financial statements. PTSC, PRMA, BAD, and LACMTA Leasing Authority provide services almost exclusively to MTA, and MTA shares its governing board with SAFE. These entities are presented as blended component units, with PTSC, PRMA, and LACMTA Leasing Authority reported in the Proprietary Fund type, SAFE reported in the Governmental Fund type, and BAD reported in the Fiduciary Fund type. Additional detailed financial information for each of these entities can be obtained from the MTA Finance Department, One Gateway Plaza, Los Angeles, CA 90012-2932.

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

PRMA was established in September 1998 for the purpose of pooling certain self-insured claims and losses and jointly purchasing excess insurance and reinsurance in connection with self-insurance programs for PTSC and MTA.

The BADs were formed to assist in the financing of the private sector portion of the countywide rail rapid transit system. In this capacity the BADs have issued bonds and receive funds to repay the indebtedness from assessments levied on properties within their respective districts.

The single-employer public employees retirement system includes four defined benefit pension plans covering substantially all MTA employees providing retirement, disability and death benefits.

The LACMTA Leasing Authority is a single purpose joint exercise of powers authority, created in 1997 to facilitate a lease financing involving 30 heavy rail vehicles. The Leasing Authority holds title to the rail vehicles and serves as the head lessor in the transaction structure. The Leasing Authority will go out of existence upon conclusion of the leasing transaction.

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

**B. Government-wide and fund financial statements**

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No.34, Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statements, and Management's Discussions and Analysis for State and Local Governments: Omnibus and GASB Statement No. 38, Certain Financial Statement Note Disclosures. GASB Statement No. 34 provides a financial reporting model for governmental entities that addresses four basic reporting elements: management's discussion and analysis, government-wide and fund financial statements, notes to the financial statements and required supplementary information. GASB Statement No. 34 required the MTA to present Management's Discussion and Analysis (MD&A) as required supplementary information preceding the basic financial statements which consists of the government wide and fund financial statements.

The MTA adopted GASB Statement No. 34, 37 & 38 for the year ending June 30, 2002.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Business-type activities, which rely to a significant extent on fees and charges for services, are reported separately from government activities, which normally are supported by taxes and intergovernmental revenues.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

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

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, MTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). MTA also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The MTA has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers transit services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and

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contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the MTA enterprise fund and of the internal service funds are charges to customers for services.

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

### **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: proprietary, governmental and fiduciary, as described below.

**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. Proprietary funds include the following fund types:

*Enterprise Fund* is used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and shortfalls from governmental subsidies.

*Internal Service Funds* are used to account for the goods and services provided to MTA projects on a cost reimbursement basis.

**Governmental Funds** are used to account for the MTA's governmental 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* is used to account for those financial resources that are not required to be accounted for in another fund.

*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.



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*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 jurisdiction 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.

*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.

*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.

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

*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.

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

**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:

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*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* are custodial in nature and do not present results of operations or have a measurement focus. This includes two benefit assessment districts.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary information

#### **Budgetary accounting**

Each year all departments of MTA submit requests for appropriations in February to management so that an operational and capital projects budget may be prepared. The proposed budgets are submitted to the Board in May for review. Prior to the 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.

Enabling legislation and adopted policies and procedures provide that the MTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds. The Board also approves a life of project budget whenever new capital projects are approved. All appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Re-forecasted budgets for operating and capital expenditures are submitted to the Board a minimum of once a year. Budget amendments are made when needed.

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 the modified accrual basis of accounting for governmental fund types. These include the general fund, the special revenue funds and the debt service fund.
  
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

### B. Encumbrances

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

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

All investments are stated at fair value. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenditures and Changes in Fund Balance for governmental funds, the Statement of Revenues, Expenses and Changes in Net Assets for the enterprise fund and the Statement of Changes in Fiduciary Net Assets. The calculation of realized gain/loss is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as part of the change in fair value of investments reported in the prior year and the current year.

The MTA maintains a cash and investments fund that is used to pool all cash and investments. All proprietary and governmental funds maintain an equity interest in the pool. 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 interfund receivables/payables. 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.

As of June 30, 2003, the MTA's carrying amount of cash in checking and money market accounts was \$188,831 while the bank balance was \$232,318 with the difference represented primarily by outstanding checks. Two bank accounts were covered by Federal Deposit Insurance Corporation (FDIC) for up to \$100,000 (amount not in thousands) each and \$232,118 was insured or registered, or was covered by securities held by the bank's trust department or its agent in the MTA's name and therefore classified as Category 1 risk deposits as prescribed by GASB Statement 3.

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 collateralize public fund deposits by pledging first trust deed mortgage

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notes having a value of 150% of a governmental unit's total deposits. The MTA may waive collateral requirements for deposits that are fully insured up to \$100,000 (amount not in thousands) by the Federal Deposit Insurance Corporation.

The MTA invests its temporarily idle cash under the prudent investor rule. The prudent investor rule states, in essence, "in investing...property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs...." This policy affords the MTA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et. Seq. Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loans
- Bankers' acceptances
- Los Angeles County Treasurer or other authorized pooled investment programs
- Passbook savings account demand deposits
- Money market accounts
- Repurchase agreements
- Commercial paper
- Corporate notes
- Municipal bonds
- 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, and pension benefits. Restricted cash for each of these purposes is recorded in distinctly separate accounts.

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

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 counter-party's trust department or agent in the MTA's name.

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

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As of June 30, 2003, the business-type activities investment balances were as follows:

	Categories			Fair Value
	1	2	3	
U.S. Treasury Securities	\$ 116,521	\$ -	\$ -	\$ 116,521
U.S. Agency Securities	345,911	-	-	345,911
Commercial Paper	43,959	-	-	43,959
Corporate Notes & Bonds	162,680	-	-	162,680
Asset Backed Securities	40,766	-	-	40,766
Mortgage Backed Securities	3,216	-	-	3,216
Banker's Acceptance	<u>5,965</u>	<u>-</u>	<u>-</u>	<u>5,965</u>
Total	<u>\$ 719,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,018</u>
Investments not subject to categorization:				
Mutual Funds				49,169
Investment Contracts				18,574
Investment Pools				<u>80,682</u>
Total				<u>148,425</u>
Total Investments				<u>\$ 867,443</u>

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Notes to the Financial Statements (Continued)  
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As of June 30, 2003, the governmental activities investment balances were as follows:

	Categories			Fair Value
	1	2	3	
U.S. Treasury Securities	\$ 4,031	\$ -	\$ -	\$ 4,031
Corporate Stocks & Bonds	2,162	-	-	2,162
Repurchase Agreements	500	-	-	500
Asset Backed Securities	811,200	-	-	811,200
Mortgage Backed Securities	5,085	-	-	5,085
Total	\$ 822,978	\$ -	\$ -	\$ 822,978

Investments not subject to categorization:

Mutual Funds	626,744
Investment Contracts	47,628
Investment Pools	179,881
Total	854,253
Total Investments	\$1,677,231

The MTA holds positions in two investment pools: the California Local Agency Investment Fund (LAIF) and the Los Angeles County Investment Pool (LACIP). Neither fund is registered with the Securities and Exchange Commission (SEC). The LAIF Advisory Board, whose chairman is the State Treasurer or designee, provides regulatory oversight for LAIF. The County Board of Supervisors provides regulatory oversight for the LACIP. The fair value of the position in the investment pools is the same as the value of the pool shares.

A reconciliation of Deposits and Investments to amounts shown on the Statement of Net Assets at June 30, 2003 is as follows:

Cash	\$ 188,831
Investments	2,544,674
Total	\$ 2,733,505
Reported in Statement of Net Assets:	
Cash and cash equivalents	\$ 356,808
Investments	494,223
Restricted cash and cash equivalents	250,472
Restricted investments	1,040,652
Total	2,142,155
Reported in the Fiduciary and Agency Funds	591,350
Total	\$ 2,733,505

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

**B. Internal fund balances and transfers**

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

Internal fund balances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The composition of the internal balances as of June 30, 2003 is as follows:

Due To:	Due From:	Amount
STA	Enterprise	\$ 2,402
TDA	Enterprise	6
Debt Service	Internal Service	7,771
Others	Internal Service	2,110
	Totals	\$12,289

Transfer In/Out:

Transfer Out	Transfer In									TOTAL	
	General Fund	Debt Service Fund	Proposition		TDA	Capital	Other Governmental Funds	Enterprise Fund	Others		
			A	C							
General Fund	\$ -	-\$	-\$	-\$	5,273 \$	-\$	-\$	-\$	25,200 \$	-\$	30,473
Debt Service Fund	-	-	394	-	-	-	-	-	-	-	394
Proposition A	20,031	141,161	-	7,432	940	26,911	-	177,904	6	-	374,385
Proposition C	8,634	89,608	-	-	940	22,753	434	169,566	2	-	291,937
TDA	5,327	-	-	(23)	-	25,724	1,586	179,939	-	-	212,553
Capital	-	-	-	-	-	-	10	-	-	-	10
Other Governmental Funds	2	-	-	11,316	-	5,358	1	7,793	-	-	24,470
<b>TOTAL</b>	<b>\$ 33,994</b>	<b>\$ 230,769</b>	<b>\$ 394</b>	<b>\$ 23,998</b>	<b>\$ 1,880</b>	<b>\$ 80,746</b>	<b>\$ 2,031</b>	<b>\$ 560,402</b>	<b>\$ 8</b>	<b>\$ 934,222</b>	

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**C. Receivables**

Receivables as of June 30, 2003 as shown in the government-wide financials, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	<u>Fund Financials</u>	<u>Elimination</u>	<u>Government-Wide</u>
<b>Business type activities</b>			
Accounts Receivables	\$ 66,714	\$ (12,289)	\$ 54,425
Intergovernmental	73,177	-	73,177
Interest	1,989	-	1,989
Gross Receivables	141,880	(12,289)	129,591
Less Allowances	(1,622)	-	(1,622)
Net Receivables	140,258	(12,289)	127,969
<b>Government type activities</b>			
Accounts Receivables	28,733	12,289	41,022
Sales Tax	102,181	-	102,181
Intergovernmental	77,392	-	77,392
Interest	5,656	-	5,656
Other	1,324	-	1,324
Gross Receivables	215,286	12,289	227,575
Less Allowances	(1,761)	-	(1,761)
Net Receivables	213,525	12,289	225,814
Total	<u>\$ 353,783</u>	<u>\$ -</u>	<u>\$ 353,783</u>



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Notes to the Financial Statements (Continued)  
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Receivables as of June 30, 2003 for proprietary individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	Enterprise		Internal Service		Total
	Fund	Fund	PRMA	PTSC	
Accounts Receivables	\$26,004	\$ 12	\$ 15,716	\$ 12,692	\$ 54,424
Intergovernmental	73,177	-	-	-	73,177
Interest	938	-	890	162	1,990
Gross Receivables	100,119	12	16,606	12,854	129,591
Less Allowances	(1,622)	-	-	-	(1,622)
Net Receivables	<u>\$98,497</u>	<u>\$ 12</u>	<u>\$ 16,606</u>	<u>\$ 12,854</u>	<u>\$ 127,969</u>

Receivables as of June 30, 2003 for government activities individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	General	Debt	Prop.	Prop.	TDA	Capital	Other	Total
	Fund	Service	A	C				
Accounts	\$ 3,517	\$ 572	\$ -	\$ 14,775	\$ -	\$ 21,741	\$ 417	\$ 41,022
Interest	795	1,264	413	2,392	-	599	193	5,656
Intergovernmental	17,286	-	-	329	-	59,777	-	77,392
Sales Tax	-	-	36,335	36,340	18,547	-	10,959	102,181
Lease and Other	540	784	-	-	-	-	-	1,324
Gross Receivables	22,138	2,620	36,748	53,836	18,547	82,117	11,569	227,575
Less Allowances	(1,761)	-	-	-	-	-	-	(1,761)
Net Receivables	<u>\$ 20,377</u>	<u>\$ 2,620</u>	<u>\$ 36,748</u>	<u>\$ 53,836</u>	<u>\$ 18,547</u>	<u>\$ 82,117</u>	<u>\$ 11,569</u>	<u>\$ 225,814</u>

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**D. Inventories and prepaid items**

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and reported in both business-type activities and government activities.

**E. Restricted assets**

Certain cash, cash equivalents and investments of the MTA's business-type activities and governmental activities are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable designation.

**F. Investments in other agencies**

The MTA has made the following investments in other agencies:

<u>Agency</u>	<u>Amount</u>	<u>Type</u>
Los Angeles to Pasadena Metro Construction Authority (Gold Line)	\$309,844	Governmental
Southern California Regional Rail Authority	\$192,746	Governmental

As of June 30, 2003 the Gold Line (segment 1) is constructed and ready for service. The capital assets for this segment will revert back to the MTA for operation.

**G. Capital assets (property, plant and equipment)**

Capital assets are reported in the applicable business-type or governmental activities in the governmental-wide financial statements. Capital assets are defined by the MTA as assets with an initial individual cost of more than \$2,500 (amount not in thousands). Such assets are recorded at historical cost if purchased or constructed. If donated, capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment in the proprietary funds are recorded at cost. Outlays for capital assets and improvements are budgeted and recorded as expenditures in the capital project fund.

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Depreciation is computed using the straight-line method that is based upon the estimated useful lives of individual assets. The estimated useful lives of fixed assets are as follows:

	<u>Years</u>
Buildings and structures	30
Rail Cars	25
Buses	12
Other vehicles	5
Equipment and other furnishings	10

Proprietary fund assets acquired with federal, state, and local capital grants are included in property, plant and equipment, and depreciation on these assets is included in the accompanying statement of revenues, expenses and changes in net assets.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
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Capital assets activity for the year ended June 30, 2003 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	<u>\$ 537,423</u>	<u>\$ 25,846</u>	<u>\$ (45,002)</u>	<u>\$ 518,267</u>
Capital assets, being depreciated:				
Buildings	5,139,712	37,603	(693)	5,176,622
Equipment	749,334	43,559	-	792,893
Vehicles	<u>1,593,652</u>	<u>22,597</u>	<u>(57,348)</u>	<u>1,558,901</u>
Total capital assets, being depreciated	<u>7,482,698</u>	<u>103,759</u>	<u>(58,041)</u>	<u>7,528,416</u>
Less accumulated depreciation for:				
Buildings	(1,011,466)	(167,213)	-	(1,178,679)
Equipment	(476,621)	(57,380)	-	(534,001)
Vehicles	<u>(574,885)</u>	<u>(106,020)</u>	<u>56,408</u>	<u>(624,497)</u>
Total accumulated depreciation	<u>(2,062,972)</u>	<u>(330,613)</u>	<u>56,408</u>	<u>(2,337,177)</u>
Total capital assets, being depreciated, net	<u>5,419,726</u>	<u>(226,854)</u>	<u>(1,633)</u>	<u>5,191,239</u>
Business-type activities capital assets, net	<u>\$ 5,957,149</u>	<u>\$(201,008)</u>	<u>\$ (46,635)</u>	<u>\$ 5,709,506</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 714,420	\$ 117,736	\$ -	\$ 832,156
Construction in progress	<u>445,906</u>	<u>93,821</u>	<u>(54,600)</u>	<u>485,127</u>
Governmental activities capital assets	<u>\$ 1,160,326</u>	<u>\$ 211,557</u>	<u>\$ (54,600)</u>	<u>\$ 1,317,283</u>

Depreciation expense was charged to functions/programs of the MTA as follows:

**Business-type Activities**

Transit Operations

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**H. Risk Financing**

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.

The MTA 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 cover many of the risks arising from the work of contractors and subcontractors in their work on construction projects of the Metro Rail segments. As of June 30, 2003 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, 2003, a liability of \$37,009 has been determined and accrued for such potential losses.

**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 4.0%. The MTA and PTSC believe that the estimated liability for self-insured claims at June 30, 2003 will be sufficient to cover any costs arising out of claims filed or to be filed for incidents that occurred through that date. 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 no claims have been reported.

Prior to September 1, 1998, the MTA was fully self-insured for workers' compensation claims and administered by a third party administrator. The outstanding liability as of June 30, 2003 is \$67,732 for claims arising prior to that date. Effective September 1, 1999, the MTA and PTSC formed a joint powers authority, the PTSC-MTA Risk Management Authority (PRMA), to reduce the cost of each party's workers compensation expense to provide the worker's compensations coverage to both companies. For claims occurring on and after September 1, 2001, PRMA implemented a workers' compensation program that is both self-insured and self-administered, on behalf of the MTA and PTSC, with the claims operation managed by PRMA. This new self-insured program has a liability of \$84,694 at June 30, 2003. Between September 1, 1998 and August 31, 2000, MTA was insured for workers compensation claims by an outside insurance carrier. A cash reserve has been established equal to the combined new self-insured and retro premium liabilities.

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The MTA is partially self-insured for public liability and property damage for non-construction activities up to \$4,500 per occurrence. MTA has acquired outside insurance coverage for losses in excess of this amount. The MTA reserves set aside for the incurred and outstanding liabilities as of June 30, 2003 are \$44,208 for liabilities under the self-insured retention.

In addition, MTA has an all-risk property insurance program divided into two packages: (1) for rail operations and (2) for bus operations. The property insurance policy covers insurable values of \$4,800,000. The policies also contain an earthquake sub-limit of \$100,000 with a 5% of value per site deductible. The amount of settlements has never exceeded the insurance coverage.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2003 and 2002:

	Construction		Property and Casualty		Workers' Compensation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Unpaid claims and claim adjustment reserve - beginning of year	\$21,006	\$21,006	\$ 47,841	\$46,529	\$130,556	\$89,322	\$199,403	\$156,857
Incurred claims and claim adjustment expense:								
Provisions for insured events of the current fiscal years	-	-	26,906	24,968	47,908	50,680	74,814	75,648
Increase in provision for insured events of prior fiscal years	16,003	-	-	-	-	-	16,003	-
Interest income	-	-	2,100	2,526	6,028	3,352	8,128	5,878
Total incurred claims and claims adjustment expense	37,009	21,006	76,847	74,023	184,492	143,354	298,348	238,383
Payments:								
Attributable to insured events of the current fiscal year	-	-	-	-	-	(3,951)	-	(3,951)
Attributable to insured events of prior fiscal years	-	-	(32,639)	(26,182)	(32,066)	(8,847)	(64,705)	(35,029)
Total payments	-	-	(32,639)	(26,182)	(32,066)	(12,798)	(64,705)	(38,980)
Total unpaid claims and claim adjustment reserves -end of the year	<u>\$37,009</u>	<u>\$21,006</u>	<u>\$44,208</u>	<u>\$47,841</u>	<u>\$152,426</u>	<u>\$130,556</u>	<u>\$233,643</u>	<u>\$199,403</u>

It is MTA's practice to review prior year claims payment patterns to determine the current portion of claims and judgments payable. As of June 30, 2003, approximately \$65,000 of the total claims and judgment liability is considered current.

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**I. Leases**

**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, 2003 were \$1,678. Future minimum lease payments for these leases are as follows:

Year Ending <u>June 30,</u>	
2004	\$ 1,739
2005	1,608
2006	157
2007	154
2008	152
2009 and thereafter	<u>176</u>
Total	<u>\$3,986</u>

**Capital leases**

The MTA has entered into various lease agreements as lessee for financing the acquisition of buses and CNG fueling facilities. These lease agreements qualify as capital leases for accounting purposes and, therefore, the related assets and liabilities have been recorded as business-type items. The liabilities they represent have been recorded at the present values of the future minimum lease payments while the assets covered by the leases are shown at depreciated cost.

