

Los Angeles County  
Metropolitan Transportation Authority  
California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



**Metro**

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

**COMPREHENSIVE ANNUAL FINANCIAL**  
**REPORT**  
**For The Fiscal Year Ended June 30, 2004**

Prepared by:  
**Accounting Department**

**Josie V. Nicasio**  
*Controller*

**Richard Brumbaugh**  
*Chief Financial Officer*





**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2004**

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**Metro**<sup>™</sup>



# Metro™

January 14, 2005

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

Dear Honorable Board Members:

Subject: Metro Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (Metro) for the fiscal year ended June 30, 2004, is submitted herewith. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Metro's management. All material disclosures necessary to enable the reader to gain an understanding of Metro'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 Metro's Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2003, Metro's organization chart, and a list of Board Members;
- The Financial Section includes the independent accountant's 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.

Metro 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**

Metro is required to have an annual audit performed by independent certified public accountants. PricewaterhouseCoopers LLP, a firm of licensed certified public accountants, has audited Metro's financial statements. The goal of the independent audit was to provide reasonable assurance that Metro's financial statements for the fiscal year ended June 30, 2004, 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 Metro's financial statements for the fiscal year ended June 30, 2004, 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 Metro'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, Metro's management has established a comprehensive internal control framework that is designed both to protect Metro's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of Metro's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Metro'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 Metro's financial statements is 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 Metro's internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in Metro's separately issued Single Audit Report.



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

GAAP requires 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**

Metro 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 second largest provider of public transit, Metro's directly operated bus system experienced 1.1 million bus passenger boardings each weekday in fiscal year 2004, with over 61.8 million annual vehicle revenue service miles delivered. The entire fleet is wheelchair accessible, and over 74 percent of the buses are powered by compressed natural gas (CNG).

Metro's geographic bus service area was divided into five bus service sectors: San Fernando Valley, San Gabriel Valley, Gateway Cities, South Bay, and West Side/Center. All service sectors commenced formal operation in fiscal year 2004.

The intent of these service sectors is to create smaller operating units under local management, putting Metro staff 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 community needs, which results in increased community satisfaction.

Metro's rail system consists of the following four lines:

Metro Blue Line – a 22-mile light rail system connecting Long Beach to Los Angeles. This light rail line served approximately 69,000 weekday passengers in fiscal year 2004.

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 served approximately 104,000 weekday passengers in fiscal year 2004.

Metro Green Line – a 21-mile light rail system linking Norwalk, the Metro Blue Line, El Segundo and Redondo Beach. This light rail line served approximately 29,000 weekday passengers in fiscal year 2004.

Metro Gold Line – a 13-mile light rail line connecting downtown Los Angeles and Pasadena. The Gold Line was completed and opened to the public in July 2003. This light rail line served approximately 15,000 weekday passengers in fiscal year 2004.

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

Metro also funds various commuter and motorist assistance programs. One such program is the Freeway Service Patrol, whose fleet of 149 tow trucks patrols 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 Metro, operates the Kenneth Hahn Call Box program, operating and servicing 4,471 call boxes along 436 miles of freeways, state highways, and selected County roads in Los Angeles County.

Metro 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; (7) promote the use of public transit services and rideshare programs; and (8) air quality, environmental impact, land use and economic development decisions.

Safety continued to be a major area of emphasis for Metro management. The “Safety 1st” campaign begun in fiscal year 2003 was enhanced in 2004 by development and modification of several safety policies and practices involving return to work, field observation, and feed back incident investigations. Metro achieved substantive progress in improving safety and reducing workers’ compensation claims through this program. Quarterly reported new workers’ compensation claims fell from 791 during the first quarter of fiscal year 2002 to 348 during the fourth quarter of fiscal 2004, a 56 percent reduction. Bus accident reported claims fell from 241 in October of 2001 to 187 by June of 2004, a 22 percent reduction. The importance of these cost reduction efforts has been magnified by changes in state law that increased dollar amount benefits paid to claimants by 25 percent effective January 2004.

Although they are legally separate entities, blended component units are, in substance, part of Metro’s operations, and are included as part of Metro’s financial reporting. Accordingly, the activities of the Public Transportation Service Corporation (PTSC), the PTSC-Metro Risk Management Authority (PRMA), 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 \$1.5 billion out of \$3.3 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. Metro develops its spending plans in the context of expected economic conditions.

A year-to-year analysis shows gains in key economic indicators in California and Los Angeles County. These are shown below:

<b>ECONOMIC INDICATORS 2003 – 2004 Percent Change</b>		
<u>Indicator</u>	<u>California</u>	<u>L.A. County</u>
Taxable sales	6.1	4.0
Real personal income	5.4	4.3
Non-farm employment	0.8	1.4
Population	1.5	1.4

## Financial Strategies

Like most transit operators, Metro faces an uncertain funding future, and has developed short- and long-term economic plans to confront the realities of this uncertainty. Both plans have incorporated conservative annual revenue growth rates of 5 percent or less, which is well below the historical sales tax growth rate for Los Angeles County. Because of the precarious State funding situation, Metro's plans have eliminated or reduced the normal funding allotments from State sources, and rely upon no new revenue sources. Realistic annual increases of 2.6 percent in operating expenses, and 2.1 percent in the inflation rate for capital project costs, are included in the projections. In addition, several funding alternatives are offered up to the Board for future consideration.

To eliminate waste and increase efficiency, Metro's executive management is committed to finishing existing programs before directing funds to new projects. Long-term debt will be issued each year as necessary to fund major capital projects, and all debt will be issued in compliance with Metro's debt policy, adopted in 1998.

The Mobility 21 Coalition is another strategy Metro's executive management has developed to maximize revenue for transportation agencies in Los Angeles County.

Formed in 2002, Mobility 21 is a countywide, nonpartisan organization of transportation stakeholders, in which Metro is a major player. The Coalition's ultimate goal is to promote effective and efficient transportation programs for the region by enabling transit operators in Los Angeles County to speak with one voice when dealing with federal and state funding authorities. A strong presence for Mobility 21 in the public debate over transportation policy will ensure that funding for Los Angeles County public transit receive the priority it deserves.

### **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 Metro's investment policy.

Metro'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. Metro 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, workers' compensation claims, and a portion of the post-employment benefits liability.

### **Risk Management**

Metro 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. Metro 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 (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.

LACMTA 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.

Metro provides post-employment benefits that consist of health care and life insurance benefits purchased for retired employees and families through a commercial insurance policy. Substantially all Metro retirees may become eligible for these benefits if they reach the appropriate eligibility requirements for retirement while working for Metro. The benefit provisions and all other requirements are established by collective bargaining agreements and/or Board actions. There were approximately 3,500 participants, and the related outstanding liability for the post-employment benefits as of June 30, 2004, is \$117,910,000.

## **Achievements**

Fiscal year 2004 proved to be another productive year for Metro. Highlights include:

- Grand opening of Metro's Gold Line linking downtown Los Angeles and Pasadena via light-rail for the first time in almost 50 years.
- Decreased one-way fares on Metro rail and bus from \$1.35 to \$1.25.
- Received five new 45-foot buses, with an additional 25 due to be delivered in early fiscal '05. These new buses have 15 percent more capacity than standard buses.
- Completed phase two of Advanced Transportation Management System (ATMS) radio system on target relative to both time and budget.
- Awarded contract for the purchase of 200 new sixty-foot articulated buses, each seating 50 percent more passengers, with delivery scheduled for late '05.
- Introduced new \$3 day pass, allowing patrons unlimited rides on all Metro rail and bus lines during a twenty-four hour period.
- Provided buses to transport firefighters to the frontlines during the October 2003 wild fires surrounding Los Angeles.
- Received upgraded bond credit rating. The lower interest rates resulting from an upgraded bond rating generate millions of dollars in cash savings to Los Angeles County taxpayers.

- Earned “Government Agency of the Year” award from Black Business Association for responsiveness in promoting economic development in the African-American community.

### **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, 2003. This was the fifth consecutive year that Metro has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

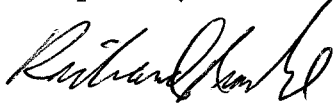
In order to be awarded a Certificate of Achievement, Metro must publish an easily readable and well-organized comprehensive annual financial report whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

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 Metro for their dedicated service and assistance that made the preparation of this report possible.