The assets acquired through capital leases are as follows:

	<u>Vehicles</u>	<u>Facilities</u>	<u>Total</u>
Cost	\$27,128	\$35,051	\$62,179
Less: accumulated depreciation	<u>(6,924)</u>	<u>(6,137)</u>	<u>(13,061)</u>
Total	<u>\$20,204</u>	<u>\$28,914</u>	<u>\$49,118</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2003, were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	6.660% - 10.622%	\$ 38,408

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Notes to the Financial Statements (Continued)  
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Lease payment schedule to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 9,718	\$ 2,453
2005	9,320	1,702
2006	2,988	1,229
2007	2,618	1,042
2008	2,568	867
2009-2013	11,196	1,700
<b>Totals</b>	<b>\$ 38,408</b>	<b>\$ 8,993</b>

**J. Long-term obligations**

In the government-wide financial statements, and in the fund financial statements for proprietary fund type activities, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

As of June 30, 2003, the MTA's long-term obligations relate to its business-type and governmental activities are:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2003</u>	<u>One Year</u>
<b>Business-type Activities</b>					
General Revenue Bonds	\$185,735	\$ -	\$ -	\$ 185,735	\$ -
Certificates of Participation	137,790	5,765	(38,990)	104,565	15,665
Capitalized Lease	17,264	39,929	(18,785)	38,408	9,718
Business-type Activity Long-term Liabilities	<u>340,789</u>	<u>45,694</u>	<u>(57,775)</u>	<u>328,708</u>	<u>25,383</u>
<b>Governmental Activities</b>					
Bonds Payable:					
Sales Tax Revenue Bonds and Refunding Bonds	3,057,905	612,140 *	(713,760)	2,956,285	72,410
Sales Tax revenue Bonds - Local Allocation	15,190	-	(2,170)	13,020	2,170
Lease Revenue bonds	19,380	-	(2,620)	16,760	100
Redevelopment Bonds and Housing Bonds	30,280	-	-	30,280	384
Total Bonds Payable	3,122,755	612,140	(718,550)	3,016,345	75,064
Lease/Leaseback to Service Obligation	329,154	471,898 **	(50,998)	750,054	4,937
Commercial Paper Notes	265,414	-	-	265,414	-
Certificates of Participation	4,340	-	(2,010)	2,330	1,165
Governmental Activity Long-term Liabilities	<u>3,721,663</u>	<u>1,084,038</u>	<u>(771,558)</u>	<u>4,034,143</u>	<u>81,166</u>
Total Long-Term Liabilities	<u>\$ 4,062,452</u>	<u>\$ 1,129,732</u>	<u>\$ (829,333)</u>	<u>\$ 4,362,851</u>	<u>\$ 106,549</u>

\* Net of bond premiums of \$38,682.

\*\* Includes leaseback loan accretion of \$22,034; and net of cash benefit from transactions of \$13,507.



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Notes to the Financial Statements (Continued)  
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**General obligation debt**

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

General revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.00% - 5.90%	\$185,735

Annual debt service requirements to maturity for the general revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ -	\$ 10,740
2005	-	10,740
2006	-	10,740
2007	780	10,720
2008	2,115	10,648
2009-2013	15,285	51,420
2014-2018	36,660	44,472
2019-2023	68,480	29,394
2024-2028	62,415	5,770
Total	<u>\$ 185,735</u>	<u>\$ 184,644</u>

**Certificates of participation**

Certificates of participation were issued by MTA in association with the California Transit Finance Corporation (CTFC) who 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 CTFC. The MTA subleases the buses to other governmental agencies. These agencies are required to make payments equal the amount of the lease payments due to the CTFC. In the event the amounts received from the governmental agencies do not equal the lease payments to the CTFC, the MTA is required to use other available resources to make such lease payments.

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On November 15, 2002, MTA refunded the Certificates of Participation, 1992 Series B of \$19,725 into \$5,765 to avail of low interest rate. This resulted in a present value cash flow savings of \$ 1,822. The refunding Certificates will mature on July 1, 2004.

Certificates of participation currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	3.25% - 7.70%	\$104,565
Governmental Activities	2.90% - 6.50%	\$2,330

Annual debt service requirements to maturity for the certificates of participation are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>		<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 15,665	\$ 6,209	\$ 1,165	\$ 140
2005	10,500	5,445	1,165	8
2006	11,200	4,575	-	-
2007	11,900	3,768	-	-
2008	12,600	2,972	-	-
2009-2013	42,700	3,945	-	-
Total	<u>\$ 104,565</u>	<u>\$ 26,914</u>	<u>\$ 2,330</u>	<u>\$ 148</u>

**Sales tax revenue bonds**

Sales tax revenue bonds issued by MTA where sales tax revenue derived from Proposition A and C, authorized by Los Angeles County voters, have been pledged to pay debt service. These bonds were issued to provide funds for the acquisition and construction of major capital facilities.

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. The Sales Tax Revenue Proposition A Refunding bonds, series 1992-A and the Sales Tax revenue Proposition C Refunding Bonds, Second Sr. bonds, Series 1993-A are supported by standby bond purchase agreements provided by banks having credit ratings of AA. Bondholders are allowed to “put” the bonds back to the remarketing agent. The bank must purchase bonds that cannot be remarketed and must hold them beyond the expiration of the agreement (if necessary) until they are remarketed,

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refinanced or mature. The agreements for the Proposition A bonds and Proposition C bonds expires in January 2008 and January 2004, respectively. Neither agreement is cancelable.

On February 26, 2003, Prop A Sales Tax Refunding Bonds Series A of \$273,505 was issued by MTA to refund \$278,470 principal amount of MTA's Prop A Sales Tax Refunding Bonds Series 1993-A. This resulted in a present value cash flow savings of \$26,595.

On June 4, 2003, Prop A Sales Tax Refunding Bonds Series B of \$243,795 was issued to refund \$258,450 principal amount of MTA's Prop A Sales Tax Refunding Bonds Series 1993-A. This resulted in a present value cash flow savings of \$27,620. Together, the Series 2003-A Bonds and the Series 2003-B Bonds refunded the entire outstanding principal of the Prop A Sales Tax Refunding Bonds Series 1993-A.

On March 19, 2003, Prop C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2003-A of \$ 94,840 was issued by MTA to refund and economically defease \$102,155 of outstanding principal of Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1993-B. This resulted in a present value cash flow savings of \$9,277.

Sales tax revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	2.00% - 7.70%	\$2,956,285

Sale tax revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 72,410	\$ 136,961
2005	82,240	147,243
2006	85,935	142,355
2007	90,185	137,888
2008	94,895	133,081
2009-2013	561,065	583,101
2014-2018	727,255	422,768
2019-2023	842,405	220,224
2024-2028	370,345	57,809
2029-2033	29,550	5,506
Total	<u>\$ 2,956,285</u>	<u>\$ 1,986,936</u>

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**Sales tax revenue bonds – local allocation**

Sales tax revenue bonds - local allocation are those where the MTA assists local governmental entities in the County by issuing bonds collateralized by sales tax revenues that are allocated to the entity. The necessary funds are withheld by the bond trustee from the MTA's portion of local return sales tax revenue receipts in order to fund debt service on the bonds.

Sales tax revenue bonds – local allocation - currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	4.00% - 4.30%	\$13,020

Sale tax revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June</u> <u>30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,170	\$ 496
2005	2,170	409
2006	2,170	320
2007	2,170	230
2008	2,170	139
2009	2,170	47
Total	<u>\$ 13,020</u>	<u>\$ 1,641</u>

**Lease revenue bonds**

Lease revenue bonds were issued as part of a sale/leaseback of light rail cars. Basic provisions 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 Japanese yen. The lease arrangement has a purchase option equal to 10% of the original purchase price of \$3,300 which is payable at the end of the lease term.

Lease revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	4.94% - 7.385%	\$16,760

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Annual debt service requirements to maturity for the lease revenue bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 100	\$ 515
2005	3,940	713
2006	2,698	621
2007	3,363	484
2008	6,659	398
Total	\$ 16,760	\$ 2,731

**Redevelopment and housing bonds**

Redevelopment and housing bonds were issued to fund a rail joint development project intended to increase utilization of the Red Line. 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) to assist in the financing of the Grand Central Square Multi-family Housing and Redevelopment Project. Under this agreement, a housing bond and a redevelopment bond were issued. The project is completed and the MTA is currently making payments for the debt service related to these bonds. Under a reimbursement agreement, collateralized by real property of the Grand Central Square Project, the developer is to repay MTA the amounts advanced as debt service.

On April 15, 2002, MTA refunded the CRA Grand Central Square Qualified Redevelopment Bonds 1993 Series A of \$21,665 into a \$20,825 2002 Refunding Series A Bonds to avail of low interest rate. This resulted in a present value savings of \$989.

Redevelopment and housing bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.50% - 5.85%	\$30,280

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Notes to the Financial Statements (Continued)  
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Annual debt service requirements to maturity for the redevelopment and housing bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 384	\$ 1,558
2005	353	1,537
2006	734	1,507
2007	759	1,475
2008	792	1,439
2009-2013	4,511	6,562
2014-2018	5,754	5,195
2019-2023	7,463	3,328
2024-2028	9,530	913
Total	\$ 30,280	\$ 23,514

The table below summarizes the net cash flow effect of debt refundings initiated in fiscal 2003.

Changes in Cash Flows Resulting from Debt Refunding

<u>Refunding Debt Issue</u>	Prior Cash Flow	Refunded Cash Flow	Net Cash Flow Savings	Present Value of Net Cash Flow Savings
Prop A 2003A	\$439,619	\$404,392	\$35,227	\$26,595
Prop A 2003B	480,373	437,313	43,060	27,620
Prop C 2003A	134,468	123,029	11,439	9,277
Certificates of Participation	8,198	6,133	2,065	1,822
Totals	\$1,062,658	\$970,867	\$91,791	\$65,314

**Lease/leaseback and lease-to-service obligations**

In June 2000, the MTA entered into three “lease/leaseback to service” agreements covering 72 heavy rail vehicles. These arrangements are similar to lease/leaseback

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transactions but have a 25-year service period at the end of lease/leaseback period under certain conditions. These arrangements are substantially identical except that two have 22-year lease/leaseback terms and the third has a 19-year term. The MTA entered into head leases to lease the cars to trusts (investors) and simultaneously entered into sublease agreements to lease them back. The MTA received prepayments of the head lease from the investors of approximately \$182.6 million, of which, it used approximately \$166.0 million to place two types of investments that will be used to make the interest and principal payments on the finance obligation. The MTA placed \$143.6 million in fixed rate deposits and invested \$22.4 million in government zero-coupon bonds. The interest earned on the deposits together with the principal amounts of the deposits and the maturities of the zero-coupon bonds are sufficient to cover the amounts due under the finance obligation. \$16.6 million represents consideration for tax benefits.

In August 2001, the MTA entered into a “lease to service” agreement leasing various real property operating facilities. This arrangement is similar to the prior lease/leaseback to service agreement and has a 22-year service period at the end of the lease/leaseback period under certain conditions. The MTA received lease proceeds equal to the asset value from the investors of approximately \$285.6 million, of which it used approximately \$233.0 million to prepay rent through the early buyout date and invested approximately \$31.1 million in fixed rate deposits to fund the cost of the exercise of the early buyout option. The interests earned on the investments, together with the principal amounts, are sufficient to cover the amounts due under the finance obligation. \$14.3 million represents the consideration for tax benefits net of \$7.2 million in expenses.

In September 2001, the MTA entered into two “lease to service” agreements leasing 15 Sumitomo light rail vehicles and 10 Siemens light rail vehicles respectively. These arrangements are similar to the June 2000 lease/leaseback transaction but have 14.5-year to 20-year service periods respectively at the end of lease/leaseback period under certain conditions. The MTA entered into two head leases to lease the cars to the trust (investor) and simultaneously entered into sublease agreements to lease them back. The MTA received prepayments of the head lease rents from the investors of approximately \$82.4 million, of which it used approximately \$75.6 million to invest in four fixed rate deposits used to make the rent payments on the sublease obligations. The interests earned on the investments, together with the principal amounts, are sufficient to cover the amounts due under the finance obligation. \$5.9 million represents consideration for tax benefits net of \$ 0.9 million in expenses.

In June 2002, the MTA entered into a “lease to service” agreement leasing various real property operating facilities. This arrangement is similar to the August 2001 lease to service agreement and has a 22-year service period at the end of lease/leaseback period under certain conditions. The MTA entered into a head lease to lease the facilities to a trust (investor) and simultaneously entered into a sublease agreement to lease them back. The MTA received prepayment of the head lease rent from the investors of approximately \$125.0 million, of which \$55.5 million was used to prepay rent on the date of closing and invested \$43.9 million to prepay additional rent in December 2002.

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Approximately \$15.4 million was invested in fixed interest rate deposits. The interests earned on the investments, together with the principal amounts, are sufficient to cover the amounts due under the finance obligation. \$7.2 million represents consideration for tax benefits net of \$3 million in expenses.

In September 2002, the MTA entered into two “lease to service” agreements leasing 17 Siemens light rail vehicles. These arrangements are similar to prior lease/leaseback transactions but have a 16.3-year service period each at the end of lease/leaseback under certain conditions. The MTA entered into two head lease agreements to lease the cars to the trust (investor) and simultaneously entered into sublease agreements to lease them back. Both of the subleases have a 25.3 –year term to expiration. The MTA received prepayment of the head lease rents from the investors of approximately \$71.2 million, of which it used approximately \$65.8 million to invest in four fixed rate deposits used to make the rent payments on the sublease obligations. The interest earned on the investments, together with the principal payments, are sufficient to cover the amounts due under the finance obligations. \$5 million represents consideration for tax benefits net of \$0.4 million in expenses.

In December 2002, the MTA entered into three “ lease/leaseback to service” agreements leasing 1,142 transit buses. These arrangements are similar to prior lease/leaseback transactions but have 7.4-year, 7.2-year and 8–year service periods at the end of lease/leaseback under certain conditions. The three lease agreements are substantially identical except that two have 12-year lease/leaseback terms and the third has an 11-year term. The MTA entered into head leases to lease the buses to trust (investor) and simultaneously entered into sublease agreements to lease them back. The MTA received prepayments of the head lease from the investor of approximately \$395.2 million, of which it used approximately \$386.3 million to place two types of investments that will be used to make the interest and principal payments on the finance obligations. The MTA placed \$255.9 million in fixed rate deposits and invested \$130.4 million in government zero-coupon bonds. The interest earned on the deposits, together with the principal payments of the deposits, are sufficient to cover the amounts due under the finance obligations. \$7.8 million represents consideration for tax benefits net of \$1.1 million in expenses.

For the above transactions, the MTA is obligated to insure and maintain the facilities, buses and rail cars. The lease agreement also provides for the MTA’s right to continue to use and control the facilities, buses and rail cars. The MTA also has agreed to indemnify the lessor from any taxes imposed by United States taxing authorities and from any other increased costs.

The proceeds from the various finance obligations have been recorded as restricted investments in the debt service fund. The related liabilities are shown as governmental long-term debt. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments. Funds sufficient to cover all payments have been placed with fiscal agents.



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The lease obligations currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.85% - 7.38%	\$750,055

Annual debt service requirements to maturity for the lease obligation are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 4,937	\$ 2,240
2005	(7,353)	5,487
2006	(3,410)	5,901
2007	70,115	6,286
2008	(681)	7,009
2009-2013	79,101	66,747
2014-2018	237,085	43,175
2019-2023	48,969	207,160
2024-2028	52,143	135,287
2029-2033	269,148	237,063
Total	<u>\$ 750,054</u>	<u>\$ 716,355</u>

### Commercial paper notes

Commercial paper notes (CPN), taxable and tax-exempt, were issued by the MTA with original maturity dates ranging from one to 270 days at various interest rates. Under the terms of the notes, maturing principal amounts can be rollover into new notes. It is the intention of the MTA to pay the accrued interest and roll over or reissue the principal amounts as they mature. The proceeds from the CPNs have been used to provide interim financing for construction and acquisition activities including construction of rail capital projects and rail right of way acquisitions.

The taxable and tax-exempt commercial paper programs are supported by direct-pay, irrevocable letters of credit. The letters of credit are issued by one bank for the taxable CPN and a team of 3 banks supporting the tax-exempt CPN. Each bank has a credit rating of AA to AAA. These letters of credit are drawn upon at each note maturity to repay the bondholders. Principal from the matured notes is reimbursed to the banks either through remarketing of the commercial paper or by direct payment from the MTA.

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Interest expense is reimbursed on a current basis to the banks from sales tax revenues. In the event that the dealer is unable to remarket the commercial paper and/or MTA is unable to repay interest or principal, the bank will incur an unreimbursed draw on the letter of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loans are repayable over a period of three years with equal semiannual principal payments. Interest is charged at the Base rate as defined in the applicable Reimbursement Agreement. The letter of credit supporting the taxable commercial paper program expires in May 2005, while the letter of credit supporting the tax-exempt commercial paper program expires in November 2005.

**K. Capital and MOU commitments**

**Engineering And Construction In Progress And Other Significant Commitments**

The Board approved a new Long Range Transportation Plan. This Long Range Transportation Plan looks ahead at transportation needs over the next twenty-five years, from 2000 through 2025. The plan directs public expenditures of \$106 billion for a balanced transportation program with a strong emphasis on public transit to meet growth in travel. Among the projects to improve Los Angeles County is completion of the Eastside project, busway for the San Fernando Valley, a new project from downtown to West Los Angeles and other fixed guideway projects through the year 2025. The Pasadena light rail project was completed and test runs were being conducted at year-end. Grand opening was scheduled on July 26, 2003. The Alameda Corridor freight expressway became operational on April 15, 2002

Other major aspects of the plan include expansion of the successful Metro Rapid Bus program as a prominent component. The plan encourages more ridesharing, walking and bike riding, telecommuting and improved management of truck traffic. Increased highway capacity is addressed by completing the countywide system of HOV (high occupancy vehicles) lanes and freeway gap closures to integrate circulation throughout the region. It is envisioned that more grade separations at railroad crossings and local arterial highway improvements will be made in cooperation with the 88 cities and the County of Los Angeles.

The MTA, in the governmental activities, has active capital projects as of June 30, 2003. The projects include various phases of the development of rail projects and the acquisition of buses. At year-end the MTA's commitments with vendors relating to these contracts are as follows:

Project	Inception-to-date <u>Expended</u>	Remaining <u>Commitment</u>
Rail Projects	\$ 67,349	\$ 48,840
Bus Rapid Transitways	11,797	137,590
Bus Acquisition & Others	<u>201,338</u>	<u>39,244</u>
Total	<u>\$ 280,484</u>	<u>\$ 225,674</u>

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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 \$309,688 for MOU commitments in various Special Revenue Funds.

**L. Compensated absences**

MTA's and PTSC's union-represented (contract) employees, which are made up of employees represented by the United Transportation Union (UTU), the Amalgamated Transportation Union (ATU), Transportation Communications Union (TCU), American Federation State, County, Municipal Employees (AFSCME) and the Brotherhood of Teamsters (Teamsters) accumulate vacation pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions. All outstanding vacation is payable upon termination of employment. UTU and 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.

The MTA and PTSC have a combined sick leave and vacation program for its non-represented and AFSCME-represented employees. Under this program, sick and vacation leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year. Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remain on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100% at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75% conversion rate, when an employee age is 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75%, except for those individuals that retire between age 50 and 55 years, wherein the payout rate varies from 50% to 75% depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75%. Upon death, payment of frozen sick leave will be at 100% to the employee's beneficiary.

The following is a summary of the compensated absences payable at June 30, 2003:

	Union	Non-Union	Total
Vacation	\$ 20,584	\$ 1,110	\$ 21,694
Sick Leave	18,500	3,564	22,064
TOWP	2,400	16,048	18,448
Total	<u>\$ 41,484</u>	<u>\$ 20,722</u>	<u>\$ 62,206</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

**M. Deferred revenues**

Deferred revenues arise when 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, such as grant monies, received prior to the incurrence of the 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.

**N. Pensions and post-retirement benefits payable**

MTA provides pension benefits that cover substantially all full-time employees through five defined benefit pension plans. Three of the plans are restricted to specific union members and two are restricted to Teamsters, AFSCME, and non-represented employees.

**California Public Employees’ Retirement System**

The California Public Employees’ Retirement System (PERS) is an agent multiple-employer public retirement system.

Most 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 (generally the last or the highest consecutive 36 months of employment) times years of credited service. Other optional benefits are available at a reduced amount. Early retirement is available at age 50 with 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. The benefit provisions and all other requirements are established by contract with the California Public Employees Retirement System in accordance with the provisions of the Public Employees’ Retirement Law. An annual stand-alone financial report is issued and a copy can be obtained by requesting a copy from PERS, P.O. Box 942709, Sacramento, California 94229-2709.

The employer and employee contributions are a percentage of the employees’ compensation. The rates are defined by law and are based on the employer’s benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. For the year ended June 30, 2003, the contribution rate of covered payroll was 11.38%. This rate includes the mandatory employee contribution of 7.0% that is currently paid by PTSC.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

Total annual required contributions (ARC) for the years ended June 30, 2003, 2002 and 2001, were \$11,468, \$10,323, and \$10,186 respectively, all of which were attributable to the PTSC and paid in full. Such contributions were made in accordance with the latest PERS actuarial valuation. These pension contributions for normal costs include the employees' portion and for the years ended June 30, 2003, 2002 and 2001 were \$7,086, \$6,408, and \$5,876 respectively. At June 30, 2003, 2002 and 2001 there was no net pension obligation (NPO) for this fund.

The valuation date was June 30, 2002 and the individual entry age normal cost was the actuarial cost method used to determine the ARC. The smoothing of market value method was used to determine the actuarial value of assets. The level percentage of payroll closed is the amortization method used with the remaining amortization period an average of 10 years for public agencies. The actuarial assumptions are an 8.25% investment rate of return; an inflation rate of 3.5%; projected salary increases varying based upon the duration of service; and a post retirement benefit increase of 2%.