Respectfully submitted,



Richard Brumbaugh  
Chief Financial Officer

# 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, 2003

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.



*Nancy L. Zielle*

President

*Jeffrey R. Enos*

Executive Director

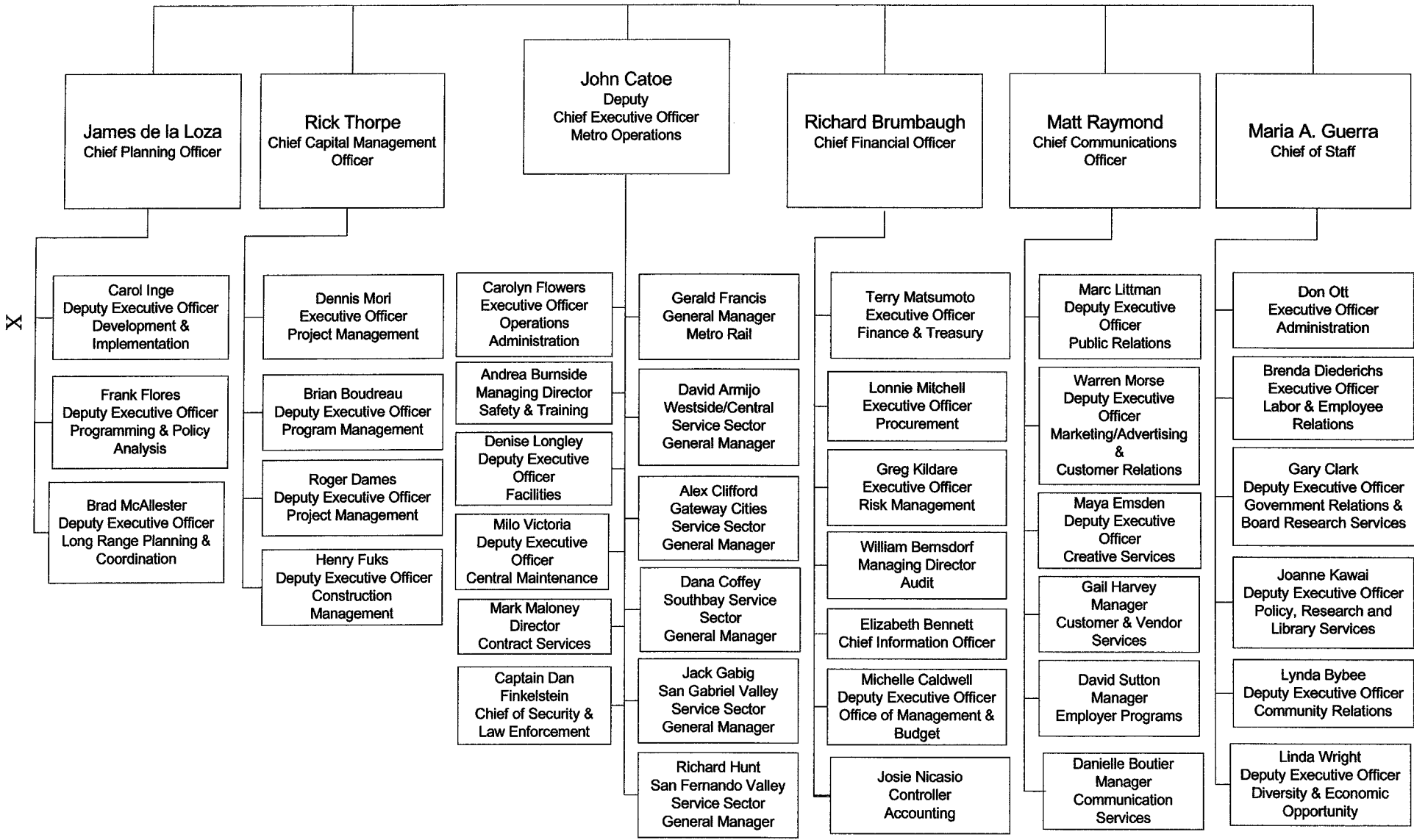




# Metro

## Management Organization Chart

**Roger Snoble**  
Chief Executive Officer



X

## Board of Directors



**Frank C. Roberts**  
Metro Board Chairman  
Mayor  
City of Lancaster



**James K. Hahn**  
Metro Board 1<sup>st</sup> Vice Chair  
Mayor,  
City of Los Angeles



**Michael D. Antonovich**  
LA County Supervisor  
5th Supervisorial District



**Yvonne Brathwaite Burke**  
LA County Supervisor  
2<sup>nd</sup> Supervisorial District



**John Fasana**  
Mayor  
City of Duarte



**Don Knabe**  
LA County Supervisor  
4<sup>th</sup> Supervisorial District



**Tom LaBonge**  
Council Member  
City of Los Angeles



**Martin Ludlow**  
Council Member  
City of Los Angeles



**Gloria Molina**  
Metro Board 2<sup>nd</sup> Vice Chair  
LA County Supervisor  
1<sup>st</sup> Supervisorial District



**Pam O'Connor**  
Council Member  
City of Santa Monica



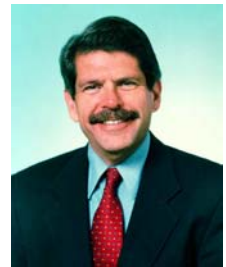
**Beatrice Proo**  
Councilwoman  
City of Pico Rivera



**Ed Reyes**  
Councilman  
City of Los Angeles



**Ronald W. Wong**  
Ex-officio Member  
Appointed by Governor



**Zev Yaroslavsky**  
LA County Supervisor  
3<sup>rd</sup> Supervisorial District





**Metro**<sup>™</sup>

**Report of Independent Auditors**

To 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 (the "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, 2004, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 14 and budgetary comparison information on pages 67 through 76 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 other sections listed in the table of contents 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*PricewaterhouseCoopers LLP*

January 14, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

- Provide an overview of Metro's financial activity;
- Highlight significant financial issues;
- Discuss changes in Metro'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 16). All dollar amounts are expressed in thousands unless otherwise indicated.

### **Financial Highlights**

- Metro's total assets exceeded its liabilities as of June 30, 2004, by \$5,201,176. Of this amount, \$893,513 is reported as unrestricted net assets (deficit) and may be used for system expansion, acquisitions, and general and special revenue obligations.
- Total net assets increased by \$258,031 (5.2 percent) this year over last year. Business-type net assets increased by \$287,916 (8.8 percent), and governmental net assets decreased by \$29,885 (1.8 percent). The increase in net assets is due primarily to the completion, transfer, and donation of certain assets of the Metro Gold Line light rail system, by the Pasadena Blue Line Rail Authority (PBLA).
- At year-end the governmental funds reported fund balances totaling \$745,749. Of this amount, \$517,829 is reserved for encumbrances and other commitments, and \$227,920 is unreserved fund balance available for spending at Metro's discretion.
- Metro's total long-term debt increased by \$124,329 (2.8 percent) during the year.

### **Overview of the Financial Statements**

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



## **Government-wide financial statements**

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

The statement of net assets (page 16) presents information on all of Metro'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 17-18) 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 Metro'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 Metro and its legally separate entities that are financially accountable to Metro. Since they are in substance part of Metro's operations, their information has been blended with Metro's information. These entities include PTSC, the PTSC-MTA Risk Management Authority, the Service Authority for Freeway Emergencies (SAFE), and the LACMTA Leasing Authority.

## **Fund financial statements**

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

### **Proprietary funds**

Metro maintains only one type of proprietary fund: the enterprise fund. In fiscal year 2004, all transit-related transactions, including support services, capital, and debt service expenses, are in the enterprise fund.

Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. Metro uses an enterprise fund to account for its transit operations: bus, rail, and regional programs. The basic proprietary fund financial statements are on pages 25-27.

## **Governmental funds**

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near term inflows, outflows, and balances of spendable resources. The basic governmental fund financial statements are on pages 18-19 and 22-23.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities shown on pages 21 and 24.

Metro maintains ten individual governmental funds, four 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 68-69.

Metro adopts a spending plan each year. Budgetary comparison schedules are provided for general fund and for each major special revenue fund on pages 70-73.