**MTA administered plans**

The MTA has a single-employer public employees retirement system that includes four defined benefit pension plans (Plans) covering substantially all employees, providing retirement, disability and death benefits. Generally, employees' rights to retirement benefits vest after five years for non-represented, Teamster, and AFSCME represented employees and 10 years for UTU, ATU, and TCU represented 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. An annual stand-alone financial report is issued for the plans and can be obtained by requesting a copy from the Finance Department at MTA.

The MTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed cost as they accrue. Actuarially computed costs are determined using the projected unit credit cost method. The employee and employer contributions are required by the plan agreement as either a percentage of annual earning or to finance the benefits provided in the union plans on a sound actuarial basis. The MTA uses the level percentage of payroll method to amortize the unfunded liability or surplus of the base plan over a closed 15-year period.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

The annual required contributions (ARC), for the MTA and employees, by plan, for the years ended June 30, 2003, 2002, and 2001 are as follows:

Contributions	United	Transportation	Amalgamated	Non-Contract	Total
	Transportation	Communication	Transit	Employees	
	Union Plan	Union Plan	Union Plan	Plan	
<u>2003</u>					
Employer	\$ 13,478	\$ 1,859	\$ 11,801	\$ 1,555	\$ 28,693
Employee	11,615	1,144	1,339	-	14,098
Total	<u>\$ 25,093</u>	<u>\$ 3,003</u>	<u>\$ 13,140</u>	<u>\$ 1,555</u>	<u>\$ 42,791</u>
<u>2002</u>					
Employer	\$ 10,744	\$ 1,111	\$ 10,483	\$ -	\$ 22,338
Employee	11,122	1,119	595	-	12,836
Total	<u>\$ 21,866</u>	<u>\$ 2,230</u>	<u>\$ 11,078</u>	<u>\$ -</u>	<u>\$ 35,174</u>
<u>2001</u>					
Employer	\$ 6,817	\$ 644	\$ 7,100	\$ 63	\$ 14,624
Employee	11,543	1,049	1,143	-	13,735
Total	<u>\$ 18,360</u>	<u>\$ 1,693</u>	<u>\$ 8,243</u>	<u>\$ 63</u>	<u>\$ 28,359</u>

The MTA's contributions to the Plans for the year ended June 30, 2003 were made in accordance with the actuarially determined requirements computed as of December 31, 2002. Actuarially computed costs are determined using the projected unit credit cost method. The total ARC, was paid in full for all plans, for the years ended June 30, 2003, 2002 and 2001 was \$28,693, \$22,338, and \$14,624 respectively, which also was the annual pension cost for both periods since there was no NPO at June 30, 2003, 2002 or 2001. The required contribution rate by employees for years ended June 30, 2003, 2002 and 2001, was between 0% to 7.23%, 0% to 7.09%, and 0% to 7.73% respectively, of their annual wages. The employer rate is equal to ARC. The method of ½ book value + ½ market value was used to determine the actuarial value of assets. The level percentage of payroll closed is the amortization method used with the remaining amortization period an average of 15 years for public agencies. The actuarial assumptions are: an 8.5% investment rate of return including a 3.5% rate for inflation; projected salary increases of 4.5%; and no post-retirement benefit increases.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

**Post-retirement benefits**

The MTA provides post-retirement benefits that consist of health care and life insurance benefits purchased for retired employees and families through a commercial insurance policy. 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 \$23,506 for the year ended June 30, 2003 and MTA contributions are funded on a pay-as-you-go-basis. The outstanding long-term liability for the post-retirement benefits as of June 30, 2003 is \$86,388.

**O. 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 that permits employees to defer a portion of their current salary to future years. Under this plan, employees may contribute up to the lesser of \$12,000 (amount not in thousands) or 100% of their earnings in calendar year 2003. A special provision in the law allows an additional \$2,000 (amount not in thousands) if you are a “Baby Boomer” (age 50 or greater by December 31, 2003) and employees eligible for retirement within 3 years can avail of the “catch up provision” total \$24,000 (amount not in thousands).

The plan is managed by a third party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to 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 would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the fiduciary fund. At June 30, 2003 the deferred compensation plans had assets (at fair value) totaling \$146,134.

**401 (k) savings plan**

The MTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). 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. In the opinion of management, the MTA has no liability for losses under the plans, but does have the

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the fiduciary fund. At June 30, 2003 the 401(k) savings plan had assets (at fair value) totaling \$123,237.

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 \$28,000 (amount not in thousands) or \$38,000 (amount not in thousands) if you fall within the catch up provision.

**P. 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 Refunding Bonds, Series 2001 (A1 Bonds), and Special Benefit Assessment District A2 Revenue Refunding Bonds, Series 2001 (A2 Bonds), were issued to provide fund for retiring previously issued BAD revenue bonds. The retired bonds were issued to assist in the financing of the private sector portion of the Metro Red Line. The A1 and A2 Bonds, \$119,875 and \$6,590, respectively, are solely payable from assessments paid by owners of assessable property within Districts A1 and A2, respectively.

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 MTA financial statements.

**Q. 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 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: for MTA - 4; for OCTA - 2; for RCTC - 2; for SANBAG - 2; for 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, San Diego County and terminating at the Los Angeles Union Station.



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

Funding for the Metrolink's construction has been from capital contributions from member agencies and the State of California. The MTA has made capital contributions to the SCRRA totaling \$192,746 as of June 30, 2003.

The MTA provided the majority of the system's operating costs for the year ending June 30, 2003. Summary audited financial information for the SCRRA as of and for the year ended June 30, 2002 (most recent data available) is as follows:

Current Assets	\$ 79,046
Investments, Property and Equipment	705,665
Total Assets	\$ 784,711
Total Liabilities	\$ 84,515
Total Equity	700,196
Total Liabilities and Equity	\$ 784,711
Total Revenues	\$ 170,150
Total Expenses	(167,002)
Contributed Capital Adjustment for Depreciation	50,091
Net Increase in Retained Earnings	\$ 53,239

Additional detailed financial information is available from the SCRRA, P.O. Box 86425, Los Angeles, CA 90086-0425.

**R. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative managements plans that are subject to change.

**S. 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 material adverse effect on the financial condition of the MTA.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2003

**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. Such programs are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, the MTA management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of the MTA.

**T. Reclassifications**

Comparative data for the prior year has been presented in 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.

**U. Subsequent Events**

**Gold Line**

Construction of Pasadena Gold Line was completed and opened to the public in July of 2003. MTA has assumed all operating responsibilities from the Gold Line Authority and transfer of assets to MTA is in process.

**Transit Strike**

The MTA's mechanics and maintenance employees, represented by the Amalgamated Transportation Union (ATU), went on strike for 35 days beginning in mid-October, 2003. The MTA's drivers, represented by United Transportation Union (UTU), and clerical and custodian workers, represented by Technical and Clerical Union (TCU), also honored the ATU picket lines.

Union employees returned to work as a result of a non-binding arbitration agreement that was ratified by ATU members and approved by MTA's Board on December 5, 2003. The health and welfare component of the ATU contract is subject to continued negotiations. Meanwhile, negotiations between MTA, and UTU, and TCU members are continuing.

**Lease /leaseback Agreement**

In July 2003, the MTA entered into a lease/leaseback to service contract covering 23 light rail cars. The transaction resulted in the MTA receiving a net up front benefit of \$7.9 million.

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
 REQUIRED SUPPLEMENTAL INFORMATION  
 For Fiscal Year Ended June 30, 2003  
 (Amounts expressed in thousands)

Schedule of Funding Progress

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

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
<b>PTSC *</b>						
06/30/00	\$ 69,044	\$ 100,283	\$ (31,239)	145.20%	\$ 77,968	-40.07%
06/30/01	87,033	114,366	(27,333)	131.41%	87,089	-31.39%
06/30/02	107,488	119,800	(12,312)	111.45%	94,140	-13.08%
<b>MTA **</b>						
<u>UTU</u>						
12/31/00	325,791	261,163	64,628	80.16%	161,508	40.02%
12/31/01	342,460	249,387	93,073	72.82%	162,566	57.25%
12/31/02	345,505	221,665	123,840	64.16%	169,689	72.98%
<u>TCU</u>						
12/31/00	47,562	48,061	(499)	101.05%	24,145	-2.07%
12/31/01	51,346	45,770	5,576	89.14%	26,265	21.23%
12/31/02	53,675	40,933	12,742	76.26%	27,044	47.12%
<u>ATU</u>						
12/31/00	178,615	155,311	23,304	86.95%	90,211	25.83%
12/31/01	188,385	146,551	41,834	77.79%	94,946	44.06%
12/31/02	202,469	133,374	69,095	65.87%	96,782	71.39%
<u>Non-Contract</u>						
12/31/00	139,796	168,235	(28,439)	120.34%	26,907	-105.69%
12/31/01	144,715	154,216	(9,501)	106.57%	26,020	-36.51%
12/31/02	145,103	135,744	9,359	93.55%	24,460	38.26%
<u>Total</u>						
12/31/00	691,764	632,770	58,994	91.47%	302,771	19.48%
12/31/01	726,906	595,924	130,982	81.98%	309,797	42.28%
12/31/02	\$ 746,752	\$ 531,716	\$ 215,036	71.20%	\$ 317,975	67.63%

Annual Financial Report can be obtained by writing to:

\* PERS, PO BOX 942709, Sacramento, CA 94229-2709

\*\* Finance Department, MTA, One Gateway Plaza, Los Angeles, CA 90012-2952

**Los Angeles County Metropolitan Transportation Authority**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**  
**(Amounts expressed in thousands)**

	<b>Special Revenue</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Service Authority For Fwy Emergency</b>	<b>STA</b>	<b>Other</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,000	\$ 40,911	\$ 415	\$ 42,326
Investments	27,378	-	-	27,378
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	417	417
Interest	99	-	94	193
Sales tax	-	10,959	-	10,959
Advances to other funds	-	-	1,485	1,485
<b>TOTAL ASSETS</b>	<b>\$ 28,477</b>	<b>\$ 51,870</b>	<b>\$ 2,411</b>	<b>\$ 82,758</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,261	\$ -	\$ 168	\$ 1,429
Advances from other funds	-	2,861	2,110	4,971
Other liabilities	-	-	6	6
<b>TOTAL LIABILITIES</b>	<b>1,261</b>	<b>2,861</b>	<b>2,284</b>	<b>6,406</b>
<b>FUND BALANCES</b>				
Fund balances:				
Reserved for:				
Encumbrances	1,597	-	321	1,918
Advances	-	-	1,485	1,485
Unreserved, reported in:				
Special revenue funds	25,619	49,009	(1,679)	72,949
<b>TOTAL FUND BALANCES</b>	<b>27,216</b>	<b>49,009</b>	<b>127</b>	<b>76,352</b>
<b>TOTAL LIABILITIES, FUND BALANCES</b>	<b>\$ 28,477</b>	<b>\$ 51,870</b>	<b>\$ 2,411</b>	<b>\$ 82,758</b>

Los Angeles County Metropolitan Transportation Authority  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	Special Revenue			Total Nonmajor Governmental Funds
	Service Authority For Fwy Emergency	STA	Other	
<b>REVENUES</b>				
Sales tax	\$ -	\$ 27,306	\$ -	\$ 27,306
Intergovernmental	-	-	7,055	7,055
Investment income	934	896	115	1,945
Net decline in fair value of investments	(6)	-	(6)	(12)
Licenses and fines	7,165	-	-	7,165
Other	-	-	279	279
<b>TOTAL REVENUES</b>	<b>8,093</b>	<b>28,202</b>	<b>7,443</b>	<b>43,738</b>
<b>EXPENDITURES</b>				
Current:				
Administration and other	8,322	-	1,186	9,508
Transportation subsidies	-	6,304	2,202	8,506
<b>TOTAL EXPENDITURES</b>	<b>8,322</b>	<b>6,304</b>	<b>3,388</b>	<b>18,014</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(229)</b>	<b>21,898</b>	<b>4,055</b>	<b>25,724</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	101	1,930	2,031
Transfers out	-	(12,868)	(11,602)	(24,470)
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>-</b>	<b>(12,767)</b>	<b>(9,672)</b>	<b>(22,439)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(229)</b>	<b>9,131</b>	<b>(5,617)</b>	<b>3,285</b>
Fund balances - beginning	27,445	39,878	5,744	73,067
<b>FUND BALANCES - ENDING</b>	<b>\$ 27,216</b>	<b>\$ 49,009</b>	<b>\$ 127</b>	<b>\$ 76,352</b>

Los Angeles County Metropolitan Transportation Authority  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 14,597	\$ 14,597	\$ 4,780	\$ (9,817)
Investment income	1,230	1,230	5,491	4,261
Net decline in fair value of investments	-	-	(47)	(47)
Lease and rental	10,150	10,150	12,186	2,036
Licenses and fines	450	450	487	37
Proceeds on lease/leaseback to service	5,000	13,500	13,507	7
Other	2,348	2,348	2,093	(255)
<b>TOTAL REVENUES</b>	<b>33,775</b>	<b>42,275</b>	<b>38,497</b>	<b>(3,778)</b>
<b>EXPENDITURES</b>				
Current:				
Administration and other	81,417	81,417	53,099	28,318
Transportation subsidies	2,050	50	843	(793)
Capital Outlay	49	49	-	49
<b>TOTAL EXPENDITURES</b>	<b>83,516</b>	<b>81,516</b>	<b>53,942</b>	<b>27,574</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(49,741)</b>	<b>(39,241)</b>	<b>(15,445)</b>	<b>23,796</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	44,300	42,299	33,994	(8,305)
Transfers out	(9,300)	(35,048)	(30,473)	4,575
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>35,000</b>	<b>7,251</b>	<b>3,521</b>	<b>(3,730)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(14,741)</b>	<b>(31,990)</b>	<b>(11,924)</b>	<b>20,066</b>
Fund balances - beginning	153,510	153,510	153,510	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 138,769</b>	<b>\$ 121,520</b>	<b>\$ 141,586</b>	<b>\$ 20,066</b>

Los Angeles County Metropolitan Transportation Authority  
Proposition A Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive/(Negative)
<b>REVENUES</b>			
Sales tax	\$ 539,234	\$ 548,287	\$ 9,053
Investment income	4,000	2,193	(1,807)
Net decline in fair value of investments	-	(24)	(24)
<b>TOTAL REVENUES</b>	<b>543,234</b>	<b>550,456</b>	<b>7,222</b>
<b>EXPENDITURES</b>			
Current:			
Transportation subsidies	204,194	207,319	(3,125)
<b>TOTAL EXPENDITURES</b>	<b>204,194</b>	<b>207,319</b>	<b>(3,125)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>339,040</b>	<b>343,137</b>	<b>4,097</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	394	394
Transfers out	(387,733)	(374,385)	13,348
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>(387,733)</b>	<b>(373,991)</b>	<b>13,742</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(48,693)</b>	<b>(30,854)</b>	<b>17,839</b>
Fund balances - beginning	101,995	101,995	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 53,302</b>	<b>\$ 71,141</b>	<b>\$ 17,839</b>



Los Angeles County Metropolitan Transportation Authority  
Proposition C Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Sales tax	\$ 539,220	\$ 539,220	\$ 548,264	\$ 9,044
Intergovernmental	54,800	57,956	54,929	(3,027)
Investment income	10,000	10,000	13,299	3,299
Net decline in fair value of investments	-	-	(136)	(136)
Licenses and fines	-	-	431	431
Other	-	-	68	68
<b>TOTAL REVENUES</b>	<b>604,020</b>	<b>607,176</b>	<b>616,855</b>	<b>9,679</b>
<b>EXPENDITURES</b>				
Current:				
Administration and other	74,233	74,233	51,148	23,085
Transportation subsidies	378,128	396,950	308,945	88,005
<b>TOTAL EXPENDITURES</b>	<b>452,361</b>	<b>471,183</b>	<b>360,093</b>	<b>111,090</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>151,659</b>	<b>135,993</b>	<b>256,762</b>	<b>120,769</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	59,730	69,730	23,998	(45,732)
Transfers out	(340,516)	(342,816)	(291,937)	50,879
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>(280,786)</b>	<b>(273,086)</b>	<b>(267,939)</b>	<b>5,147</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(129,127)</b>	<b>(137,093)</b>	<b>(11,177)</b>	<b>125,916</b>
Fund balances - beginning	345,725	345,725	345,725	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 216,598</b>	<b>\$ 208,632</b>	<b>\$ 334,548</b>	<b>\$ 125,916</b>

Los Angeles County Metropolitan Transportation Authority  
Transportation Development Act Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive/(Negative)
<b>REVENUES</b>			
Sales tax	\$ 274,255	\$ 279,893	\$ 5,638
Investment income	3,500	3,898	398
<b>TOTAL REVENUES</b>	<u>277,755</u>	<u>283,791</u>	<u>6,036</u>
<b>EXPENDITURES</b>			
Current:			
Transportation subsidies	98,452	93,825	4,627
<b>TOTAL EXPENDITURES</b>	<u>98,452</u>	<u>93,825</u>	<u>4,627</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>179,303</u>	<u>189,966</u>	<u>10,663</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	953	1,880	927
Transfers out	(216,981)	(212,553)	4,428
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>(216,028)</u>	<u>(210,673)</u>	<u>5,355</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(36,725)</u>	<u>(20,707)</u>	<u>16,018</u>
Fund balances - beginning	167,681	167,681	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 130,956</u>	<u>\$ 146,974</u>	<u>\$ 16,018</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2003**  
(Amounts expressed in thousands)

	LACMTA	PTSC	PRMA	Total Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 149	\$ 42,789	\$ 2,807	\$ 45,745
Accounts receivables, net	12	12,854	16,606	29,472
Advances to other funds	9,881	3,504	-	13,385
Due from other funds	48,346	-	-	48,346
Prepaid items and other assets	294	36	-	330
Total current assets	<u>58,682</u>	<u>59,183</u>	<u>19,413</u>	<u>137,278</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	62	10,378	10,440
Investments	3,504	547	83,768	87,819
Total noncurrent assets	<u>3,504</u>	<u>609</u>	<u>94,146</u>	<u>98,259</u>
Total assets	<u>62,186</u>	<u>59,792</u>	<u>113,559</u>	<u>235,537</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	48,451	1,306	1,066	50,823
Accrued liabilities	9,447	3,201	-	12,648
Advances from other funds	3,504	-	-	3,504
Due to other funds	-	30,000	18,346	48,346
Claims and judgment payable - current	-	-	31,200	31,200
Compensated absences payable - current	-	18,867	-	18,867
Other liabilities	784	22	-	806
Total current liabilities	<u>62,186</u>	<u>53,396</u>	<u>50,612</u>	<u>166,194</u>
Noncurrent liabilities:				
Compensated absences payable - noncurrent	-	5,787	-	5,787
Claims and judgment payable - noncurrent	-	609	62,947	63,556
Total noncurrent liabilities	<u>-</u>	<u>6,396</u>	<u>62,947</u>	<u>69,343</u>
Total liabilities	<u>62,186</u>	<u>59,792</u>	<u>113,559</u>	<u>235,537</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balances**  
**June 30, 2003**  
 (Amounts expressed in thousands)

	LACMTA	PTSC	PRMA	Total Internal Service Funds
<b>REVENUES</b>				
Charges for services	\$ 99,456	\$ 152,451	\$ 489	\$ 252,396
<b>TOTAL REVENUES</b>	<u>99,456</u>	<u>152,451</u>	<u>489</u>	<u>252,396</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	35,324	116,493	783	152,600
Fringe benefits	42,461	36,549	(509)	78,501
Allocable costs	22,009	296	1,720	24,025
<b>TOTAL OPERATING EXPENSES</b>	<u>99,794</u>	<u>153,338</u>	<u>1,994</u>	<u>255,126</u>
<b>OPERATING LOSS</b>	<u>(338)</u>	<u>(887)</u>	<u>(1,505)</u>	<u>(2,730)</u>
<b>NON-OPERATING REVENUES</b>				
Interest revenues	-	682	374	1,056
Net appreciation in fair value of investments	-	-	1,051	1,051
Other	338	205	72	615
<b>TOTAL NON-OPERATING REVENUES</b>	<u>338</u>	<u>887</u>	<u>1,497</u>	<u>2,722</u>
<b>LOSS BEFORE TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
<b>Transfers in</b>	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
<b>CHANGE IN NET ASSETS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - beginning	-	-	-	-
<b>NET ASSETS - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the year ended June 30, 2003**  
**(Amounts expressed in thousands)**

	LACMTA	PTSC	PRMA	Total Internal Service Funds
<b>Cash flow from operating activities:</b>				
Receipts from interfund services provided	\$ 101,108	\$ 216,038	\$ 20,319	\$ 337,465
Payment to employees	(114,538)	(204,146)	16,911	(301,773)
Net cash used in operating activities	<u>(13,430)</u>	<u>11,892</u>	<u>37,230</u>	<u>35,692</u>
<b>Cash flow from non-capital financing activities:</b>				
Proceeds from sales of surplus parts and other	337	205	73	615
Transfers in from other funds	-	-	8	8
Net cash provided by non-capital financing activities	<u>337</u>	<u>205</u>	<u>81</u>	<u>623</u>
<b>Cash flow from investing activities:</b>				
Proceeds from sales and maturity of investments	-	-	1,051	1,051
Purchase of investments	(3,504)	(547)	(26,715)	(30,766)
Interest received on investments	-	682	374	1,056
Net cash provided by investing activities	<u>(3,504)</u>	<u>135</u>	<u>(25,290)</u>	<u>(28,659)</u>
Net increase (decrease) in cash and cash equivalents	(16,597)	12,232	12,021	7,656
Cash and cash equivalents, June 30, 2002	<u>16,746</u>	<u>30,619</u>	<u>1,164</u>	<u>48,529</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 149</u>	<u>\$ 42,851</u>	<u>\$ 13,185</u>	<u>\$ 56,185</u>

**Los Angeles County Metropolitan Transportation Authority**

**Internal Service Funds**

**Combining Statement of Cash Flows**

**For the year ended June 30, 2003**

(Amounts expressed in thousands)

	<u>LACMTA</u>	<u>PTSC</u>	<u>PRMA</u>	<u>Total Internal Service Funds</u>
<b>Reconciliation of operating loss to net cash provided (used ) by operating activities:</b>				
Operating loss	\$ (338)	\$ (887)	\$ (1,505)	\$ (2,730)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Accounts receivable	7	(12,469)	1,484	(10,978)
Due from other funds	1,354	46,056	-	47,410
Prepaid and other assets	291	(36)	-	255
Accounts payable	38,490	746	955	40,191
Accrued liabilities	2,612	(454)	-	2,158
Compensated absences payable	(637)	1,129	-	492
Advances from other funds	(41,963)	(48,676)	(19,702)	(110,341)
Advances to other funds	(9,881)	(3,504)	-	(13,385)
Due to other funds	-	30,000	18,346	48,346
Claims and judgment payable	-	-	46,612	46,612
Post retirement benefits payable	-	(19)	-	(19)
Other liabilities	(3,365)	6	(8,960)	(12,319)
Total adjustments	<u>(13,092)</u>	<u>12,779</u>	<u>38,735</u>	<u>38,422</u>
Net cash provided (used) by operating activities	<u>\$ (13,430)</u>	<u>\$ 11,892</u>	<u>\$ 37,230</u>	<u>\$ 35,692</u>

Los Angeles County Metropolitan Transportation Authority  
Fiduciary Funds  
Combining Statement of Fiduciary Net Assets  
June 30, 2003  
(Amounts expressed in thousands)

	Employee Retirement Funds				Total
	United Transportation Union Retirement Trust	Transportation Communication Union Retirement Trust	Amalgamated Transportation Union Retirement Trust	Non-Contract Employees' Retirement Trust	
<b>ASSETS</b>					
Receivables:					
Interest	\$ 655	\$ 115	\$ 371	\$ 375	\$ 1,516
Leases and other	286	49	67	109	511
Prepaid items and other assets	24	4	14	14	56
Restricted:					
Cash and cash equivalents	31	6	18	18	73
Investments	250,964	44,126	142,050	143,827	580,967
<b>TOTAL ASSETS</b>	<u>\$ 251,960</u>	<u>\$ 44,300</u>	<u>\$ 142,520</u>	<u>\$ 144,343</u>	<u>\$ 583,123</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,592	\$ 454	\$ 1,950	\$ 1,949	\$ 5,945
Liabilities for retirement income plan	13,678	2,405	7,742	7,839	31,664
<b>TOTAL LIABILITIES</b>	<u>15,270</u>	<u>2,859</u>	<u>9,692</u>	<u>9,788</u>	<u>37,609</u>
<b>NET ASSETS</b>					
Held in trust for pension benefits and other purposes	236,690	41,441	132,828	134,555	545,514
<b>TOTAL NET ASSETS</b>	<u>\$ 236,690</u>	<u>\$ 41,441</u>	<u>\$ 132,828</u>	<u>\$ 134,555</u>	<u>\$ 545,514</u>

Los Angeles County Metropolitan Transportation Authority  
Fiduciary Funds  
Combining Statement of Changes in Fiduciary Net Assets  
For the year ended June 30, 2003  
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	Non-Contract Employees' Retirement Plan	Totals
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 13,478	\$ 1,859	\$ 11,801	\$ 1,555	\$ 28,693
Member	11,615	1,144	1,339	-	14,098
Total contributions	<u>25,093</u>	<u>3,003</u>	<u>13,140</u>	<u>1,555</u>	<u>42,791</u>
From Investing Activities					
Net appreciation in fair value of investments	6,704	1,125	3,758	3,568	15,155
Investment income	3,908	706	2,289	2,334	9,237
Investment expense	(1,155)	(206)	(671)	(679)	(2,711)
Other revenue	53	10	34	33	130
Total net investment income	<u>9,510</u>	<u>1,635</u>	<u>5,410</u>	<u>5,256</u>	<u>21,811</u>
<b>TOTAL ADDITIONS</b>	<u>34,603</u>	<u>4,638</u>	<u>18,550</u>	<u>6,811</u>	<u>64,602</u>
<b>DEDUCTIONS</b>					
Retiree benefits	(29,453)	(5,316)	(21,996)	(14,542)	(71,307)
Administrative expense	(395)	(160)	(340)	(269)	(1,164)
<b>TOTAL DEDUCTIONS</b>	<u>(29,848)</u>	<u>(5,476)</u>	<u>(22,336)</u>	<u>(14,811)</u>	<u>(72,471)</u>
<b>NET INCREASE (DECREASE)</b>	4,755	(838)	(3,786)	(8,000)	(7,869)
Net Assets Beginning of year	<u>231,935</u>	<u>42,280</u>	<u>136,612</u>	<u>142,556</u>	<u>553,383</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 236,690</u>	<u>\$ 41,442</u>	<u>\$ 132,826</u>	<u>\$ 134,556</u>	<u>\$ 545,514</u>



**Los Angeles County Metropolitan Transportation Authority**  
**Agency Funds - Benefit Assessment Districts**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2003**  
**(Amounts expressed in thousands)**

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,665	\$ -	\$ 1,355	\$ 10,310
Receivables:				
Interest	17	129	16	130
Leases and others	852	14,687	14,075	1,464
<b>TOTAL ASSETS</b>	<u>\$ 12,534</u>	<u>\$ 14,816</u>	<u>\$ 15,446</u>	<u>\$ 11,904</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 557	\$ 524	\$ 550	\$ 531
Accrued interest payable	3,197	5,943	7,022	2,118
Accrued bonds principal payable	8,780	9,255	8,780	9,255
<b>TOTAL LIABILITIES</b>	<u>\$ 12,534</u>	<u>\$ 15,722</u>	<u>\$ 16,352</u>	<u>\$ 11,904</u>

# STATISTICAL



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Los Angeles County Metropolitan Transportation Authority  
Government-Wide Expense By Function  
Last Ten Fiscal Years  
(Amounts expressed in thousands)

Table 1

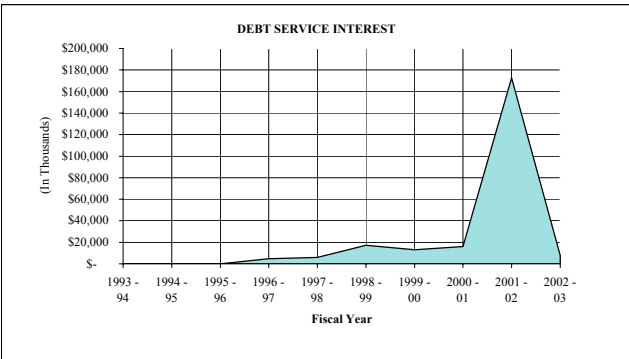
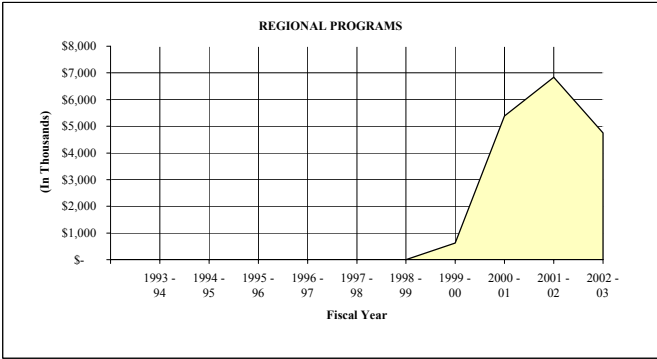
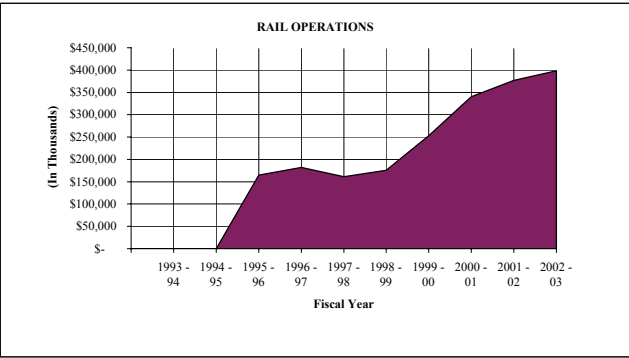
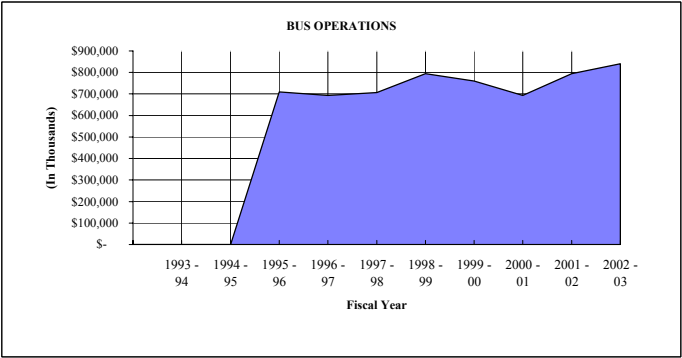
BUSINESS-TYPE ACTIVITIES					
Fiscal Year	BUS OPERATIONS	RAIL OPERATIONS	REGIONAL PROGRAMS	DEBT SERVICE INTEREST	TOTAL
1993 - 94 *	\$ -	\$ -	\$ -	\$ -	\$ -
1994 - 95 *	-	-	-	-	-
1995 - 96 *	709,287	164,912	-	17	874,216
1996 - 97	692,836	182,344	-	4,633	879,813
1997 - 98	707,186	161,079	-	5,879	874,144
1998 - 99	794,935	175,570	-	17,262	987,767
1999 - 00	760,803	252,837	623	12,965	1,027,228
2000 - 01	692,600	340,302	5,381	16,135	1,054,418
2001 - 02	793,903	376,832	6,838	172,792	1,350,365
2002 - 03	840,577	398,679	4,755	7,732	1,251,743

GOVERNMENTAL ACTIVITIES										
Fiscal Year	CONGESTION RELIEF OPERATIONS	PLANNING FOR OPERATING PROGRAMS	GEN & MISCELLANEOUS PROGRAMS	SUBSIDIES TO OTHER AGENCIES & REGIONAL DISCRETIONARY CAPITAL PROJECTS	REAL ESTATE MANAGEMENT	GENERAL GOVERNMENT	DEBT SERVICE INTEREST	TOTAL	GRAND TOTAL	
1993 - 94 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1994 - 95 *	-	-	-	-	-	-	-	-	-	-
1995 - 96 *	19,356	21,033	114,996	321,819	1,967	50,418	223,890	753,479	1,627,695	
1996 - 97	23,070	18,313	54,509	405,900	2,279	36,541	191,483	732,095	1,611,908	
1997 - 98	23,265	14,364	82,840	394,114	3,260	17,646	174,322	709,811	1,583,955	
1998 - 99	23,222	12,464	170,416	429,872	5,119	6,378	189,780	837,251	1,825,018	
1999 - 00	19,542	12,876	116,035	539,527	8,181	32,295	189,808	918,264	1,945,492	
2000 - 01	25,744	13,592	102,989	401,960	4,709	9,287	171,525	729,806	1,784,224	
2001 - 02	19,619	8,760	125,577	459,823	5,691	59,051	14,409	692,930	2,043,295	
2002 - 03	26,068	11,052	47,845	609,509	6,865	54,019	180,028	935,386	2,187,129	

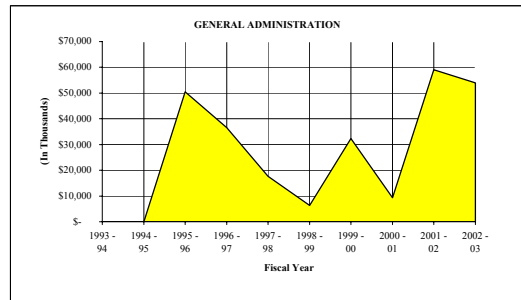
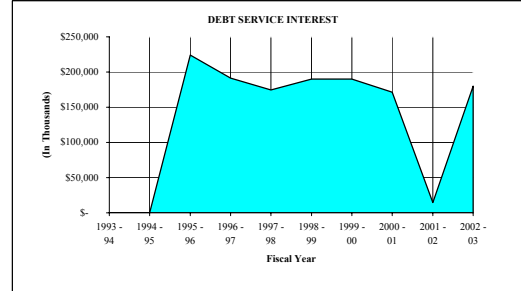
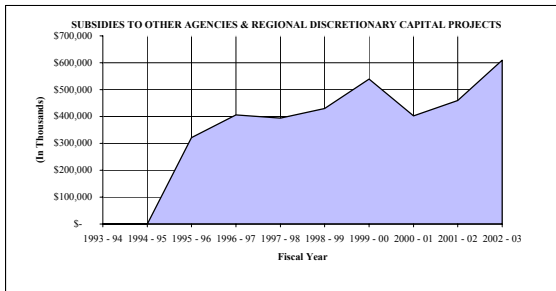
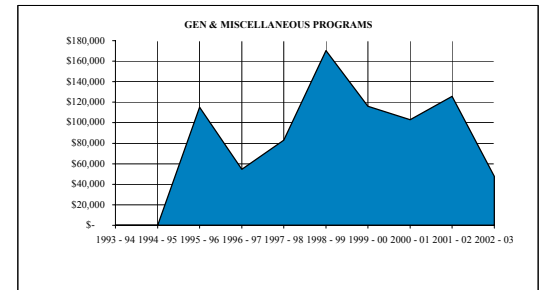
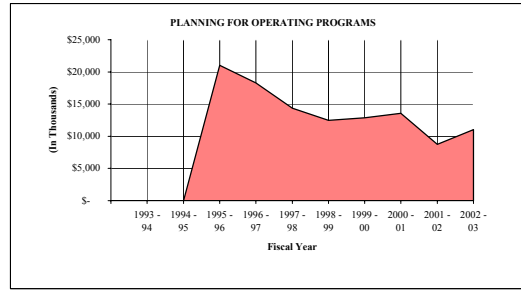
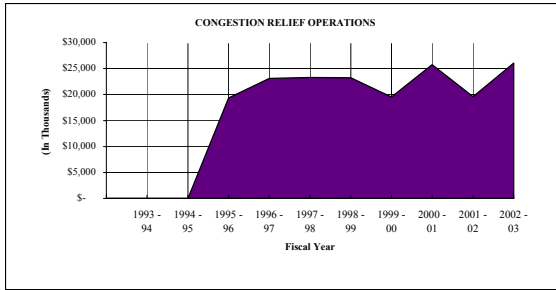
Source: Comprehensive Annual Financial Report

Notes:  
\* Data for year not available

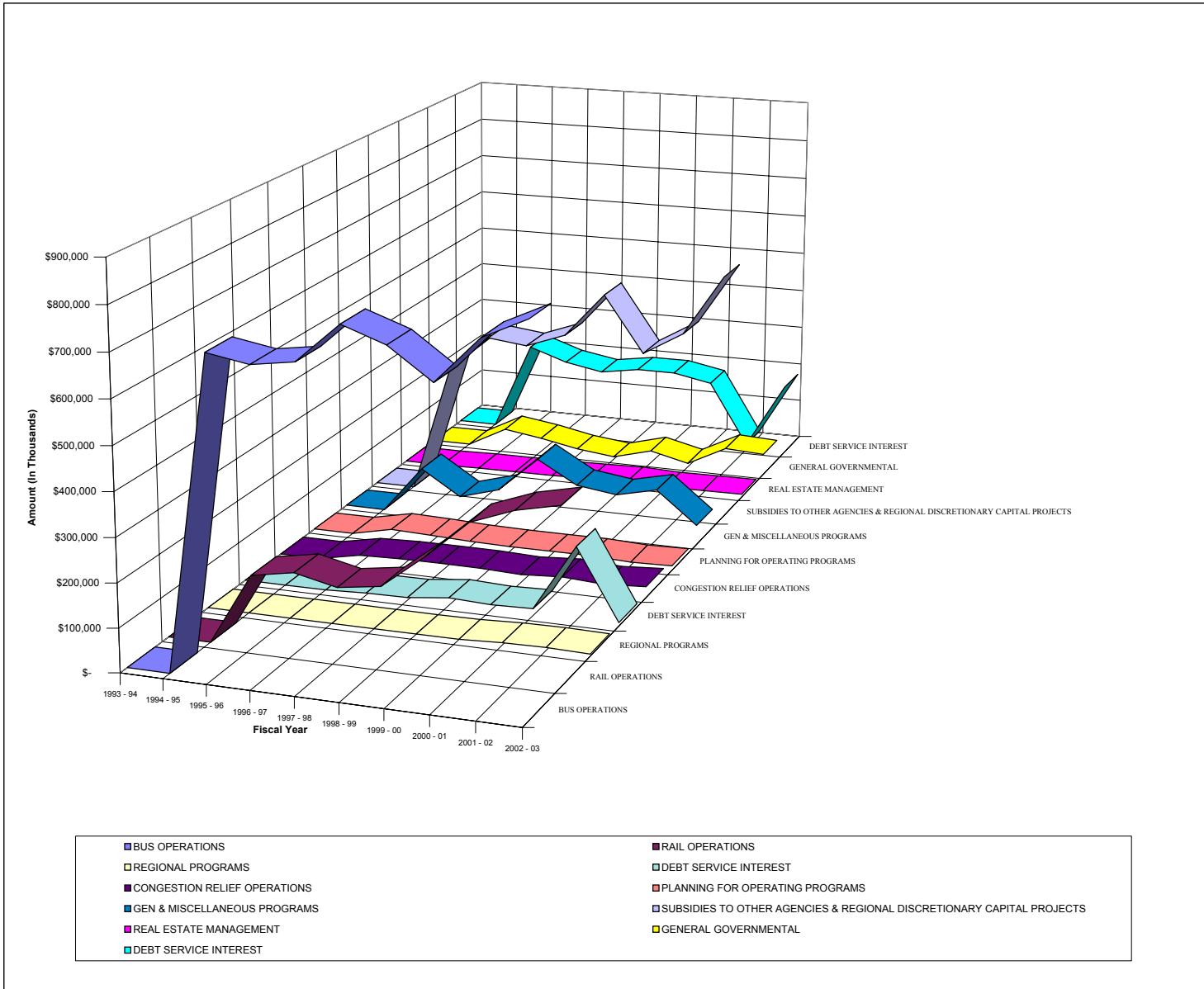
**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation A of Table I  
Business Activities**



**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation B of Table 1  
Governmental  
Activities**



Los Angeles County Metropolitan Transportation Authority  
 Graphical Presentation C  
 of Table 1



Los Angeles County Metropolitan Transportation Authority  
 Government -Wide Revenues By Function  
 Last Ten Fiscal Years  
 (Amounts expressed in thousands)