## **Fiduciary funds**

Fiduciary funds are used to account for assets held by Metro in a trustee capacity or as an agent. Since these assets are not available to fund Metro's programs, they are excluded from the government-wide financial statements. The basic fiduciary fund statements can be found on pages 28-29. They cover the four employee pension funds administered by Metro and the Benefit 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 understanding of Metro's finances. The notes to the financial statements are on pages 31-65.

## **Other information**

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 67 and certain additional supplementary and statistical information beginning on page 79.

## Government-wide Financial Analysis

### Statement of Net Assets

As mentioned earlier, net assets can serve as an indicator of financial health. Metro's assets exceeded liabilities by \$5,201,176 at the end of the fiscal year, a 5.2 percent increase over the previous year. The increase is primarily due to the transfer of the Gold Line light rail system to Metro. Approximately 83 percent of this amount represents investment in capital assets less the related debts to acquire those assets. Metro uses the capital assets to provide transportation and transit services to its customers.

The following table is a summary of the statement of net assets at June 30, 2004.

Los Angeles County Metropolitan Transportation Authority						
Net Assets						
(Amounts expressed in thousands)						
	Business-type Activities		Governmental Activities		Total	
	2004	2003	2004	2003	2004	2003
Current & other assets	\$ 1,887,831	\$ 2,066,178	\$ 995,252	\$ 1,019,645	\$ 2,883,083	\$ 3,085,823
Capital assets	6,815,324	6,194,633	779,120	832,156	7,594,444	7,026,789
Total assets	<u>8,703,155</u>	<u>8,260,811</u>	<u>1,774,372</u>	<u>1,851,801</u>	<u>10,477,527</u>	<u>10,112,612</u>
Current & other liabilities	516,438	531,983	101,898	148,560	618,336	680,543
Long-term liabilities	4,629,001	4,459,028	29,014	29,896	4,658,015	4,488,924
Total liabilities	<u>5,145,439</u>	<u>4,991,011</u>	<u>130,912</u>	<u>178,456</u>	<u>5,276,351</u>	<u>5,169,467</u>
Net Assets						
Invested in capital assets, net of debt	3,528,543	3,126,933	779,120	832,156	4,307,663	3,959,089
Unrestricted net assets	29,173	142,867	864,340	841,189	893,513	984,056
Total Net Assets	<u>\$ 3,557,716</u>	<u>\$ 3,269,800</u>	<u>\$ 1,643,460</u>	<u>\$ 1,673,345</u>	<u>\$ 5,201,176</u>	<u>\$ 4,943,145</u>

Prior year reclassified to be consistent with current year presentation.

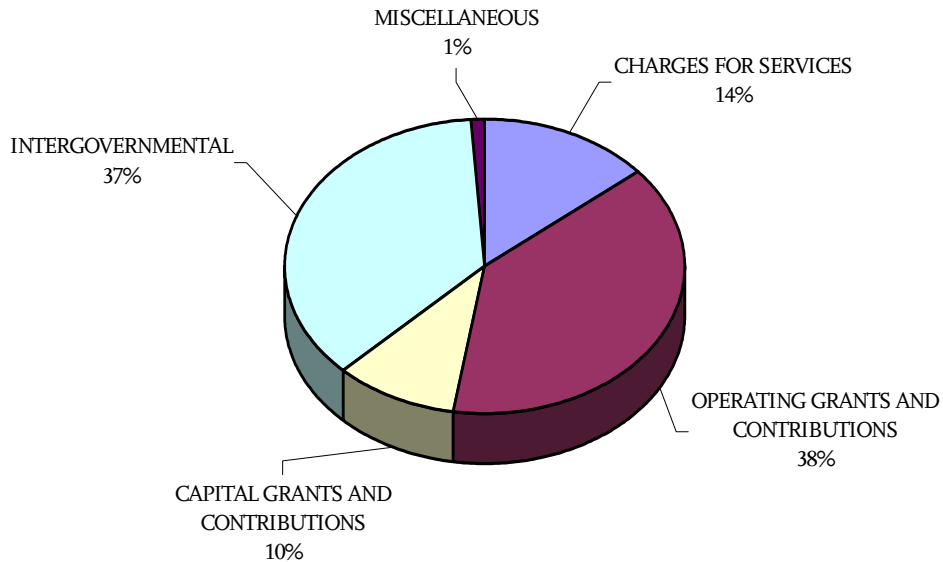
## Statement of Activities

The following table is a summary of the statement of activities for the fiscal year ended June 30, 2004.

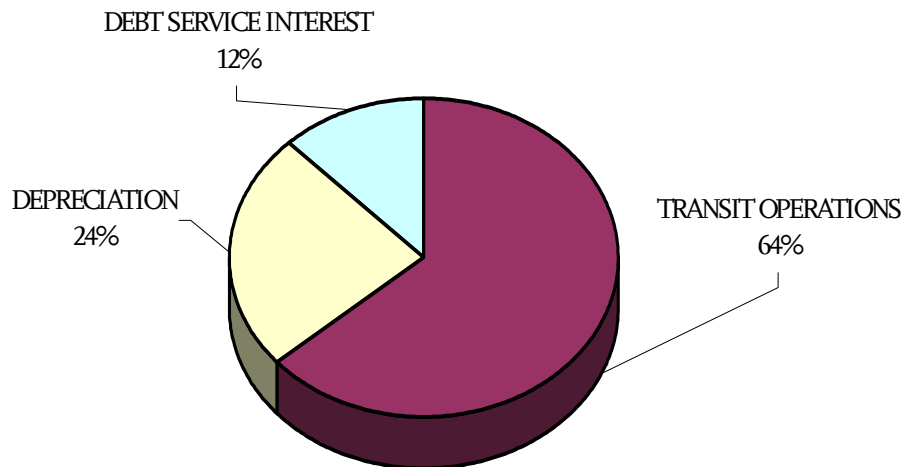
<b>Los Angeles County Metropolitan Transportation Authority</b>						
<b>Change in Net Assets</b>						
<b>(Amounts expressed in thousands)</b>						
	<b>Business-type</b>		<b>Governmental</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 233,757	\$ 247,426	\$ -	\$ -	\$ 233,757	\$ 247,426
Operating grants and contributions	664,396	655,193	73,594	15,065	737,990	670,258
Capital grants and contributions	171,061	180,028	600	-	171,661	180,028
<b>General revenues</b>						
Sales tax	-	-	1,478,408	1,403,750	1,478,408	1,403,750
Intergovernmental	636,482	315,167	38,248	111,578	674,730	426,745
Miscellaneous	12,704	22,500	35,603	48,871	48,307	71,371
<b>Total revenues</b>	<b>1,718,400</b>	<b>1,420,314</b>	<b>1,626,453</b>	<b>1,579,264</b>	<b>3,344,853</b>	<b>2,999,578</b>
<b>Expenses:</b>						
<b>Transit operations</b>						
Operations	904,920	913,398	-	-	904,920	913,398
Depreciation	347,629	330,613	-	-	347,629	330,613
Debt service interest	177,935	187,760	600	-	178,535	187,760
Transit operators programs	-	-	1,103,537	1,194,252	1,103,537	1,194,252
Local cities programs	-	-	271,007	173,212	271,007	173,212
Regional multimodal capital programs	-	-	69,393	42,932	69,393	42,932
Paratransit programs	-	-	66,913	76,318	66,913	76,318
Other transportation subsidies	-	-	49,335	49,176	49,335	49,176
General government	-	-	95,553	169,365	95,553	169,365
<b>Total expenses</b>	<b>1,430,484</b>	<b>1,431,771</b>	<b>1,656,338</b>	<b>1,705,255</b>	<b>3,086,822</b>	<b>3,137,026</b>
Increase (decrease) in net assets	287,916	(11,457)	(29,885)	(125,991)	258,031	(137,448)
Net assets – beginning of year	3,269,800	3,281,257	1,673,345	1,799,336	4,943,145	5,080,593
Net assets – ending of year	<u>\$ 3,557,716</u>	<u>\$ 3,269,800</u>	<u>\$ 1,643,460</u>	<u>\$ 1,673,345</u>	<u>\$ 5,201,176</u>	<u>\$ 4,943,145</u>
Prior year reclassified to be consistent with current year presentation.						