Table 2

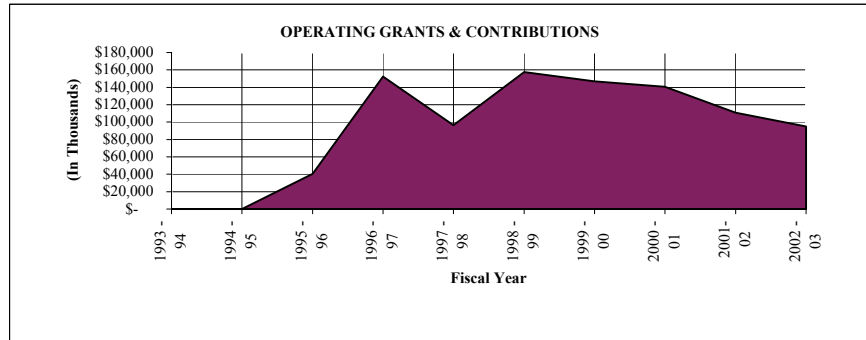
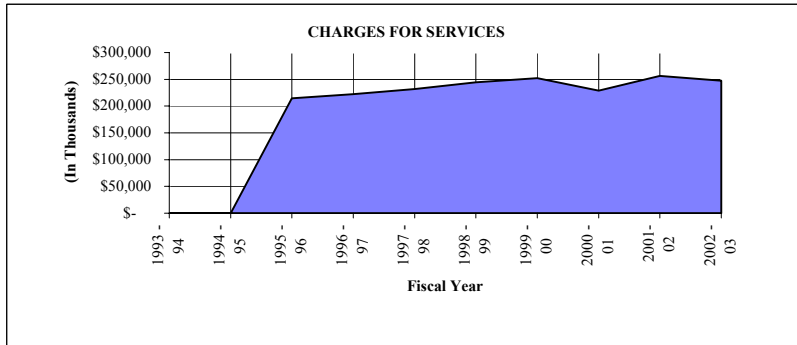
Fiscal Year	PROGRAM REVENUES		
	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	TOTAL PROGRAM REVENUES
1993 - 94	\$ -	\$ -	\$ -
1994 - 95	-	-	-
1995 - 96	214,481	40,358	254,839
1996 - 97	222,036	152,488	374,524
1997 - 98	232,124	96,593	328,717
1998 - 99	244,707	157,435	402,142
1999 - 00	252,024	146,960	398,984
2000 - 01	229,137	140,440	369,577
2001-02	256,392	110,623	367,015
2002 - 03	247,426	109,491	356,917

Year	GENERAL REVENUES						TOTAL GENERAL REVENUES	TOTAL ALL REVENUES
	SALES TAXES	INVESTMENT EARNINGS	INTERGOVERNMENTAL	LEASE & RENTAL	MISCELLANEOUS			
1993 - 94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1994 - 95	-	-	-	-	-	-	-	-
1995 - 96	1,037,892	46,930	677,212	7,288	18,063	1,787,385	2,042,224	
1996 - 97	1,050,497	35,030	338,945	6,551	18,833	1,449,856	1,824,380	
1997 - 98	1,131,676	54,852	309,345	9,024	5,986	1,510,883	1,839,600	
1998 - 99	1,167,672	43,669	419,739	8,634	18,834	1,658,548	2,060,690	
1999 - 00	1,290,121	46,428	474,085	29,221	47,802	1,887,657	2,286,641	
2000 - 01	1,365,650	74,989	350,292	12,960	12,746	1,816,637	2,186,214	
2001-02	1,380,364	33,524	263,119	40,896	4,199	1,722,102	2,089,117	
2002 - 03	1,403,750	27,985	235,743	12,186	28,771	1,708,435	2,065,352	

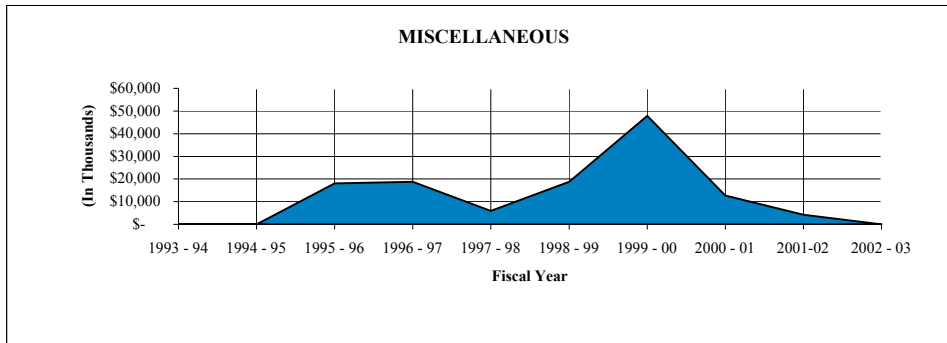
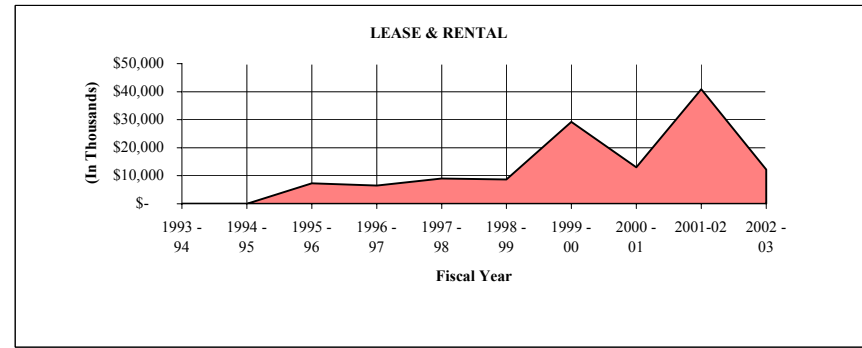
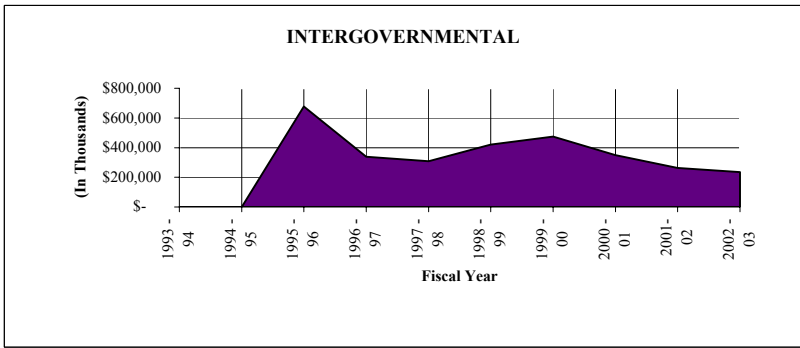
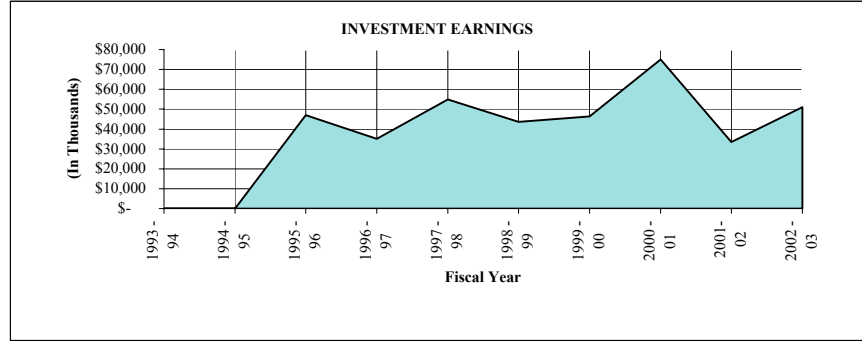
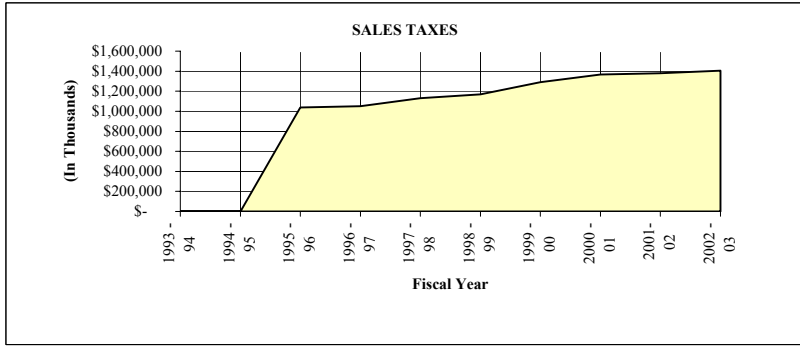
Source: Comprehensive Annual Financial Report



**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation A of Table 2  
Program Revenues**



**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation B of Table 2  
General Revenues**



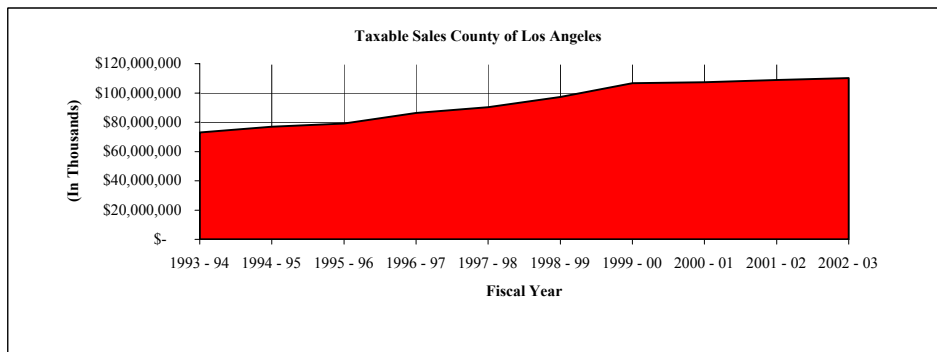
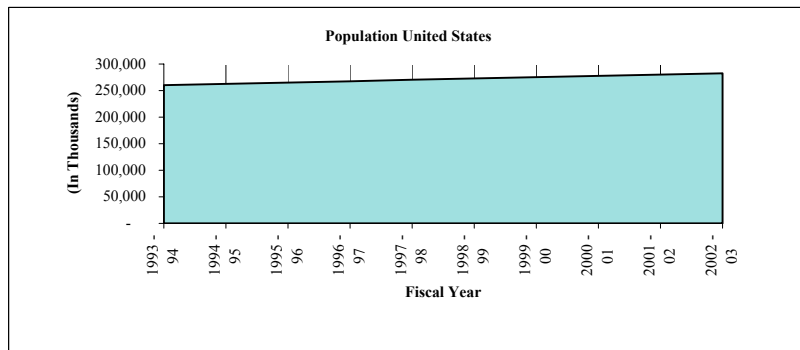
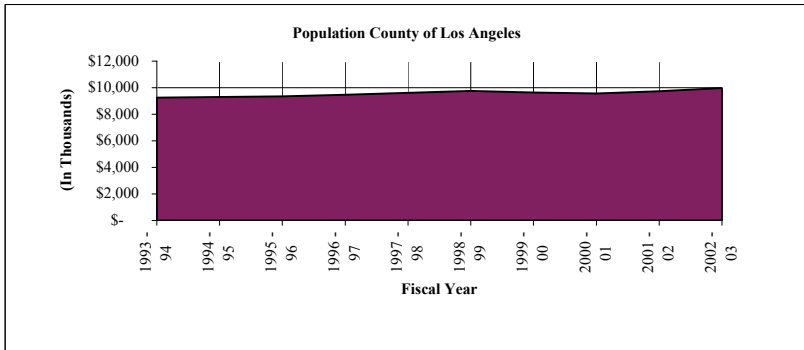
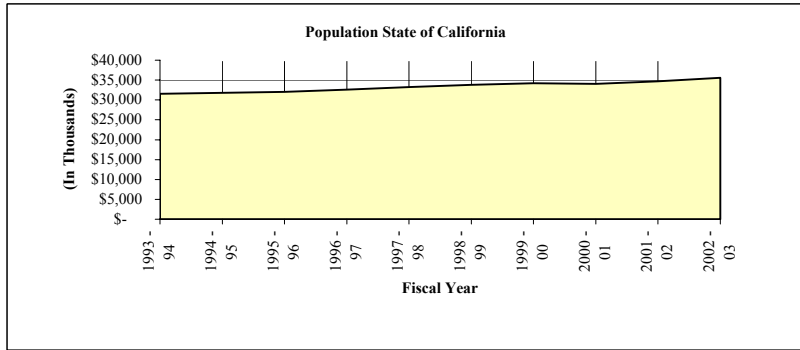
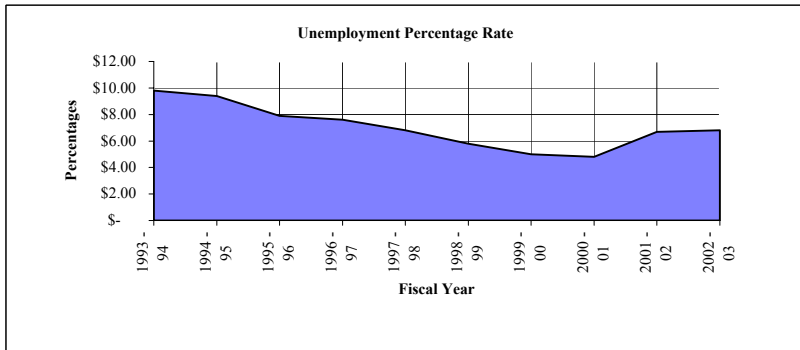
**Los Angeles County Metropolitan Transportation Authority**  
**Demographic Statistics**  
**Last Ten Fiscal Years**  
(Amounts expressed in thousands)

**Table 3**

<b>Fiscal Year</b>	(1) <b>Unemployment Percentage Rate</b>	(2) <b>Population County of Los Angeles</b>	(2) <b>Population State of California</b>	(2) <b>Population United States</b>	(3) <b>Taxable Sales County of Los Angeles</b>
1993 - 94	9.8 %	9,245	31,517	260,289	\$ 73,000,967
1994 - 95	9.4	9,312	31,790	262,765	76,898,666
1995 - 96	7.9	9,352	32,063	265,190	79,068,152
1996 - 97	7.6	9,468	32,609	267,744	86,397,850
1997 - 98	6.8	9,603	33,252	270,299	90,205,600
1998 - 99	5.8	9,758	33,773	272,820	97,316,828
1999 - 00	5.0	9,643	34,206	275,306	106,673,534
2000 - 01	4.8	9,560	34,036	277,803	107,426,692
2001 - 02	6.7	9,732	34,698	280,306	108,753,064
2002 - 03	6.8	9,979	35,591	282,798	110,058,101 (4)

*Sources:* (1) State Department of Employment Development for the County of Los Angeles (12 month moving average)  
(2) California Department of Finance  
(3) State Board of Equalization  
(4) Projected Taxable Sales data not available as of report date

**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation of Table 3**



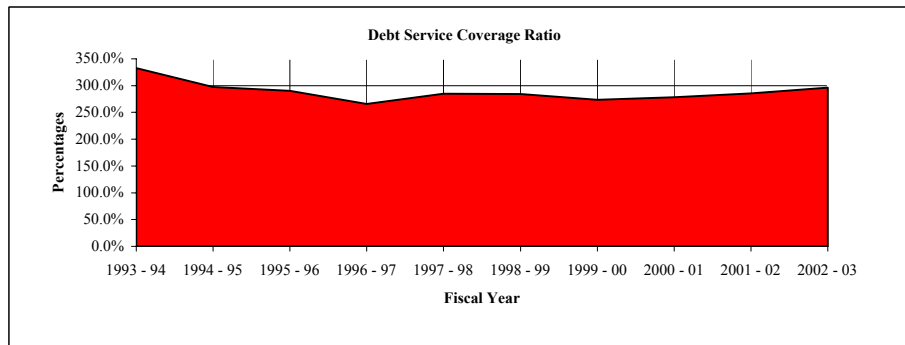
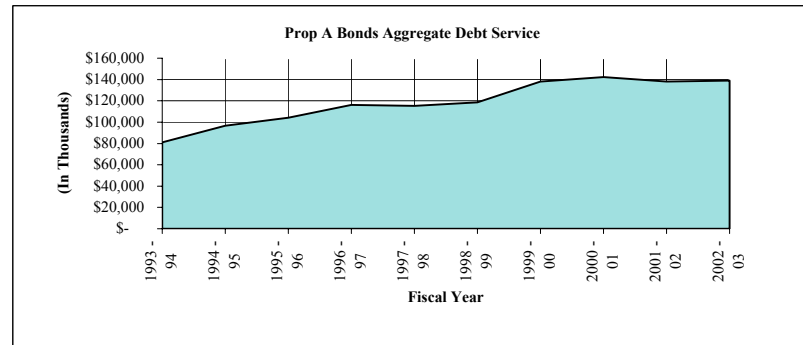
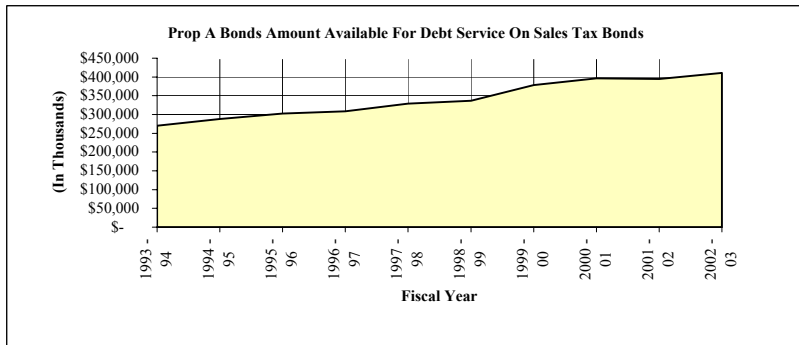
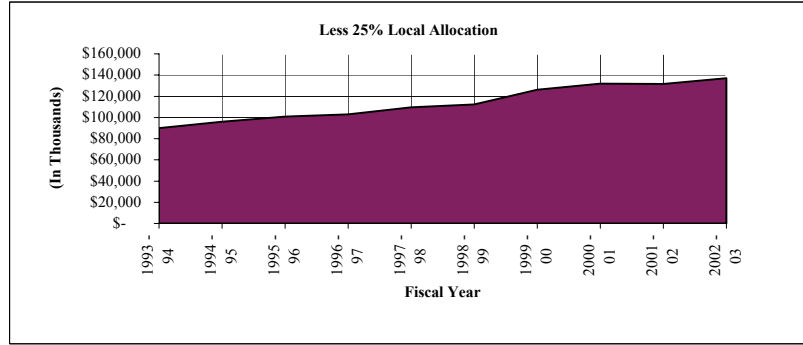
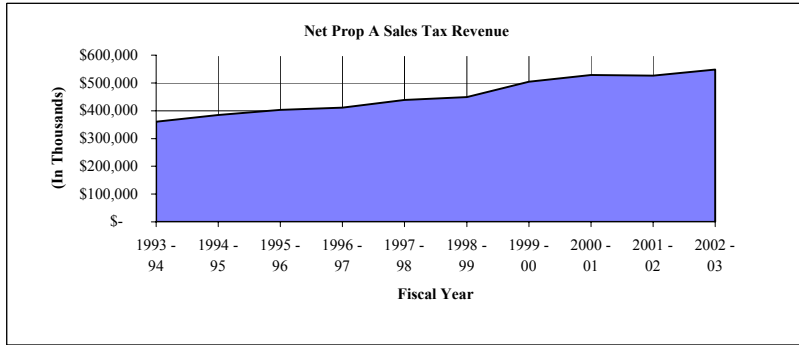
**Los Angeles County Metropolitan Transportation Authority  
Historical Debt Service Coverage Ratios - Prop A  
Last Ten Fiscal Years  
(Amounts expressed in thousands)**

**Table 4**

<b>Fiscal Year</b>	<b>Net Prop A Sales Tax Revenue</b>	<b>Less 25% Local Allocation</b>	<b>Prop A Sales tax Available For Debt Service On Sales Tax Bonds</b>	<b>Prop A Bonds Aggregate Debt Service</b>	<b>Debt Service Coverage Ratio</b>
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
1998 - 99	449,054	112,264	336,790	118,443	2.84
1999 - 00	504,353	126,088	378,265	138,188	2.74
2000 - 01	528,299	132,075	396,224	142,427	2.78
2001 - 02	525,980	131,495	394,485	138,234	2.85
2002 - 03	548,287	137,072	411,215	138,934	2.96