Transit operations recovered 25.8 percent of total costs from charges for services, excluding depreciation and debt service interest. The remaining costs were covered by grants and subsidies provided by Metro's 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.

### BUSINESS-TYPE REVENUES



### BUSINESS-TYPE EXPENSES



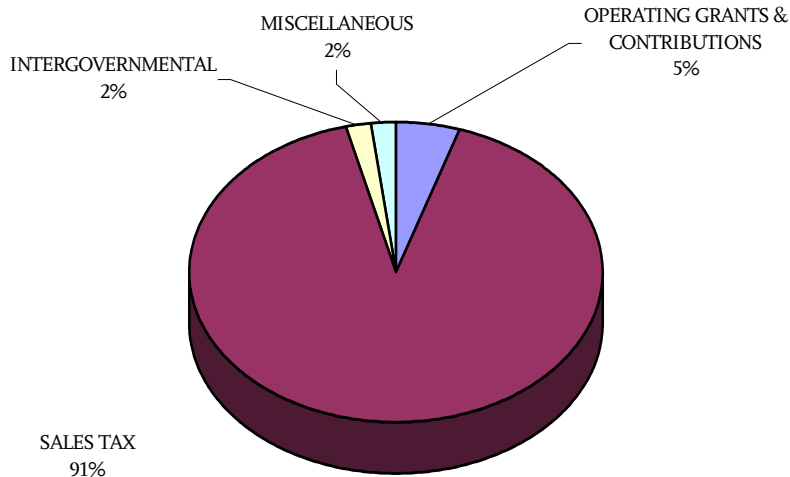
Governmental activities decreased Metro's net assets by \$29,885. The decrease is due to a decline in intergovernmental revenues.

Most of the governmental activities expenditures are subsidies related to countywide transportation planning and development programs. These programs are funded mostly by local sales taxes. Subsidies totaling \$1,560,185 to other agencies and Metro business activities represented 94.2 percent of governmental expenditures. Other

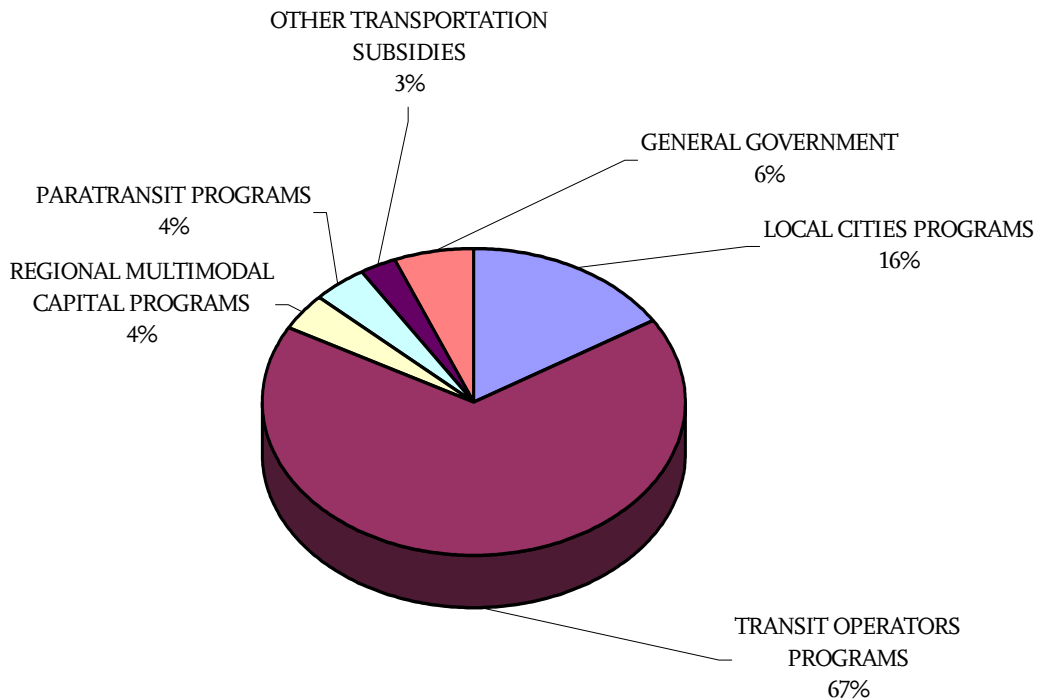
revenue consisted of the pass-through of state and local funding to other agencies in Los Angeles County for public transit, transportation demand management, bikeways, and highway projects.

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

### GOVERNMENTAL REVENUES



### GOVERNMENTAL EXPENSES



## Financial Analysis of Metro's Funds

As with other governmental entities, Metro 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

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

Net assets increased by \$287,916 substantially due to the transfer of some Gold Line light rail capital assets from PBLA when Metro assumed its operation.

Metro uses operating statistics to measure operational effectiveness. Key among these are: (a) the cost per revenue service hour, which measures the cost of 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 fiscal years 2004 and 2003.

<b>Los Angeles County Metropolitan Transportation Authority</b>				
(Dollar amounts not in thousands)				
	<b>Bus</b>		<b>Rail</b>	
	<b>Cost Per Revenue Service Hours*</b>			
	2004	2003	2004	2003
Budget	\$ 107.91	\$ 101.42	\$ 300.75	\$ 272.67
Actual	109.44	101.52	310.50	273.45
Variance	(1.53)	(0.10)	(9.75)	(0.78)
	<b>Subsidy per Passenger Boarding</b>			
Budget	\$ 1.55	\$ 1.47	\$ 1.99	\$ 1.45
Actual	1.60	1.45	2.23	1.82
Variance	(0.05)	.02	(0.24)	(0.37)

\*Refer to the attached schedules beginning on page 108.

The underrun in revenue service hours (RSH) in comparison to budget and to the prior year primarily reflects the impact of the 32-day work stoppage, as well as delays in implementing pilot line program services. Bus operations provided 6.62 million revenue service hours (RSH), which was 0.07 million (1.1 percent) below the target level of 6.69 million RSH. The shortfall in RSH did not offset the budgetary deficit, resulting in an unfavorable cost per RSH variance of \$1.53 (1.42 percent) in this fiscal year. The actual bus subsidy per boarding exceeded the target by \$0.05 (3.22 percent).



Rail operated 575,178 RSH in fiscal year 2004. This was 36,782 RSH (6.01 percent) below the budgeted target of 611,960 RSH. This underrun was due primarily to the work stoppage and the delays in the planned implementation of expanded hours of service. The reduced service level was not sufficient to offset the unit cost increases, resulting in an unfavorable rail cost per RSH variance of \$9.75 (3.24 percent). Rail RSH increased in fiscal year 2004 compared to the prior year because of the Pasadena Gold Line, which began operations in fiscal year 2004. This increase offset the reduction in rail RSH provided by the Red, Blue, and Green Lines as a result of the work stoppage.

## **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.

Metro's governmental funds ended the fiscal year with \$745,749 in total fund balances. Approximately 69 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

The general fund balance increased by \$5,222 to \$146,692. At the end of the fiscal year, a transportation subsidy of \$23.9 million was authorized and paid to the enterprise fund to cover increases due mainly to labor, fuel, and general liabilities.

Proposition A fund balance increased by \$41,379, mainly due to the lower than expected administrative and other costs, higher than expected sales tax collection amounts, and lower than planned expenditures for regional projects. Of the \$112,520 fund balance, \$52,342 is reserved for future programs.

Proposition C fund balance decreased by \$75,699 due to funding of capital acquisitions. The entire \$258,849 fund balance is reserved for future programs.

TDA fund balance decreased by \$3,941. Approximately 95 percent of the \$143,033 fund balance has been reserved for future projects.

## **General Fund Budgetary Highlights**

The general fund includes activities that are not legally or otherwise required to be accounted for in another fund. The general fund provides key compliance and oversight functions, legal services, planning activities, and development programs. The final amended general fund budget for transportation subsidies was increased by \$23.9 million to account for unanticipated costs relating mainly to labor and fuel. This amount was funded by \$8.1 million proceeds from the lease/leaseback transaction and \$15.8 million funded from available fund balance and other miscellaneous revenue.

## Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2004, Metro had \$7,594,444 (net of accumulated depreciation) invested in its capital assets, as shown below. This was an 8.1 percent increase compared to the previous fiscal year.

Los Angeles County Metropolitan Transportation Authority						
Capital Assets (net of depreciation)						
(Amounts expressed in thousands)						
	Business-type Activities		Governmental Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 592,633	\$ 518,267	\$ 778,779	\$ 832,156	\$ 1,371,412	\$ 1,350,423
Building	4,635,007	3,997,943	-	-	4,635,007	3,997,943
Equipments	205,945	258,892	-	-	205,945	258,892
Vehicles	956,587	934,404	341	-	956,928	934,404
Construction in Progress	425,152	485,127	-	-	425,152	485,128
<b>Total Capital Assets</b>	<b>\$ 6,815,324</b>	<b>\$ 6,194,633</b>	<b>\$ 779,120</b>	<b>\$ 832,156</b>	<b>\$ 7,594,444</b>	<b>\$ 7,026,790</b>

Prior year reclassified to be consistent with current year presentation.

Major capital asset events during the current fiscal year included the following:

**Light Rail** – Construction started on the Metro Gold Line Eastside Extension project. This \$900 million project is a six-mile light rail line that extends into East Los Angeles. The revenue operation date is projected to occur in summer 2009.

**Bus Transit Corridor Projects** – The \$330 million Metro Orange Line is an exclusive 14-mile at-grade bus-way system that originates at the Metro Red-Line North Hollywood station and extends to the Warner Center. The planned completion date is August 2005.

**Universal Fare Collection and Communication Systems** – The \$94 million universal fare collection system (UFS) and the \$109 million advance transportation management system (ATMS) are two projects designed to improve transit service. The UFS project will improve Metro’s fare collection systems on all rolling stock. This project will install new fare collection equipment on all Metro buses and light rail cars. The ATMS project replaces existing bus radio systems with a new integrated communication system that helps controls bus operations while providing information to the riding public. The ATMS project is progressing as planned.

Additional information on Metro’s assets can be found in Note III. G on pages 44-45.

### Long-term Debt

At the end of the current fiscal year Metro had total bonded debt outstanding of \$4,487,180, of which \$2,904,275 represented bonds secured by sales tax revenue, and \$868,005 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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Sales Tax Revenue Bonds & Refunding Bonds	\$ 2,904,275	\$ 2,956,285	\$ -	\$ -	\$ 2,904,275	\$ 2,956,285
General Revenue Bonds	274,220	185,735	-	-	274,220	185,735
Lease/Leaseback to Service Obligation	868,005	750,054	-	-	868,005	750,054
Commercial Paper Notes	347,862	265,414	-	-	347,862	265,414
Certificates of Participation	6,055	106,895	-	-	6,055	106,895
Others	57,327	68,188	29,436	30,280	86,763	98,468
Total Long-Term Liabilities	<u>\$ 4,457,744</u>	<u>\$ 4,332,571</u>	<u>\$ 29,436</u>	<u>\$ 30,280</u>	<u>\$ 4,487,180</u>	<u>\$ 4,362,851</u>

Prior year reclassified to be consistent with current year presentation.

During the current fiscal year Metro refinanced debt worth \$466,150 to take advantage of favorable interest rates. Metro has also entered into lease/leaseback agreements to lease rail cars to investors for \$89,633 and simultaneously entered into sublease agreements to lease them back. Metro has also issued \$82,448 in commercial paper notes to provide interim financing for construction and acquisition activities.

Additional information on Metro’s long-term debt can be found in Notes III. I and J on pages 47-56.

### Economic Factors and Next Year’s Budget

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

- Economic conditions influencing local sales tax revenues
- Interest rate fluctuations
- Capital grant revenue availability
- Fuel and labor costs

Metro bases its future funding assumptions on economic forecasts from various governmental sources. The budget for fiscal year 2005 assumes a modest improvement in economic conditions for the Los Angeles region. Local sales tax revenues represent the single largest revenue sources for Metro, and comprise 44.2 percent of Metro's total revenue base. It is expected that sales tax revenues for LA County will increase by 4.1 percent in the coming year. From this revenue base, Metro constructs a budget that balances anticipated revenues with area transportation needs.

### **Further Information**

This report has been designed to provide our stakeholders with a general overview of Metro'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.

**Los Angeles County Metropolitan Transportation Authority**  
**Statement of Net Assets**  
**June 30, 2004**  
(Amounts expressed in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 66,811	\$ 416,504	\$ 483,315
Investments	107,028	248,164	355,192
Receivables (net of allowance for uncollectibles)	92,051	124,258	216,309
Internal balances	2,961	(2,961)	-
Inventories	76,040	-	76,040
Prepaid items	24,201	8	24,209
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	274,221	3,274	277,495
Investments	1,244,518	13,259	1,257,777
Investment in other agencies	-	192,746	192,746
Capital assets (net of accumulated depreciation)			
Land	592,633	778,779	1,371,412
Buildings	4,635,007	-	4,635,007
Equipment	205,945	-	205,945
Vehicles	956,587	341	956,928
Construction in progress	425,152	-	425,152
<b>Total assets</b>	<b>8,703,155</b>	<b>1,774,372</b>	<b>10,477,527</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	117,234	55,733	172,967
Accrued interest payable	79,203	-	79,203
Due to other governments	1,734	-	1,734
Other liabilities - current	939	587	1,526
Claims payable - current	77,232	-	77,232
Bonds and notes payable - current	129,280	422	129,702
Deferred revenue and credits	51,335	45,156	96,491
Compensated absences payable - current	45,481	-	45,481
Post employment benefits payable - current	14,000	-	14,000
Noncurrent liabilities:			
Post-employment benefits payable	103,910	-	103,910
Claims payable	175,568	-	175,568
Compensated absences payable	21,059	-	21,059
Bonds and notes payable	4,328,464	29,014	4,357,478
<b>Total liabilities</b>	<b>5,145,439</b>	<b>130,912</b>	<b>5,276,351</b>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	3,528,543	779,120	4,307,663
Unrestricted net asset (deficit) for:			
Systems expansion and acquisition	160,819	-	160,819
Post employment benefits	(32,823)	-	(32,823)
Other liabilities	(98,823)	-	(98,823)
General & special revenue		864,340	864,340
<b>Total net assets</b>	<b>\$ 3,557,716</b>	<b>\$ 1,643,460</b>	<b>\$ 5,201,176</b>

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, 2004**  
**(Amounts expressed in thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Business-type activities:			
Transit operations			
Operations	\$ 904,920	\$ 233,757	\$ 664,396
Depreciation	347,629	-	-
Debt service interest	177,935	-	-
Total business-type Activities	<u>1,430,484</u>	<u>233,757</u>	<u>664,396</u>
Governmental-activities:			
Transit operators programs	1,103,537	-	1,453
Local cities programs	271,007	-	-
Regional multimodal capital programs	69,393	-	2,964
Paratransit programs	66,913	-	53,955
Other transportation subsidies	49,335	-	-
Debt service interest	600	-	-
General government	95,553	-	15,222
Total governmental-activities	<u>1,656,338</u>	<u>-</u>	<u>73,594</u>
Total	<u>\$ 3,086,822</u>	<u>\$ 233,757</u>	<u>\$ 737,990</u>
General revenues:			
Sales taxes			
Intergovernmental			
Lease and rentals			
Investment earnings			
Miscellaneous			
Total general revenues			
Change in Net Assets			
Net assets - beginning of year			
Net assets - ending of year			

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

Revenues	Net (Expense) Revenue and Changes in Net Assets		
Capital Grants and Contributions	Business-type Activities	Governmental Activities	Total
\$ -	\$ (6,767)	\$ -	\$ (6,767)
-	(347,629)	-	(347,629)
171,061	(6,874)	-	(6,874)
<u>171,061</u>	<u>(361,270)</u>	<u>-</u>	<u>(361,270)</u>
-	-	(1,102,084)	(1,102,084)
-	-	(271,007)	(271,007)
-	-	(66,429)	(66,429)
-	-	(12,958)	(12,958)
-	-	(49,335)	(49,335)
600	-	-	-
-	-	(80,331)	(80,331)
<u>600</u>	<u>-</u>	<u>(1,582,144)</u>	<u>(1,582,144)</u>
<u>\$ 171,661</u>	<u>\$ (361,270)</u>	<u>\$ (1,582,144)</u>	<u>\$ (1,943,414)</u>
	-	1,478,408	1,478,408
	636,482	38,248	674,730
	-	10,963	10,963
	12,495	5,352	17,847
	<u>209</u>	<u>19,288</u>	<u>19,497</u>
	649,186	1,552,259	2,201,445
	287,916	(29,885)	258,031
	<u>3,269,800</u>	<u>1,673,345</u>	<u>4,943,145</u>
	<u>\$ 3,557,716</u>	<u>\$ 1,643,460</u>	<u>\$ 5,201,176</u>