Source: Comprehensive Annual Financial Report

**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation of Table 4**



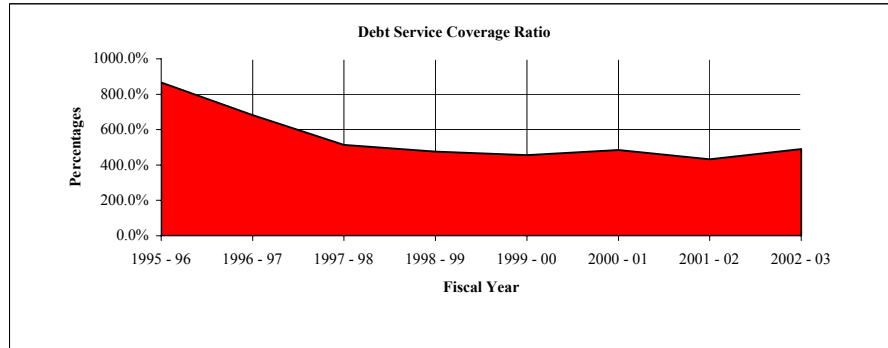
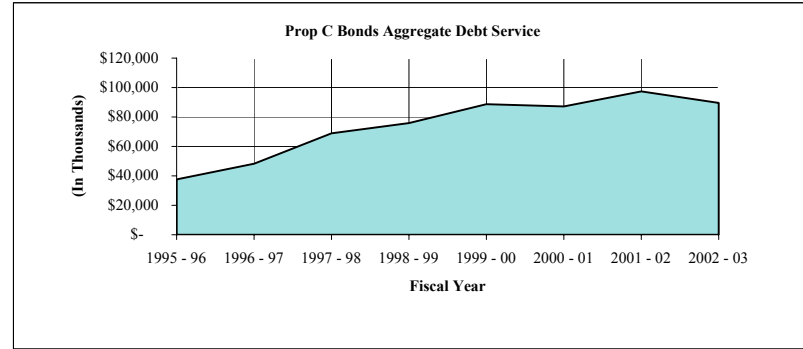
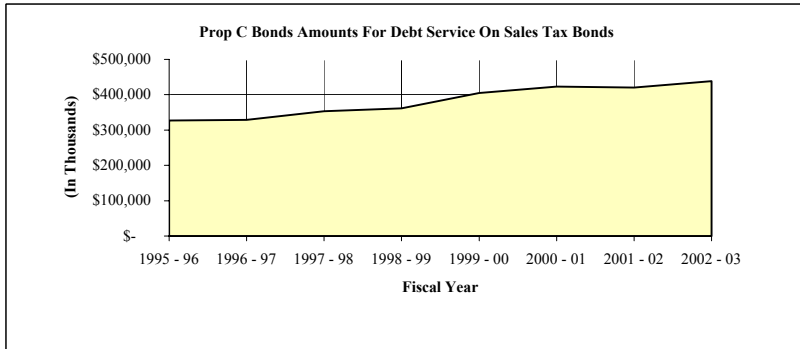
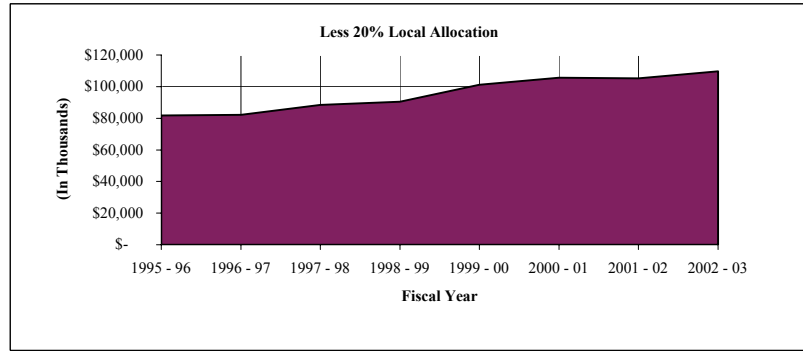
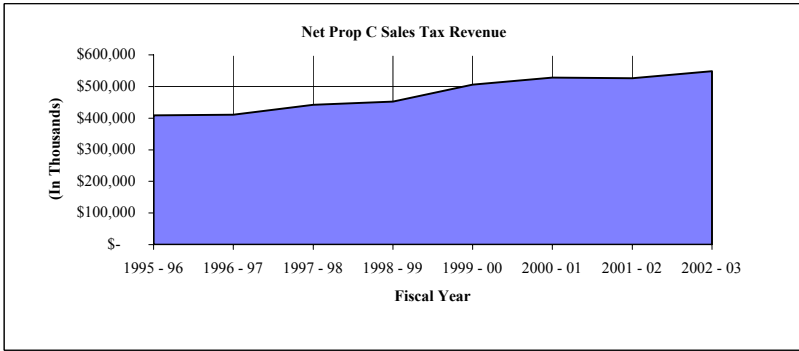
**Los Angeles County Metropolitan Transportation Authority  
Historical Debt Service Coverage Ratios - Prop C  
Last Eight Fiscal Years  
(Amounts expressed in thousands)**

**Table 5**

<b>Fiscal Year</b>	<b>Prop C Sales Tax Revenue</b>	<b>Less 20% Local Allocation</b>	<b>Prop C Sales tax available For Debt Service On Sales Tax Bonds</b>	<b>Prop C Bonds Aggregate Debt Service</b>	<b>Debt Service Coverage Ratio</b>
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	5.14
1998 - 99	452,232	90,446	361,786	75,935	4.76
1999 - 00	505,949	101,190	404,759	88,801	4.56
2000 - 01	528,432	105,686	422,746	87,108	4.85
2001 - 02	525,876	105,175	420,701	97,313	4.32
2002 - 03	548,264	109,653	438,611	89,607	4.89

Source: Comprehensive Annual Financial Report

**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation of Table 5**





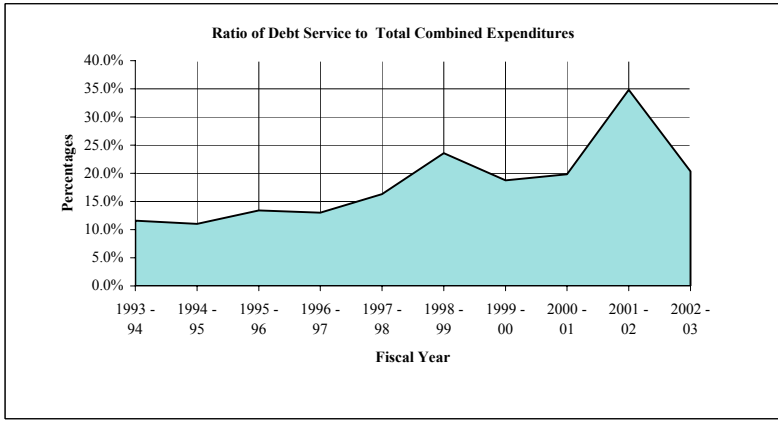
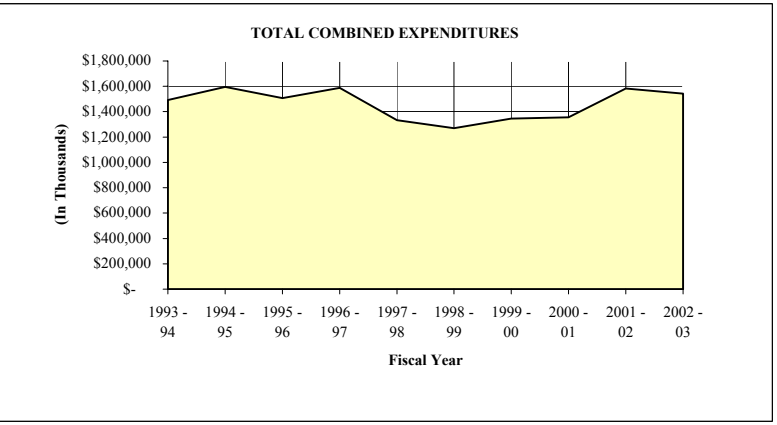
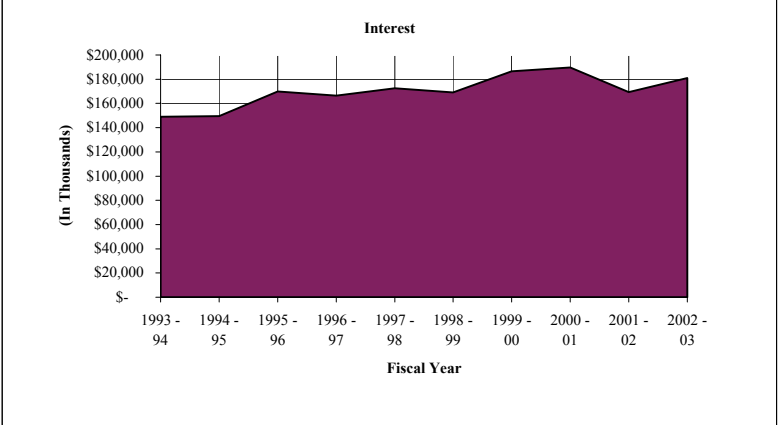
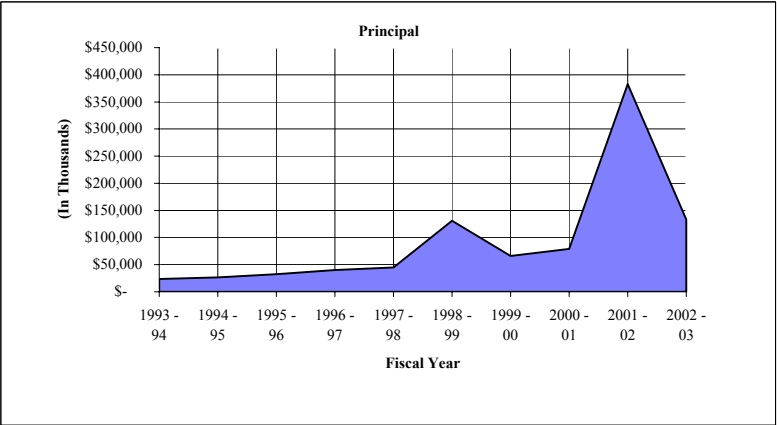
**Los Angeles County Metropolitan Transportation Authority**  
**Ratio of Annual Debt Service Expenditures for General Bonded**  
**Debt to Total General Fund Expenditures**  
**Last Ten Fiscal Years**  
(Amounts expressed in thousands)

*Table 6*

<b>FISCAL YEAR</b>	<b>1993 - 94</b>	<b>1994 - 95</b>	<b>1995 - 96</b>	<b>1996 - 97</b>	<b>1997 - 98</b>	<b>1998 - 99</b>	<b>1999 - 00</b>	<b>2000 - 01</b>	<b>2001 - 02</b>	<b>2002 - 03</b>
Principal	\$ 23,639	\$ 26,345	\$ 32,498	\$ 40,200	\$ 45,025	\$ 130,757	\$ 66,135	\$ 78,881	\$ 404,181	\$ 132,998
Interest	148,975	149,630	169,876	166,552	172,579	169,011	186,437	189,808	169,271	180,984
Commercial Paper Retirement	-	-	-	-	-	-	-	-	-	-
<b>Total Debt Service Expenditures</b>	<b>172,614</b>	<b>175,975</b>	<b>202,374</b>	<b>206,752</b>	<b>217,604</b>	<b>299,768</b>	<b>252,572</b>	<b>268,689</b>	<b>573,452</b>	<b>313,982</b>
<b>Total Combined Expenditures</b>	<b>1,492,832</b>	<b>1,595,752</b>	<b>1,508,202</b>	<b>1,588,259</b>	<b>1,333,136</b>	<b>1,270,128</b>	<b>1,345,286</b>	<b>1,356,751</b>	<b>1,583,776</b>	<b>1,542,563</b>
Ratio of Debt Service to										
General Expenditures (%)	11.56%	11.03%	13.42%	13.02%	16.32%	23.60%	18.77%	19.80%	36.21%	20.35%

Source: Comprehensive Annual Financial Repo

**Los Angeles County Metropolitan Transportation Authority  
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)

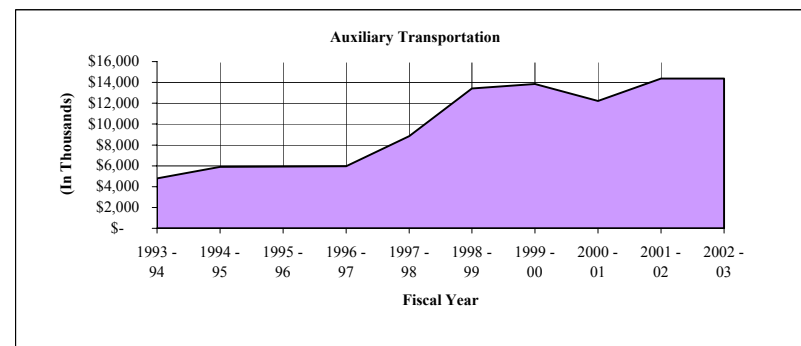
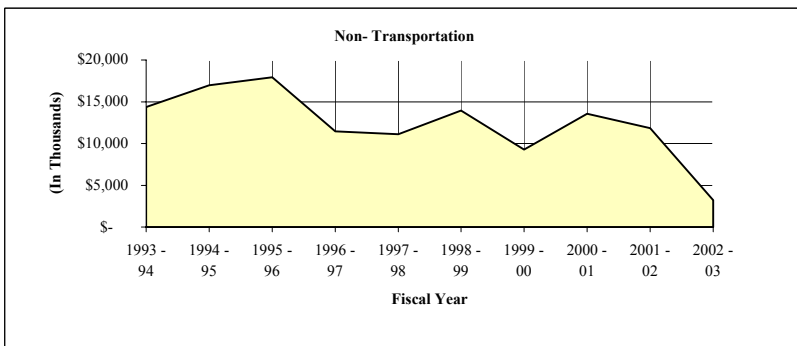
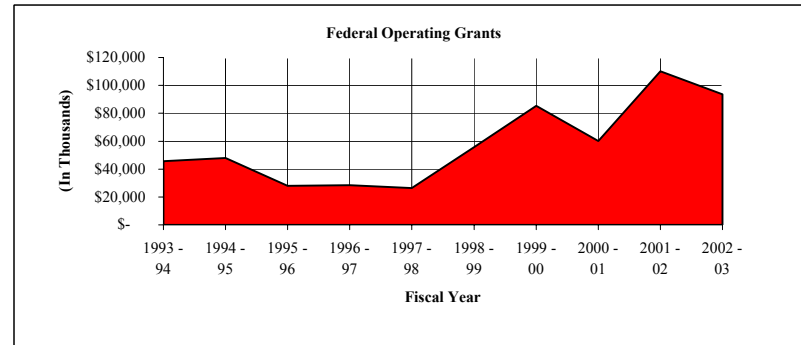
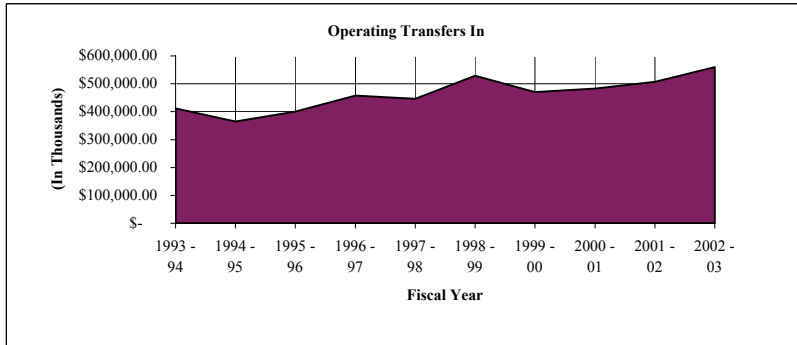
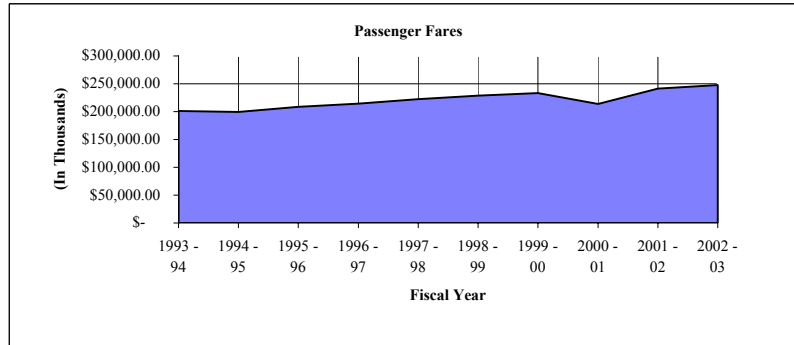
*Table 7*

<b>Fiscal Year</b>	<b>Passenger Fares</b>	<b>Operating Transfers In</b>	<b>Federal Operating Grants</b>	<b>Non-Transportation</b>	<b>Auxiliary Transportation</b>	<b>Total</b>
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
1998 - 99	228,854	528,956	55,845	13,941	13,422	841,018
1999 - 00	233,436	470,863	85,379	9,276	13,864	812,818
2000 - 01	213,989	482,742	60,128	13,570	12,227	782,656
2001 - 02	241,144	507,060	110,076	11,848	14,370	884,498
2002 - 03	247,426	560,402	93,606	3,218	14,102	918,754

Source: Comprehensive Annual Financial Report

(1) Represents local government revenue

**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation of Table 7**



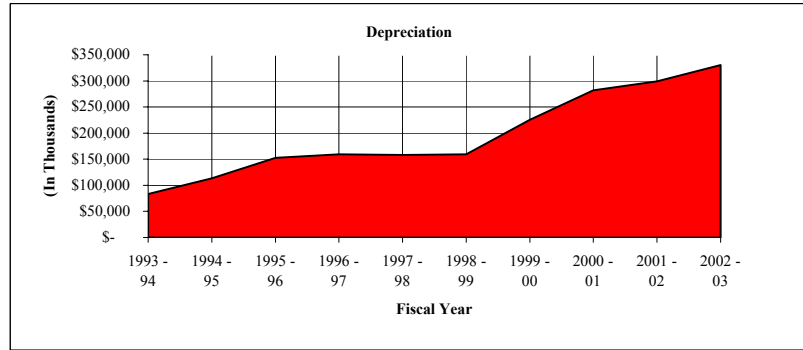
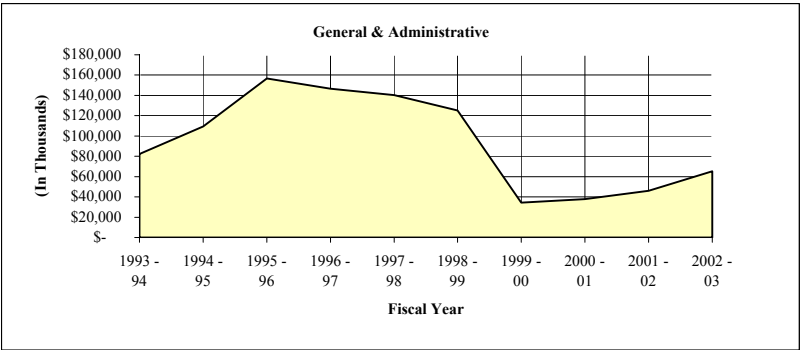
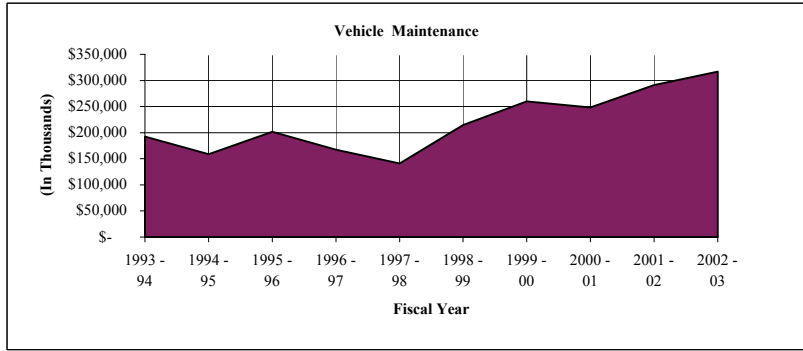
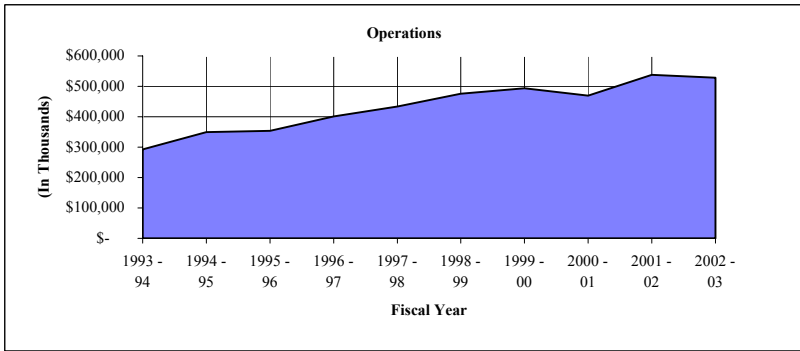
**Los Angeles County Metropolitan Transportation Authority**  
**Operating Expenses By Function (Bus & Rail)**  
**Last Ten Fiscal Years**  
(Amounts expressed in thousands)

*Table 8*

<b>Fiscal Year</b>	<b>Operations</b>	<b>Vehicle Maintenance</b>	<b>General &amp; Administrative</b>	<b>Depreciation</b>	<b>Total</b>
1993 - 94	\$ 292,986	\$ 192,767	\$ 82,149	\$ 83,405	\$ 651,307
1994 - 95	349,593	158,855	109,457	113,269	731,174
1995 - 96	353,740	201,806	156,599	152,645	864,790
1996 - 97	400,982	167,621	146,457	159,500	874,560
1997 - 98	433,560	140,720	140,332	158,027	872,639
1998 - 99	475,280	214,710	125,274	159,210	974,474
1999 - 00	493,961	259,656	34,444	225,762	1,013,823
2000 - 01	469,386	248,150	37,734	281,694	1,036,964
2001 - 02	538,244	290,932	46,042	299,326	1,174,544
2002 - 03	528,403	317,182	64,879	330,613	1,241,077

*Source:* Comprehensive Annual Financial Report

**Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation of Table 8**



**Los Angeles County Metropolitan Transportation Authority**  
San Fernando Valley Trust Fund  
Schedule of Metro Red Line Project Costs / Local Monies Spent  
(Amount expressed in thousands)

Year	Federal				Local						Project Costs				
	Seg. 1	Seg. 2	Seg. 3	Total	Seg. 1	Seg. 2	Seg. 3			Total	Seg. 1	Seg. 2	Seg. 3*		Total
							LA	Sub-Total	SFV				LA	SFV	
1986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1987	167,364	-	-	167,364	138,543	-	-	138,543	-	138,543	305,907	-	-	-	305,907
1988	71,209	-	-	71,209	69,429	-	-	69,429	-	69,429	140,638	-	-	-	140,638
1989	128,067	-	-	128,067	64,781	7,898	-	72,679	-	72,679	192,848	7,898	-	-	200,746
1990	145,631	-	-	145,631	100,505	16,069	-	116,574	-	116,574	246,136	16,069	-	-	262,205
1991	86,837	10,132	-	96,969	53,620	59,886	-	113,506	-	113,506	140,457	70,018	-	-	210,475
1992	53,151	78,453	-	131,604	90,573	89,947	904	181,424	2,325	183,749	143,724	168,400	904	2,325	315,353
1993	10,855	130,432	18,200	159,487	9,266	85,066	3,664	97,996	9,421	107,417	20,121	215,498	8,760	22,525	266,904
1994	33,379	154,956	35,696	224,031	195,974	85,479	3,926	285,379	10,095	295,474	229,353	240,435	13,921	35,796	519,505
1995	(610)	164,555	83,795	247,740	10,940	80,144	17,657	108,741	45,404	154,145	10,330	244,699	41,120	105,736	401,885
1996	-	118,574	112,081	230,655	5,296	76,460	7,745	89,501	19,916	109,417	5,296	195,034	39,128	100,614	340,072
1997	-	61,998	233,032	295,030	(731)	46,159	3,510	48,938	9,027	57,965	(731)	108,157	68,759	176,810	352,995
1998	-	-	124,352	124,352	3,539	208,306	21,842	233,687	56,166	289,853	3,539	208,306	56,661	145,699	414,205
1999	-	-	58,774	58,774	(247)	97,484	31,142	128,379	80,080	208,459	(247)	97,484	47,599	122,397	267,233
2000	-	-	109,874	109,874	277	59,871	5,507	65,655	14,159	79,814	277	59,871	30,779	98,761	189,688
2001	-	-	99,148	99,148	-	37,949	8,777	46,726	22,571	69,297	-	37,949	28,709	101,787	168,445
2002	-	-	17,872	17,872	-	-	19,134	19,134	35,242	54,376	-	-	15,725	56,523	72,248
2003	-	-	44	44	-	-	53	53	186	239	-	-	68	215	283
<b>Total</b>	<b>\$ 695,883</b>	<b>\$ 719,100</b>	<b>\$ 892,868</b>	<b>\$ 2,307,851</b>	<b>\$ 741,765</b>	<b>\$ 950,718</b>	<b>\$ 123,861</b>	<b>\$ 1,816,344</b>	<b>\$ 304,592</b>	<b>\$ 2,120,936</b>	<b>\$ 1,437,648</b>	<b>\$ 1,669,818</b>	<b>\$ 352,133</b>	<b>\$ 969,188</b>	<b>\$ 4,428,787</b>

<b>Expenditure Requirement (15% * \$1,816,344)</b>	\$ 272,452
<b>Interest Earned</b>	<u>33,159</u>
<b>Total Required Expenditures</b>	\$ 305,611
<b>Actual Expenditures</b>	\$ 969,188

\* Split of Seg.3 - 22% LA and 78% Valley based on construction engineering's estimate is used for this analysis

Los Angeles County Metropolitan Transportation Authority  
Schedule of Sources and Uses of General Funds  
For the Fiscal Year Ending June 30, 2003

Project	Task Description	Expenditures	Revenues				
			Prop A Admin	Prop C Admin	TDA Admin	Other Sources	Total Revenues
<b>Beginning Fund Balance</b>			\$ 2,032	\$ -	\$ -	\$ 151,476	\$ 153,508
<b>Revenues for the year</b>			20,030	8,634	5,327	38,501	72,492
<b>Available funds</b>			<b>22,062</b>	<b>8,634</b>	<b>5,327</b>	<b>189,977</b>	<b>226,000</b>
<b>100002</b>	<b>Governmental and Oversight Activities</b>						
	Legal-Blue Line Ops	\$ 7	-	-	-	7	7
	Legal-Bus Ops	119	-	-	-	119	119
	Legal-Empl Cases-Ops	586	-	-	-	586	586
	Legal-Ops OH	2,764	-	-	-	2,764	2,764
	<b>100002 Total</b>	<b>3,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,476</b>	<b>3,476</b>
<b>100011</b>	<b>Employee Activities</b>						
	Empl Center expense	501	-	-	-	501	501
	Empl Recreation Exp	188	-	-	-	188	188
	<b>100011 Total</b>	<b>689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>689</b>	<b>689</b>
<b>100012</b>	<b>Prop A &amp; C Audit</b>						
	Prop A Audit	57	57	-	-	-	57
	Prop C Audit	18	-	18	-	-	18
	<b>100012 Total</b>	<b>75</b>	<b>57</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>75</b>
<b>100015</b>	<b>Emergency Prep. Drill</b>						
	Emrg Drill-700122	5	-	-	-	5	5
	<b>100015 Total</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>
<b>200230</b>	<b>Real Estate Activities</b>						
	Real Estate ESR	3	-	-	-	3	3
	<b>200230 Total</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>330500</b>	<b>Industry Assistance</b>						
	Filming Marketing	266	-	-	-	266	266
	<b>330500 Total</b>	<b>266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>266</b>
<b>400018</b>	<b>Union Station Enhancements</b>						
	CA-03-0504 Catellus	75	-	-	-	75	75
	CA03-0504 Courtyard Landscape	340	-	-	-	340	340
	CA-03-0504 Interior Renovation	(45)	-	-	-	(45)	(45)
	CA-03-0504 MTA	29	-	-	-	29	29
	CA-0504 Pedestrian Tunnel	397	-	-	-	397	397
	<b>400018 Total</b>	<b>796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796</b>	<b>796</b>
<b>405510</b>	<b>Other P&amp;P Planning</b>						
	Art Program	56	28	28	-	-	56
	Bus System Improvement	1,067	1,067	-	-	-	1,067
	Call/MOU Tech.Supp	190	36	71	64	19	190
	Consolidated Audit	328	164	164	-	-	328
	Fuel Cell Buyers	(1)	(1)	-	-	-	(1)
	Gen Commuter Prgm	3	1	2	-	-	3
	Gen Public Outreach	5	2	3	-	-	5
	General Bikeways	5	3	1	1	-	5
	General Planning	1,841	921	920	-	-	1,841
	Grant Funds Adm.	74	-	-	74	-	74
	Grants Administration	543	-	-	543	-	543
	H/V Negotiations	30	15	9	6	-	30
	HOV Administration	2	-	2	-	-	2
	Interdept Coord	672	-	-	-	672	672
	Measurement	2,831	1,424	852	555	-	2,831



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Sources and Uses of General Funds**  
**For the Fiscal Year Ending June 30, 2003**

Project	Task Description	Expenditures	Revenues				
			Prop A Admin	Prop C Admin	TDA Admin	Other Sources	Total Revenues
	New "Call" Progm.	132	-	132	-	-	132
	Non-Motorized	241	-	241	-	-	241
	Other P & P	2	-	-	-	2	2
	Project Imagine	224	-	224	-	-	224
	Prop A/C Admin	314	157	157	-	-	314
	Public Outreach	84	42	42	-	-	84
	Sta.Plan/Jt.Dev.	850	850	-	-	-	850
	TDA Art. 3 & 8	30	-	-	30	-	30
	TIP Administration	903	-	-	903	-	903
	Transit Capitat/TCI	3	2	1	-	-	3
	Transit User Program	4	2	2	-	-	4
	Triennial Audit	26	13	8	5	-	26
	We Can Move It & IMP	78	39	24	15	-	78
<b>405510</b>	<b>Total</b>	<b>10,537</b>	<b>4,765</b>	<b>2,883</b>	<b>2,196</b>	<b>693</b>	<b>10,537</b>
<b>405511</b>	<b>Transit Planning</b>						
	ADA Compliance	300	142	-	42	116	300
	Admin NTD Rprt For S	132	63	-	18	51	132
	Avalon Jitney	25	-	-	25	-	25
	BDOF	4	-	-	-	4	4
	BrT Resrch/TVL	7	3	-	1	3	7
	BSIP Proj. S/Dvpmt	11	5	-	2	4	11
	Bus Signal Priority	1	1	-	-	-	1
	Bus/Rail Interface	2	1	-	-	1	2
	CA-37-X019-01 Adm	1	1	-	-	-	1
	Chinatown Plaza	36	-	36	-	-	36
	Consent Decree	4,437	2,101	-	604	1,732	4,437
	Coord Implmt DPSS	2	1	-	-	1	2
	DPSS Labor Charges	16	8	-	2	6	16
	Eastside Ext Ped Corridor	22	10	-	3	9	22
	Gn Ln Bus/Rail IFace	162	77	-	22	63	162
	Metro Rpd Bus Plng	1,633	776	-	223	634	1,633
	Labor Cost Model	5	2	-	1	2	5
	Long Range Plan Update	468	-	-	468	-	468
	Muni.Funding & Coord	271	-	-	269	2	271
	New Bus Service	2	1	-	-	1	2
	Operating Reports	12	-	-	12	-	12
	Privatized Lines	5	2	-	1	2	5
	Program Development/Constituent	2	1	-	-	1	2
	Research & Development	823	391	-	112	320	823
	SB Traffic Signal	(59)	-	(59)	-	-	(59)
	Scheduling Data Archive	9	4	-	1	4	9
	SELAC Bus Restructuring	57	57	-	-	-	57
	Social Serv. Transit	220	105	-	30	85	220
	SRTP Serv. Dvlp.	1,307	621	-	178	508	1,307
	Taylor Yard-Safety	203	96	-	28	79	203
	Transit Planning	16,905	10,837	4,053	1,082	933	16,905
	Transit Service Expansion	28	13	-	4	11	28
	Westlake Station Study	19	9	-	3	7	19
<b>405511</b>	<b>Total</b>	<b>27,068</b>	<b>15,328</b>	<b>4,030</b>	<b>3,131</b>	<b>4,579</b>	<b>27,068</b>
<b>405515</b>	<b>Regional Pass Program</b>						
	Regional Pass Prg	162	-	-	-	162	162
<b>405515</b>	<b>Total</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162</b>	<b>162</b>
<b>405547</b>	<b>SCAG Employer Rideshare Service Project</b>						
	Core Rideshare Services	810	405	405	-	-	810

Los Angeles County Metropolitan Transportation Authority  
Schedule of Sources and Uses of General Funds  
For the Fiscal Year Ending June 30, 2003

Project	Task Description	Expenditures	Revenues				Total Revenues
			Prop A Admin	Prop C Admin	TDA Admin	Other Sources	
	Core Rs Svc FY02	1,037	518	519	-	-	1,037
	Emplyr Rs Svc #FY03	886	443	443	-	-	886
	Emplyr Rs Svc #FY02	235	118	117	-	-	235
	Rideshare 2K & Club	438	219	219	-	-	438
	<b>405547 Total</b>	<b>3,406</b>	<b>1,703</b>	<b>1,703</b>	<b>-</b>	<b>-</b>	<b>3,406</b>
<b>500001</b>	<b>Figueroa Corridor/37th Street Improvement</b>						
	Figueroa Cor-Constr	82	-	-	-	82	82
	<b>500001 Total</b>	<b>82</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>82</b>
<b>609911</b>	<b>Transportation Academies / TOP / FTA</b>						
	TOP	209	209	-	-	-	209
	<b>609911 Total</b>	<b>209</b>	<b>209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209</b>
<b>610041</b>	<b>Property Management</b>						
	General Row OH	5,584	-	-	-	5,584	5,584
	SANBAG	104	-	-	-	104	104
	West Santa Ana	8	-	-	-	8	8
	<b>610041 Total</b>	<b>5,696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,696</b>	<b>5,696</b>
<b>610051</b>	<b>Pasadena Blue Line Property Management</b>						
	Pasadena Blue Line	44	-	-	-	44	44
	<b>610051 Total</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>44</b>
<b>610061</b>	<b>Owned Property</b>						
	Administration	798	-	-	-	798	798
	Environmental Clean	525	-	-	-	525	525
	Property Acquisition	104	-	-	-	104	104
	<b>610061 Total</b>	<b>1,427</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,427</b>	<b>1,427</b>
	Fund Transfer To:						
	Prop C	5,273	-	-	-	5,273	5,273
	Enterprise Fund	25,200	-	-	-	25,200	25,200
	<b>Total</b>	<b>30,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,473</b>	<b>30,473</b>
	<b>Total Expenditures, Allocations and Transfers</b>	<b>84,414</b>	<b>22,062</b>	<b>8,634</b>	<b>5,327</b>	<b>48,391</b>	<b>84,414</b>
	<b>Remaining Balance at June 30, 2003</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 141,586</b>	<b>\$ 141,586</b>

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Bus**  
**For The Year Ended June 30, 2003**  
**(Amounts expressed in thousands)**

Activity	Current Year Actual		Current Year Budget		\$/RSH Variance Actual to Budget Favorable/(Unfavorable)		Prior Year Actual		\$/RSH Variance Current YR to Prior YR Favorable/(Unfavorable)	
	CRSH	Amount	CRSH	Amount			CRSH	Amount		
<b>1 Transportation</b>										
Labor and Benefits	\$ 39.91	\$ 272,707	\$ 38.75	\$ 266,592	\$ (1.16)	-3.0%	\$ 38.46	\$ 257,034	\$ (1.45)	-3.8%
Other	0.04	258	0.08	523	0.04	50.0%	0.67	4,449	0.63	94.0%
Training	0.63	4,332	0.75	5,180	0.12	16.0%	0.64	4,269	0.01	1.6%
Control Center	1.00	6,842	1.07	7,347	0.07	6.5%	1.08	7,237	0.08	7.4%
Scheduling and Planning	0.28	1,889	0.31	2,149	0.03	9.7%	0.60	4,015	0.32	53.3%
<b>Subtotal</b>	<b>41.86</b>	<b>286,028</b>	<b>40.96</b>	<b>281,791</b>	<b>(0.90)</b>	<b>-2.2%</b>	<b>41.45</b>	<b>277,004</b>	<b>(0.41)</b>	<b>-1.0%</b>
<b>9 Division Maintenance</b>										
Labor and Benefits	14.90	101,792	14.17	97,481	(0.73)	-5.2%	13.12	87,713	(1.78)	-13.6%
Fuel	4.24	28,977	4.38	30,117	0.14	3.2%	3.09	20,624	(1.15)	-37.2%
Materials & Supplies	4.44	30,342	3.82	26,260	(0.62)	-16.2%	4.33	28,958	(0.11)	-2.5%
Other	0.01	38	0.06	433	0.05	83.3%	0.01	77	-	0.0%
Preventative Maintenance	0.43	2,943	0.68	4,674	0.25	36.8%	0.36	2,433	(0.07)	-19.4%
<b>Subtotal</b>	<b>24.02</b>	<b>164,092</b>	<b>23.11</b>	<b>158,965</b>	<b>(0.91)</b>	<b>-3.9%</b>	<b>20.91</b>	<b>139,805</b>	<b>(3.11)</b>	<b>-14.9%</b>
<b>17 RRC Regular Maintenance</b>										
Labor and Benefits	1.31	8,920	1.02	7,029	(0.29)	-28.4%	1.05	6,987	(0.26)	-24.8%
Materials & Supplies	0.48	3,253	0.48	3,317	-	0.0%	0.46	3,105	(0.02)	-4.3%
Other	0.12	818	0.17	1,190	0.05	29.4%	0.21	1,373	0.09	42.9%
<b>Subtotal</b>	<b>1.91</b>	<b>12,991</b>	<b>1.67</b>	<b>11,536</b>	<b>(0.24)</b>	<b>-14.4%</b>	<b>1.72</b>	<b>11,465</b>	<b>(0.19)</b>	<b>-11.0%</b>
<b>23 RRC Preventative Maintenance</b>										
Power Plant Assembly	2.08	14,222	2.12	14,610	0.04	1.9%	1.98	13,238	(0.10)	-5.1%
Accident Repair	0.09	606	0.12	842	0.03	25.0%	0.09	613	-	0.0%
Ethanol Conversion	-	0	-	0	-	0.0%	-	0	-	0.0%
Contractor	-	17	-	0	-	0.0%	-	0	-	0.0%
Wheelchair Lifts	0.01	53	0.01	50	-	0.0%	0.06	396	0.05	83.3%
Painting	0.21	1,457	0.40	2,772	0.19	47.5%	0.45	2,992	0.24	53.3%
Windows	0.03	237	0.05	374	0.02	40.0%	0.11	734	0.08	72.7%
RRC Mgt & Admin	0.08	541	0.07	506	(0.01)	-14.3%	0.10	640	0.02	20.0%
<b>Subtotal</b>	<b>2.50</b>	<b>17,133</b>	<b>2.77</b>	<b>19,154</b>	<b>0.27</b>	<b>9.7%</b>	<b>2.79</b>	<b>18,613</b>	<b>0.29</b>	<b>10.4%</b>
<b>34 Other Maintenance Costs</b>										
Maintenance Support	2.32	15,851	2.53	17,439	0.21	8.3%	2.37	15,807	0.05	2.1%
Non-Revenue Vehicles	0.44	3,020	0.53	3,660	0.09	17.0%	0.45	2,986	0.01	2.2%
Facilities Maintenance	2.61	17,803	2.96	20,358	0.35	11.8%	2.72	18,206	0.11	4.0%
Training	0.05	336	0.07	474	0.02	28.6%	0.19	1,280	0.14	73.7%
<b>Subtotal</b>	<b>5.42</b>	<b>37,010</b>	<b>6.09</b>	<b>41,931</b>	<b>0.67</b>	<b>11.0%</b>	<b>5.73</b>	<b>38,279</b>	<b>0.31</b>	<b>5.4%</b>
<b>Subtotal Maintenance</b>	<b>33.85</b>	<b>231,226</b>	<b>33.64</b>	<b>231,586</b>	<b>(0.21)</b>	<b>-0.6%</b>	<b>31.15</b>	<b>208,162</b>	<b>(2.70)</b>	<b>-8.7%</b>
<b>43 Other Operating Costs</b>										
Transit Security	3.76	25,705	3.70	25,471	(0.06)	-1.6%	3.75	25,084	(0.01)	-0.3%
General Managers	2.17	14,843	2.02	13,865	(0.15)	-7.4%	0.66	4,399	(1.51)	-228.8%
Transit Operating Costs	1.69	11,578	1.88	12,907	0.19	10.1%	1.64	10,967	(0.05)	-3.0%
Other (Rail)	-	(0)	-	0	-	0.0%	(0.12)	(820)	(0.12)	100.0%
Revenue Services and Collection	1.38	9,404	1.38	9,507	-	0.0%	1.45	9,670	0.07	4.8%
Service Development	0.34	2,343	0.40	2,759	0.06	15.0%	0.14	927	(0.20)	-142.9%
Safety	0.08	535	0.23	1,590	0.15	65.2%	0.30	2,025	0.22	73.3%
Casualty & Liability	4.05	27,684	4.14	28,510	0.09	2.2%	4.03	26,942	(0.02)	-0.5%
Workers Comp	7.28	49,769	7.99	54,991	0.71	8.9%	7.69	51,393	0.41	5.3%
Transitional Duty Program	0.32	2,210	0.58	3,963	0.26	44.8%	0.34	2,297	0.02	5.9%
Building Costs	1.56	10,635	1.20	8,283	(0.36)	-30.0%	1.63	10,916	0.07	4.3%
Copy Services	0.30	2,021	0.27	1,872	(0.03)	-11.1%	0.31	2,077	0.01	3.2%
Employee Subsidies	0.18	1,241	0.14	996	(0.04)	-28.6%	0.19	1,276	0.01	5.3%
<b>Subtotal</b>	<b>23.11</b>	<b>157,968</b>	<b>23.93</b>	<b>164,714</b>	<b>0.82</b>	<b>3.4%</b>	<b>22.01</b>	<b>147,153</b>	<b>(1.10)</b>	<b>-5.0%</b>
<b>59 Support Department Costs</b>										
Board Oversight	0.09	582	0.13	877	0.04	30.8%	0.08	510	(0.01)	-12.5%
Human Resources	0.59	3,999	0.40	2,773	(0.19)	-47.5%	0.55	3,666	(0.04)	-7.3%
General Services	0.65	4,418	0.63	4,311	(0.02)	-3.2%	0.66	4,426	0.01	1.5%
Other Chief of Staff	0.79	5,407	1.03	7,076	0.24	23.3%	0.68	4,557	(0.11)	-16.2%
Construction Project Management	0.03	199	0.01	48	(0.02)	-200.0%	0.07	454	0.04	57.1%
Communications	0.51	3,507	0.65	4,469	0.14	21.5%	0.42	2,811	(0.09)	-21.4%
MASD	0.11	777	0.08	566	(0.03)	-37.5%	0.12	798	0.01	8.3%