**Los Angeles County Metropolitan Transportation Authority**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**  
**(Amounts expressed in thousands)**

	<u>General Fund</u>	<u>Proposition A</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 70,615	\$ 33,400
Investments	78,426	37,094
Receivables (net of allowances for uncollectibles)		
Accounts	2,480	-
Interest	602	272
Intergovernmental	778	-
Sales tax	-	39,170
Leases and other	30	-
Due from other funds	-	16,899
Prepaid items and other assets	8	-
Restricted assets:		
Cash and cash equivalents	-	-
Investments	25	-
<b>TOTAL ASSETS</b>	<u>\$ 152,964</u>	<u>\$ 126,835</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,262	\$ 14,315
Other liabilities - current	578	-
Due to other funds	-	-
Bonds and notes payable - current	116	-
Deferred revenue	316	-
<b>TOTAL LIABILITIES</b>	<u>6,272</u>	<u>14,315</u>
<b>FUND BALANCES</b>		
Fund balances		
Reserved for:		
Memoranda of understanding	-	52,342
Encumbrances	8,389	-
Prepaid and other assets	8	-
Unreserved, reported in:		
General fund	138,295	-
Special revenue funds	-	60,178
<b>TOTAL FUND BALANCES</b>	<u>146,692</u>	<u>112,520</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 152,964</u>	<u>\$ 126,835</u>

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

<b>Proposition C</b>	<b>TDA</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 105,048	\$ 139,503	\$ 67,938	\$ 416,504
117,569	-	15,075	248,164
11,937	-	9	14,426
901	272	196	2,243
-	-	1,206	1,984
39,155	19,297	7,952	105,574
-	-	-	30
-	-	-	16,899
-	-	-	8
3,274	-	-	3,274
13,234	-	-	13,259
<b>\$ 291,118</b>	<b>\$ 159,072</b>	<b>\$ 92,376</b>	<b>\$ 822,365</b>
\$ 30,955	\$ 1,855	\$ 3,349	\$ 55,736
3	-	6	587
1,311	14,184	4,366	19,861
-	-	-	116
-	-	-	316
<b>32,269</b>	<b>16,039</b>	<b>7,721</b>	<b>76,616</b>
262,707	136,305	44,477	495,831
-	-	13,601	21,990
-	-	-	8
-	-	-	138,295
(3,858)	6,728	26,577	89,625
<b>258,849</b>	<b>143,033</b>	<b>84,655</b>	<b>745,749</b>
<b>\$ 291,118</b>	<b>\$ 159,072</b>	<b>\$ 92,376</b>	<b>\$ 822,365</b>

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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, 2004  
 (Amounts expressed in thousands)

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Fund Balance - total governmental funds (page 19)	\$ 745,749
Capital assets are not financial resources, and therefore, are not reported in the funds.	
Government capital assets	779,120
Investment in other agencies	192,746
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
	(29,315)
Government funds report revenue 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.	
	(44,840)
	<hr/>
Net Assets of governmental activities (page 17)	<u><u>\$ 1,643,460</u></u>

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

**Los Angeles County Metropolitan Transportation Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2004**  
**(Amounts expressed in thousands)**

	<b>General Fund</b>	<b>Proposition A</b>
	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>		
Sales tax	\$ -	\$ 576,651
Intergovernmental	49,115	-
Investment income	2,922	771
Net decline in fair value of investments	(1,297)	(589)
Lease and rental	10,963	-
Licenses and fines	456	-
Proceeds on lease/leaseback to service	8,128	-
Other	9,392	-
	<u>                    </u>	<u>                    </u>
<b>TOTAL REVENUES</b>	<u>79,679</u>	<u>576,833</u>
<b>EXPENDITURES</b>		
Current:		
Administration and other	44,813	-
Transportation subsidies	28,200	535,454
Debt and interest expenditures		
Interest and fiscal charges	600	-
Bond principal & commercial paper retirement	844	-
	<u>                    </u>	<u>                    </u>
<b>TOTAL EXPENDITURES</b>	<u>74,457</u>	<u>535,454</u>
<b>NET CHANGE IN FUND BALANCES</b>	5,222	41,379
Fund balances - beginning	141,470	71,141
<b>FUND BALANCES - ENDING</b>	<u>\$ 146,692</u>	<u>\$ 112,520</u>

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

<b>Proposition C</b>	<b>TDA</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 576,655	\$ 294,016	\$ 31,086	\$ 1,478,408
59,539	6	3,717	112,377
2,188	2,301	1,193	9,375
(1,921)	-	(216)	(4,023)
-	-	-	10,963
77	-	7,261	7,794
-	-	-	8,128
3	-	1	9,396
<u>636,541</u>	<u>296,323</u>	<u>43,042</u>	<u>1,632,418</u>
39,617	-	8,938	93,368
672,623	300,264	25,801	1,562,342
-	-	-	600
-	-	-	844
<u>712,240</u>	<u>300,264</u>	<u>34,739</u>	<u>1,657,154</u>
(75,699)	(3,941)	8,303	(24,736)
334,548	146,974	76,352	770,485
<u>\$ 258,849</u>	<u>\$ 143,033</u>	<u>\$ 84,655</u>	<u>\$ 745,749</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, 2004  
 (Amounts expressed in thousands)

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Amounts reported for governmental activities in the statement of activities (page 17)  
 are different because:

Net change in fund balances - total governmental funds (page 23)	\$ (24,736)
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.	848
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.	(8,128)
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 lease / leaseback proceeds).	2,158
Government funds do not account for depreciation of capital assets use. Depreciation expense	<u>(27)</u>
Change in net assets of government activities (page 17)	<u><u>\$ (29,885)</u></u>

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

Los Angeles County Metropolitan Transportation Authority  
Statement of Fund Net Assets  
Proprietary Fund - Enterprise Fund  
June 30, 2004  
(Amounts expressed in thousands)

	<b>Business -type Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 66,811
Investments	107,028
Receivables (net of allowance for uncollectibles)	92,051
Inventories	76,040
Due from other funds	2,961
Prepaid items	24,201
Total current assets	<u>369,092</u>
Noncurrent assets:	
Restricted assets:	
Temporarily Restricted:	
Cash and cash equivalents	274,221
Investments	1,244,518
Total restricted assets	<u>1,518,739</u>
Capital assets (net of accumulated depreciation)	
Land	592,633
Buildings	4,635,007
Equipment	205,945
Vehicles	956,587
Construction in progress	425,152
Total capital assets	<u>6,815,324</u>
Total noncurrent assets	<u>8,334,063</u>
Total assets	<u>8,703,155</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	117,234
Accrued interest payable	79,203
Due to other governments	1,734
Other liabilities - current	939
Claims payable - current	77,232
Bonds and notes payable - current	129,280
Deferred revenue and credits	51,335
Compensated absences payable - current	45,481
Post employment benefits payable - current	14,000
Total current liabilities	<u>516,438</u>
Noncurrent liabilities:	
Post employment benefits payable - noncurrent	103,910
Claims payable - noncurrent	175,568
Compensated absences payable - noncurrent	21,059
Bonds and notes payable - noncurrent	4,328,464
Total noncurrent liabilities	<u>4,629,001</u>
Total liabilities	<u>5,145,439</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,528,543
Unrestricted net asset (deficit) for:	
Systems expansion and acquisition	160,819
Post employment benefits	(32,823)
Other liabilities	(98,823)
Total net assets	<u>\$ 3,557,716</u>

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



Los Angeles County Metropolitan Transportation Authority  
Proprietary Fund - Enterprise Fund  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
For the year ended June 30, 2004  
(Amounts expressed in thousands)

	<b>Business-type Activities</b>
<b>OPERATING REVENUES:</b>	
Passenger fares	\$ 221,454
Route subsidies	602
Auxiliary transportation	11,932
<b>TOTAL OPERATING REVENUES</b>	<u>233,988</u>
<b>OPERATING EXPENSES:</b>	
Transportation	531,986
Maintenance	310,359
General and administrative	62,615
<b>TOTAL OPERATING EXPENSES, excluding depreciation</b>	<u>904,960</u>
<b>OPERATING LOSS BEFORE DEPRECIATION</b>	670,972
Depreciation	347,629
<b>OPERATING LOSS</b>	<u>(1,018,601)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Local grants	548,667
State grants	510
Federal grants	115,219
Interest revenues	3,547
Net (decline) in fair value of investments	(5,871)
Interest expense	(6,874)
Gain on disposition of fixed assets	40
Other revenue	2,093
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>657,331</u>
<b>LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>(361,270)</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	
Local grants (net of interest expense of \$171,061)	458,056
State grants	11,384
Federal grants	179,746
<b>TOTAL CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>649,186</u>
<b>CHANGE IN NET ASSETS</b>	287,916
Net assets - beginning of year	3,269,800
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,557,716</u>

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

Los Angeles County Metropolitan Transportation Authority  
Proprietary Fund - Enterprise Fund  
Statement of Cash Flows  
For the Year Ending June 30, 2004  
(Amounts expressed in thousands)

	<b>Business-type Activities</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 273,687
Payments to suppliers	(379,299)
Payments to employees	(531,912)
Net cash used for operating activities	<u>(637,524)</u>
<b>Cash flows from non-capital financing activities:</b>	
Proceeds from grants	1,108,897
Proceeds from sales of surplus parts	2,351
Net cash provided by non-capital financing activities	<u>1,111,248</u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from issuance of debts	697,922
Payment of matured bonds and notes payable	(572,748)
Acquisition and construction of capital assets	(332,127)
Interest paid	(3,709)
Net cash used in capital and related financing activities	<u>(210,662)</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sales and maturity of investments	430,942
Purchase of investments	(690,136)
Investments earnings	2,459
Net cash used for investing activities	<u>(256,735)</u>
Net increase in cash and cash equivalents	6,327
Cash and cash equivalents, beginning of year	<u>334,705</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 341,032</u></u>
<b>Reconciliation of operating income to net cash provided (used ) by operating activities:</b>	
Operating income (loss)	<u>(1,018,601)</u>
Adjustments to reconcile operating income to net cash provided (used ) by operating activities	
Depreciation expense	347,629
Decrease in accounts receivable	451
(Increase) in leases and other receivables	(590)
Decrease in due from other funds	26,657
(Increase) in prepaid and other assets	(13,528)
Decrease in inventories	240
(Decrease) in accounts Payable	(61,377)
Increase in compensated absences payable	4,334
Increase in advances from other funds	1,734
Increase in claims and judgment payable	19,157
Increase in post retirement benefits payable	17,522
(Decrease) in other liabilities	(400)
Increase in deferred revenues	39,248
Total adjustment	<u>381,077</u>
Net cash used for operating activities	<u><u>\$ (637,524)</u></u>
<b>Non-cash investing, capital and financing transactions:</b>	
Net increase (decrease) in fair value of investments	\$ (5,871)
Contributions of capital asset	326,565

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

Los Angeles County Metropolitan Transportation Authority  
Statement of Fiduciary Net Assets  
June 30, 2004  
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,784	\$ 16,066
Investments	607,880	-
Receivables:		
Interest	2,747	90
Leases and other	369	3,511
Prepaid items and other assets	66	-
<b>TOTAL ASSETS</b>	<u>631,846</u>	<u>19,667</u>
<b>LIABILITIES</b>		
Accounts payable	3,340	916
Accrued interest payable	-	1,951
Accrued bond principal payable	-	16,800
Liabilities for retirement income plan	14,186	-
<b>TOTAL LIABILITIES</b>	<u>17,526</u>	<u>19,667</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	614,320	-
<b>TOTAL NET ASSETS</b>	<u>\$ 614,320</u>	<u>\$ -</u>

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

Los Angeles County Metropolitan Transportation Authority  
Statement of Changes in Fiduciary Net Assets  
For the year ended June 30, 2004  
(Amounts expressed in thousands)

	<u>Employee Retirement Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 32,586
Member	15,118
	<u>47,704</u>
Total contributions	<u>47,704</u>
From Investing Activities	
Net appreciation in fair value of investments	85,333
Investment income	7,980
Investment expense	(2,357)
Other revenue	244
	<u>91,200</u>
Total investing activity income	<u>91,200</u>
<b>TOTAL ADDITIONS</b>	<u>138,904</u>
<b>DEDUCTIONS</b>	
Retiree benefits	(67,972)
Administrative expense	(2,126)
	<u>(70,098)</u>
<b>TOTAL DEDUCTIONS</b>	<u>(70,098)</u>
<b>NET INCREASE</b>	68,806
Net assets beginning of year	<u>545,514</u>
<b>NET ASSETS END OF YEAR</b>	<u><u>\$ 614,320</u></u>

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

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to the Financial Statements

June 30, 2004

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, 2004

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Los Angeles County Metropolitan Transportation Authority (Metro) 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 Metro's financial statements and those of its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially dependent upon Metro and because Metro's approval is needed for the units to expend their budgets, set taxes or charges, and issue bonded debts. Although they are legally separate entities, the blended component units are in substance part of Metro's operations, and data from these units are combined with Metro's financial data.

Metro administers the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the LACMTA Leasing Authority, and the Service Authority for Freeway Emergencies (SAFE), and therefore includes these activities in the accompanying financial statements. PTSC, PRMA, and LACMTA Leasing Authority provide services exclusively to Metro, and Metro 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, and SAFE reported in the governmental fund type. Additional detailed financial information for each of these entities can be obtained from Metro's Accounting 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, Metro entered into an Acquisition Agreement under which the planning, programming, administrative, operational management, and construction functions of Metro were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by Metro.

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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements  
June 30, 2004

Summary audited financial information for PTSC and PRMA for the year ended June 30, 2004, is presented below:

	PTSC	PRMA
Current Assets	\$ 77,263	\$ 31,523
Non-current Assets	609	125,396
Total Assets	77,872	156,919
Current Liabilities	69,545	53,505
Long-term liabilities	8,327	103,414
Total Liabilities	77,872	156,919
Net Assets	-	-
Total Revenues	151,652	1,042
Total Expenses	(151,652)	(1,042)
Change in Net Assets	\$ -	\$ -

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.

Metro adopted GASB Statements No. 34, 37, and 38 for the year ending June 30, 2002. GASB 34 required Metro to present Management’s Discussion and Analysis (MD&A) as required supplementary information preceding the basic financial statements, which consist of the government wide and fund financial statements.



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

The adoption of GASB 34 did not have an impact on the net assets of Metro's funds.

Metro's financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

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

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, Metro 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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

liability is incurred. However, long-term debts are recorded only when payment is due.

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). Metro also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Metro has elected not to follow subsequent private-sector guidance.

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

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 Metro's enterprise fund are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

### **Fund Accounting**

Metro 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 fund** is used to account for Metro's ongoing operations and activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The enterprise fund is Metro's only proprietary fund.

Metro's Proprietary Fund covers the Enterprise fund which 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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

to the general public on a continuing basis be recovered primarily through user charges, and shortfalls from governmental subsidies.

Beginning in fiscal '04, Metro has elected to report all operations-related transactions, including capital and related debt in the enterprise fund. This new reporting model provides a clearer picture of the agency's transit operations financial position and results of operations.

All major transit operations capital projects are partially funded by proceeds from debt secured with sales tax revenue guarantees and state and federal grants. Sales tax guaranteed-related debt is reported as proprietary liabilities in the enterprise fund, and the financial resources used to pay the debt are reported as enterprise fund program grants.

**Governmental funds** are used to account for Metro's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. Metro 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 that are legally restricted to expenditures for specified purposes. These include sales tax.

*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 percent to local jurisdiction for local transit; 35 percent to be used for construction and debt service payments and operation of rail rapid transit systems; 40 percent is allocated at the discretion of Metro.

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

*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 proceed.