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Bus**  
**For The Year Ended June 30, 2003**  
**(Amounts expressed in thousands)**

Activity	Current Year Actual		Current Year Budget		\$/RSH Variance Actual to Budget Favorable/(Unfavorable)		Prior Year Actual		\$/RSH Variance Current YR to Prior YR Favorable/(Unfavorable)	
	CRSH	Amount	CRSH	Amount			CRSH	Amount		
68 Finance	1.22	8,303	1.39	9,581	0.17	12.2%	1.70	11,350	0.48	28.2%
69 ITS	1.30	8,901	1.18	8,130	(0.12)	-10.2%	1.21	8,084	(0.09)	-7.4%
70 Other Support Services	1.77	12,092	1.85	12,759	0.08	4.3%	2.70	18,061	0.93	34.4%
71 <b>Subtotal</b>	<b>7.06</b>	<b>48,185</b>	<b>7.35</b>	<b>50,590</b>	<b>0.29</b>	<b>3.9%</b>	<b>8.19</b>	<b>54,717</b>	<b>1.13</b>	<b>13.8%</b>
72										
73										
74 <b>MTA Operated</b>	<b>\$ 105.88</b>	<b>\$ 723,407</b>	<b>\$ 105.88</b>	<b>\$ 728,681</b>	<b>-</b>	<b>0.0%</b>	<b>\$ 102.80</b>	<b>\$ 687,036</b>	<b>\$ (3.08)</b>	<b>-3.0%</b>
75										
76 <b>Purchased Transportation</b>										
77 Contracted Service	45.60	28,328	47.46	30,529	1.86	3.9%	41.25	25,483	(4.35)	-10.5%
78 Security	3.76	2,337	3.70	2,381	(0.06)	-1.6%	3.75	2,319	(0.01)	-0.3%
79 Administration	0.81	506	0.20	128	(0.61)	-305.0%	(5.29)	(3,266)	(6.10)	115.3%
80										
81 <b>Purchased Transportation</b>	<b>\$ 50.17</b>	<b>\$ 31,171</b>	<b>\$ 51.36</b>	<b>\$ 33,038</b>	<b>\$ 1.19</b>	<b>2.3%</b>	<b>\$ 39.71</b>	<b>\$ 24,536</b>	<b>\$ (10.46)</b>	<b>-26.3%</b>
82										
83 <b>Enterprise Fund Debt</b>										
84 Interest (610309) **	0.19	1,442	0.08	635	(0.11)	-137.5%	0.29	2,110	0.10	34.5%
85 Administration (300076)	0.10	719	0.10	727	-	0.0%	0.08	580	(0.02)	-25.0%
86 <b>Sub-total</b>	<b>0.29</b>	<b>2,161</b>	<b>0.18</b>	<b>1,362</b>	<b>(0.11)</b>	<b>-61.1%</b>	<b>0.37</b>	<b>2,690</b>	<b>0.08</b>	<b>21.6%</b>
87										
88 <b>All Bus Operating Expenses</b>	<b>\$ 101.54</b>	<b>\$ 756,738</b>	<b>\$ 101.42</b>	<b>\$ 763,081</b>	<b>\$ (0.12)</b>	<b>-0.1%</b>	<b>\$ 97.82</b>	<b>\$ 714,261</b>	<b>\$ (3.72)</b>	<b>-3.8%</b>
89										
90 <b>Revenue Service Hours (MTA only)</b>	<b>6,832,313</b>		<b>6,879,874</b>		<b>(47,561)</b>	<b>-0.7%</b>	<b>6,683,264</b>		<b>(149,049)</b>	
91										
92 <b>RSH Contract Services</b>	<b>621,218</b>		<b>643,214</b>		<b>(21,996)</b>	<b>-3.4%</b>	<b>617,764</b>		<b>(3,454)</b>	
93										
94 <b>Total Revenue Service Hours</b>	<b>7,453,531</b>		<b>7,523,088</b>		<b>(69,557)</b>	<b>-0.9%</b>	<b>7,301,028</b>		<b>(152,503)</b>	

\*\* Excluding interest for Workers' Comp. COP

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Heavy Rail**  
**For The Year Ended June 30, 2003**  
**(Amounts expressed in thousands)**

Expense Category	Current Year Actual		Current Year Budget		S/RSH Variance Actual to Budget Favorable/(Unfavorable)		Prior Year Actual		S/RSH Variance Current YR to Prior YR Favorable/(Unfavorable)		
	CRSH	Amount	CRSH	Amount			CRSH	Amount			
<b>1 Transportation</b>											
2 Labor and Benefits	\$ 19.47	\$ 5,139	\$ 18.75	\$ 5,055	\$ (0.72)	-3.8%	\$ 11.04	\$ 2,871	\$ (8.43)	-76.4%	
3 Other	0.20	54	0.25	69	0.05	20.0%	0.30	79	0.10	33.3%	
4 Control Center	9.23	2,435	8.38	2,260	(0.85)	-10.1%	10.66	2,772	1.43	13.4%	
5 Scheduling and Planning	-	-	-	-	-	0.0%	0.15	39	0.15	100.0%	
6 <b>Subtotal</b>	<b>28.90</b>	<b>7,628</b>	<b>27.38</b>	<b>7,384</b>	<b>(1.52)</b>	<b>6.1%</b>	<b>22.15</b>	<b>5,761</b>	<b>(6.75)</b>	<b>70.3%</b>	
<b>8 Division Maintenance</b>											
9 Labor and Benefits	31.39	8,284	27.14	7,317	(4.25)	-15.7%	34.50	8,970	3.11	9.0%	
10 Materials & Supplies	10.39	2,741	6.48	1,746	(3.91)	-60.3%	5.95	1,547	(4.44)	-74.6%	
11 Other	0.69	183	0.41	112	(0.28)	-68.3%	0.12	31	(0.57)	-475.0%	
12 Preventative Maintenance	3.23	852	12.86	3,469	9.63	74.9%	2.64	687	(0.59)	-22.3%	
13 <b>Subtotal</b>	<b>45.70</b>	<b>12,060</b>	<b>46.89</b>	<b>12,644</b>	<b>1.19</b>	<b>2.5%</b>	<b>43.21</b>	<b>11,235</b>	<b>(2.49)</b>	<b>-562.9%</b>	
<b>15 Maintenance of Way</b>											
16 Labor and Benefits	16.91	4,462	17.14	4,623	0.23	1.3%	17.43	4,532	0.52	3.0%	
17 Materials & Supplies	2.00	528	1.09	295	(0.91)	-83.5%	1.77	461	(0.23)	-13.0%	
18 Propulsion Power	27.81	7,339	24.74	6,670	(3.07)	-12.4%	21.99	5,718	(5.82)	-26.5%	
19 Other	0.04	10	0.10	26	0.06	60.0%	0.21	55	0.17	81.0%	
20 <b>Subtotal</b>	<b>46.76</b>	<b>12,339</b>	<b>43.07</b>	<b>11,614</b>	<b>(3.69)</b>	<b>-8.6%</b>	<b>41.40</b>	<b>10,766</b>	<b>(5.36)</b>	<b>-12.9%</b>	
<b>22 Other Maintenance Costs</b>											
24 Non-Revenue Vehicles	0.46	121	0.39	104	(0.07)	-17.9%	1.95	506	1.49	76.4%	
25 Facilities Maintenance	36.59	9,656	35.71	9,628	(0.88)	-2.5%	32.13	8,355	(4.46)	-13.9%	
26 <b>Subtotal</b>	<b>37.05</b>	<b>9,777</b>	<b>36.10</b>	<b>9,732</b>	<b>(0.95)</b>	<b>-2.6%</b>	<b>34.08</b>	<b>8,861</b>	<b>(2.97)</b>	<b>-8.7%</b>	
27											
28 <b>Subtotal Maintenance</b>	<b>129.51</b>	<b>34,177</b>	<b>126.06</b>	<b>33,990</b>	<b>(3.45)</b>	<b>-2.7%</b>	<b>118.69</b>	<b>30,862</b>	<b>(10.82)</b>	<b>-9.1%</b>	
<b>30 Other Operating Costs</b>											
31 Transit Security	41.74	11,015	46.87	12,639	5.13	10.9%	48.81	12,691	7.07	14.5%	
32 General Managers	0.07	19	(0.03)	(8)	(0.10)	333.3%	0.11	28	0.04	36.4%	
33 Transit Operating Costs	7.76	2,048	7.21	1,944	(0.55)	-7.6%	5.82	1,514	(1.94)	-33.3%	
35 Revenue Services and Collection	3.11	820	3.24	875	0.13	4.0%	4.38	1,140	1.27	29.0%	
36 Service Development	0.13	34	0.11	29	(0.02)	-18.2%	0.01	3	(0.12)	-1200.0%	
37 Safety	0.27	72	0.65	175	0.38	58.5%	0.80	209	0.53	66.3%	
38 Casualty & Liability	9.43	2,489	9.82	2,647	0.39	4.0%	9.53	2,478	0.10	1.0%	
39 Workers Comp	3.14	830	6.39	1,724	3.25	50.9%	5.83	1,517	2.69	46.1%	
40 Building Costs	2.93	774	2.23	603	(0.70)	-31.4%	2.98	776	0.05	1.7%	
41 Copy Services	0.56	147	0.51	136	(0.05)	-9.8%	0.57	148	0.01	1.8%	
42 Employee Subsidies	0.34	90	0.27	72	(0.07)	-25.9%	0.35	91	0.01	2.9%	
43 <b>Subtotal</b>	<b>69.48</b>	<b>18,338</b>	<b>77.27</b>	<b>20,836</b>	<b>7.79</b>	<b>10.1%</b>	<b>79.19</b>	<b>20,595</b>	<b>9.71</b>	<b>12.3%</b>	
<b>45 Support Department Costs</b>											
46 Board Oversight	0.14	36	0.09	26	(0.05)	-55.6%	0.14	36	-	0.0%	
47 Human Resources	1.00	264	0.73	197	(0.27)	-37.0%	1.00	261	-	0.0%	
48 General Services	1.17	309	1.14	308	(0.03)	-2.6%	1.20	312	0.03	2.5%	
49 Other Chief of Staff	1.14	301	1.51	407	0.37	24.5%	1.06	275	(0.08)	-7.5%	
50 Construction Project Management	0.13	34	0.52	140	0.39	75.0%	0.50	129	0.37	74.0%	
51 Countywide Planning & Development	0.01	3	-	0	(0.01)	0.0%	0.01	3	-	0.0%	
52 Communications	1.86	492	3.14	848	1.28	40.8%	1.54	400	(0.32)	-20.8%	
53 MASD	0.28	74	0.29	77	0.01	3.4%	0.31	81	0.03	9.7%	
54 Finance	4.25	1,121	3.76	1,015	(0.49)	-13.0%	2.33	607	(1.92)	-82.4%	
55 ITS	2.33	616	1.97	532	(0.36)	-18.3%	2.16	563	(0.17)	-7.9%	
56 Other Support Services	4.18	1,105	4.39	1,191	0.21	4.8%	4.31	1,120	0.13	3.0%	
57 <b>Subtotal</b>	<b>16.49</b>	<b>4,355</b>	<b>17.54</b>	<b>4,741</b>	<b>1.05</b>	<b>6.0%</b>	<b>14.56</b>	<b>3,787</b>	<b>(1.93)</b>	<b>-13.3%</b>	
58											
59											
60 <b>MTA Operated</b>	<b>\$ 244.38</b>	<b>\$ 64,497</b>	<b>\$ 248.25</b>	<b>\$ 66,947</b>	<b>\$ 3.87</b>	<b>1.6%</b>	<b>\$ 234.59</b>	<b>\$ 61,005</b>	<b>\$ (9.79)</b>	<b>-4.2%</b>	
61											
62											
63 <b>Revenue Service Hours (MTA only)</b>		<b>263,911</b>		<b>269,641</b>		<b>-5,730</b>		<b>260,020</b>		<b>(3,891)</b>	<b>-1.5%</b>

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Light Rail**  
**For The Year Ended June 30, 2003**  
**(Amounts expressed in thousands)**

Expense Category	Current Year Actual		Current Year Budget		\$/RSH Variance Favorable/(Unfavorable)		Prior Year Actual		\$/RSH Variance Current YR to Prior YR Favorable/(Unfavorable)	
	CRSH	Amount	CRSH	Amount			CRSH	Amount		
<b>1 Transportation</b>										
2 Labor and Benefits	\$ 39.98	\$ 11,439	\$ 30.31	\$ 9,181	\$ (9.67)	-31.9%	\$ 51.08	\$ 12,656	\$ 11.10	21.7%
3 Materials & Supplies	0.07	21	0.38	115	0.31	81.6%	0.26	65	0.19	73.1%
4 Other	0.02	6	0.12	36	0.10	83.3%	0.54	133	0.52	96.3%
5 Control Center	13.37	3,827	16.06	4,866	2.69	16.7%	16.27	4,030	2.90	17.8%
6 Scheduling and Planning	0.02	7	-	-	(0.02)	0.0%	1.16	288	1.14	98.3%
7 <b>Subtotal</b>	<b>53.46</b>	<b>15,300</b>	<b>46.87</b>	<b>14,198</b>	<b>(6.59)</b>	<b>-14.1%</b>	<b>69.31</b>	<b>17,172</b>	<b>15.85</b>	<b>22.9%</b>
<b>9 Division Maintenance</b>										
10 Labor and Benefits	46.61	13,337	34.57	10,472	(12.04)	-34.8%	43.51	10,781	(3.10)	-7.1%
11 Materials & Supplies	13.56	3,879	7.22	2,186	(6.34)	-87.8%	14.61	3,619	1.05	7.2%
12 Other	0.91	260	1.08	327	0.17	15.7%	(0.11)	(26)	(1.02)	927.3%
13 Preventative Maintenance	2.00	573	17.69	5,358	15.69	88.7%	0.92	229	(1.08)	-117.4%
14 <b>Subtotal</b>	<b>63.08</b>	<b>18,049</b>	<b>60.56</b>	<b>18,343</b>	<b>(2.52)</b>	<b>-4.2%</b>	<b>58.93</b>	<b>14,603</b>	<b>(4.15)</b>	<b>-7.0%</b>
<b>16 Maintenance of Way</b>										
17 Labor and Benefits	19.13	5,474	16.53	5,007	(2.60)	-15.7%	19.23	4,764	0.10	0.5%
18 Materials & Supplies	2.47	707	1.33	403	(1.14)	-85.7%	2.29	567	(0.18)	-7.9%
19 Propulsion Power	33.77	9,665	34.00	10,300	0.23	0.7%	34.91	8,649	1.14	3.3%
20 Other	0.34	96	0.94	286	0.60	63.8%	0.58	145	0.24	41.4%
21 <b>Subtotal</b>	<b>55.71</b>	<b>15,942</b>	<b>52.80</b>	<b>15,996</b>	<b>(2.91)</b>	<b>-5.5%</b>	<b>57.01</b>	<b>14,125</b>	<b>1.30</b>	<b>2.3%</b>
<b>23 Other Maintenance Costs</b>										
24 Maintenance Support	0.04	12	0.02	7	(0.02)	-100.0%	0.30	76	0.26	86.7%
25 Non-Revenue Vehicles	0.63	180	-	0	(0.63)	0.0%	1.82	450	1.19	65.4%
26 Facilities Maintenance	21.69	6,207	24.75	7,499	3.06	12.4%	21.98	5,445	0.29	1.3%
27 <b>Subtotal</b>	<b>22.36</b>	<b>6,399</b>	<b>24.77</b>	<b>7,506</b>	<b>2.41</b>	<b>9.7%</b>	<b>24.10</b>	<b>5,971</b>	<b>1.74</b>	<b>7.2%</b>
<b>29 Subtotal Maintenance</b>	<b>141.15</b>	<b>40,390</b>	<b>138.13</b>	<b>41,845</b>	<b>(3.02)</b>	<b>-2.2%</b>	<b>140.04</b>	<b>34,699</b>	<b>(1.11)</b>	<b>-0.8%</b>
<b>31 Other Operating Costs</b>										
32 Transit Security	52.23	14,947	53.66	16,257	1.43	2.7%	56.66	14,040	4.43	7.8%
33 General Manager	0.01	3	(1.01)	(307)	(1.02)	101.0%	0.31	76	0.30	96.8%
34 Transit Operating Costs	10.51	3,008	9.20	2,786	(1.31)	-14.2%	9.02	2,234	(1.49)	-16.5%
35 Other (Bus)	-	(0)	-	0	-	0.0%	-	(0)	-	0.0%
36 Revenue Services and Collection	4.09	1,170	4.37	1,325	0.28	6.4%	6.48	1,606	2.39	36.9%
37 Service Development	0.11	31	0.19	58	0.08	42.1%	-	0	(0.11)	0.0%
38 Safety	1.28	365	2.93	887	1.65	56.3%	3.01	745	1.73	57.5%
39 Casualty & Liability	3.39	971	3.62	1,096	0.23	6.4%	6.04	1,496	2.65	43.9%
40 Workers Comp	4.19	1,200	7.88	2,388	3.69	46.8%	12.27	3,041	8.08	65.9%
41 Building Costs	3.71	1,062	2.58	782	(1.13)	-43.8%	4.37	1,084	0.66	15.1%
42 Copy Service	0.71	202	0.58	177	(0.13)	-22.4%	0.83	206	0.12	14.5%
43 Employee Subsidies	0.43	124	0.31	94	(0.12)	-38.7%	0.51	127	0.08	15.7%
44 <b>Subtotal</b>	<b>80.66</b>	<b>23,083</b>	<b>84.31</b>	<b>25,543</b>	<b>3.65</b>	<b>4.3%</b>	<b>99.50</b>	<b>24,655</b>	<b>18.84</b>	<b>18.9%</b>
<b>46 Indirect Costs</b>										
<b>47 Non-Operating Departments Charging Operating Projects</b>										
48 Board Oversight	0.17	50	0.11	33	(0.06)	-54.5%	0.21	52	0.04	19.0%
49 Human Resources	1.26	361	0.85	257	(0.41)	-48.2%	1.46	363	0.20	13.7%
50 General Services	1.49	425	1.32	400	(0.17)	-12.9%	1.77	440	0.28	15.8%
51 Chief of Staff	3.52	1,007	4.00	1,210	0.48	12.0%	3.30	818	(0.22)	-6.7%
52 Construction Project Management	0.11	33	0.43	130	0.32	74.4%	0.58	144	0.47	81.0%
53 Countywide Planning & Development	0.02	5	-	0	(0.02)	0.0%	0.02	5	-	0.0%
54 Communications	3.51	1,003	4.89	1,482	1.38	28.2%	1.59	394	(1.92)	-120.8%
55 MASD	0.46	131	0.42	127	(0.04)	-9.5%	0.57	141	0.11	19.3%
56 Finance	5.36	1,534	4.34	1,315	(1.02)	-23.5%	3.99	989	(1.37)	-34.3%
57 ITS	2.89	827	2.33	706	(0.56)	-24.0%	3.21	795	0.32	10.0%
58 Support Services	6.18	1,768	6.38	1,931	0.20	3.1%	7.08	1,754	0.90	12.7%
59 <b>Subtotal</b>	<b>24.97</b>	<b>7,144</b>	<b>25.07</b>	<b>7,591</b>	<b>0.10</b>	<b>0.4%</b>	<b>23.78</b>	<b>5,895</b>	<b>(1.19)</b>	<b>-4.9%</b>
<b>62 MTA Operated</b>	<b>\$ 300.23</b>	<b>\$ 85,917</b>	<b>\$ 294.38</b>	<b>\$ 89,177</b>	<b>\$ (5.86)</b>	<b>-2.0%</b>	<b>\$ 332.63</b>	<b>84,420</b>	<b>\$ 32.41</b>	<b>9.7%</b>
<b>65 Revenue Service Hours (MTA only)</b>	<b>286,148</b>		<b>302,930</b>		<b>(16,782)</b>	<b>-5.5%</b>	<b>247,787</b>		<b>(38,361)</b>	<b>-15.5%</b>

**Metropolitan Transportation Authority**

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