**Fiduciary funds** are used to account for assets held by Metro 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:

*Pension trust funds* account for the assets of the four Defined Benefit Pension Plans that Metro 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. These include two benefit assessment districts.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary information

#### **Budgetary accounting**

In February of each year all Metro departments submit requests for appropriations 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 adoption, the Board conducts public hearings for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which must occur no later than June 30.

Enabling legislation and adopted policies and procedures provide that Metro's Board approve 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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

expenditures are submitted to the Board a minimum of once a year. Budget amendments are made when needed.

Metro employs the following practices and procedures in establishing budgetary data on a basis consistent with GAAP as reflected in the basic financial statements:

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

**B. Encumbrances**

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

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

All investments are stated at fair value. Net changes in the fair value of investments are shown in the statement of revenues, expenditures, and changes in fund balance for governmental funds; and in the statement of revenues, expenses and changes in fund net assets for the enterprise fund. 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 current year.

Metro maintains a fund 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 statement of fund net assets and 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 net assets, balance sheets and statement of cash flows, all highly liquid investments, including restricted assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to the Financial Statements (Continued)

June 30, 2004

As of June 30, 2004, Metro's carrying amount of cash in checking accounts was \$4,246, while the bank balance was \$27,373, with the difference represented primarily by outstanding checks. Accounts with two banks were covered by Federal Deposit Insurance Corporation (FDIC) for up to \$100,000 (amount not in thousands) each, and \$27,173 was insured or registered, or was covered by securities held by the bank's trust department or its agent in Metro'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 governmental securities with a value of 110 percent of the deposit or by pledging first trust deed mortgage notes having a value of 150 percent of a governmental unit's total deposits. Metro may waive collateral requirements for deposits that are fully insured up to \$100,000 (amount not in thousands) by the FDIC.

Metro 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 Metro a broad spectrum of investment opportunities provided the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et. Seq.

Restricted cash and investments are comprised of assets set aside for funding self-insurance claims, funding of debt, pension benefits and post-employment benefits. Restricted cash for each of these purposes is recorded in distinctly separate accounts. Metro complies with the appropriate GASB reporting requirements.

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

As of June 30, 2004, the following are the cash and investment balances. All cash and investments were identified as Category 1 except those listed that are not subject to categorization. Category 1 securities are insured or registered, or held by the bank's trust department or its agent in Metro's name.

	Business-type Activities	Governmental Activities	Total
Cash and Investment accounts:			
Cash	\$ 1,939	\$ 2,307	\$ 4,246
Money Market Accounts	216,974	428	217,402
Asset backed Securities	882,877	17,389	900,266
Bankers' Acceptance	14,472	50,229	64,701
Certificate of Deposits	154	1,318	1,472
Commercial Paper	13,130	51,501	64,631
Corporate Bonds	47,770	61,350	109,120
Government Bonds	191,411	52,249	243,660
Mortgage backed Securities	137,136	201,287	338,423
Other Fixed Income	110	909	1,019
Repurchase Agreements	500	-	500
US Governments or its Agencies	20,297	14,036	34,333
Investments not subject to categorization:			
Guaranteed Investment Contracts	59,047	-	59,047
Investment Pools	52,384	222,268	274,652
Pooled Funds and Mutual Funds	54,377	5,930	60,307
Grand Total	<u>\$ 1,692,578</u>	<u>\$ 681,201</u>	<u>\$ 2,373,779</u>
Reported in statement of net assets and balance sheet:			
Cash and cash equivalent	\$ 66,811	\$ 416,504	\$ 483,315
Investment	107,028	248,164	355,192
Cash and cash equivalent – restricted	274,221	3,274	277,495
Investment – restricted	1,244,518	13,259	1,257,777
Grand total	<u>\$ 1,692,578</u>	<u>\$ 681,201</u>	<u>\$ 2,373,779</u>

Metro's investment with the California Local Agency Investment Fund (LAIF) and the Los Angeles County Investment Pool (LACIP) amounted to \$274,652. 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

**B. Interfund receivables, payables, and transfers**

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

As of June 30, 2004, special revenue funds owe enterprise funds \$2,961.

<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Amount</b>
<b>Receivable Fund</b>	<b>Payable Fund</b>	
Enterprise	TDA	\$ 14,183
Enterprise	STA	3,965
Enterprise	Prop C	1,312
Enterprise	Others	400
Enterprise	Prop A	(16,899)
Total		<u>\$ 2,961</u>

Interfund balances: computation of interfund balances is as follows:

<b>Interfund Balances</b>	<b>Transfer In</b>					<b>TOTAL</b>
	<b>General Fund</b>	<b>Proposition C</b>	<b>TDA</b>	<b>Other Funds</b>	<b>Enterprise Fund</b>	
General Fund	\$ -	\$ 3,225	\$ -	\$ 42	\$ 24,636	\$ 27,903
Proposition A	28,288	-	-	6	301,855	330,149
Proposition C	9,652	-	-	36	341,001	350,689
TDA	5,321	-	-	-	200,909	206,230
STA	-	-	-	-	18,392	18,392
Enterprise Fund	9	(4)	6	-	-	11
Other Funds	38	253	-	-	-	291
	<u>\$ 43,308</u>	<u>\$ 3,474</u>	<u>\$ 6</u>	<u>\$ 84</u>	<u>\$ 886,793</u>	<u>\$ 933,665</u>

Amounts reflected as transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. The receivable fund reports transfers as intergovernmental revenues and the payable fund reports them as transportation subsidies.



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Notes to the Financial Statements (Continued)  
June 30, 2004

**C. Receivables**

Receivables as of June 30, 2004, as shown in the government-wide financials, in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

Receivables	Balance
<b>Business-type activities</b>	
Accounts	\$ 47,421
Interest	3,889
Intergovernmental	42,195
Gross receivables	93,505
Less allowances	(1,454)
Net receivables	\$ 92,051
<b>Governmental activities</b>	
Accounts	\$ 16,029
Interest	2,243
Intergovernmental	1,984
Sales tax	105,574
Other	30
Gross receivables	125,860
Less allowances	(1,602)
Net receivables	\$ 124,258
Total	\$ 216,309

Receivables as of June 30, 2004, for the proprietary fund, including the applicable allowance for uncollectible accounts, are the same as receivables shown in the business-type activities section of the government-wide statement of net assets on page 15.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

Receivables as of June 30, 2004, for governmental activities by individual major funds and nonmajor funds, in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

Receivables	General Fund	Prop. A	Prop. C	TDA	Other Governmental Fund	Total Governmental Funds
Accounts	\$ 4,083	\$ -	\$ 11,937	\$ -	\$ 9	\$ 16,029
Interest	602	272	901	272	196	2,243
Intergovernmental	778	-	-	-	1,206	1,984
Sales tax	-	39,170	39,155	19,297	7,952	105,574
Lease and other	30	-	-	-	-	30
Gross receivables	5,493	39,442	51,993	19,569	9,363	125,860
Less allowances	(1,602)	-	-	-	-	(1,602)
Net receivables	\$ 3,891	\$ 39,442	\$ 51,993	\$ 19,569	\$ 9,363	\$ 124,258

**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.

Certain payments to vendors reflect costs applicable to future accounting periods, 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 Metro's business-type activities and governmental activities are classified as restricted assets on the statement of net assets and balance sheets. Restricted assets are maintained in separate accounts and their use is limited by applicable designation.

**F. Investments in other agencies**

As of June 30, 2004, Metro has made a \$192,746 investment in the Southern California Regional Rail Authority (SCRRA). Metro holds a 57 percent equity share of

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

the net assets of SCRRA. The summary financial information for SCRRA is shown on Page 64.

**G. Capital assets**

Capital assets are reported in the applicable business-type or governmental activities in the government-wide financial statements. Capital assets are defined by Metro 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 the asset's life are not capitalized.

Capital assets in the proprietary funds are recorded at cost.

Depreciation is computed using the straight-line method shown below, which is based on the estimated useful life years of individual assets.

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

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

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Notes to the Financial Statements (Continued)  
June 30, 2004

Capital asset activity for the year ended June 30, 2004 is as follows:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 518,267	\$ 77,118	\$ (2,752)	\$ 592,633
Construction in progress	485,127	182,259	(242,234)	425,152
<b>Total capital assets, not being depreciated</b>	<b>\$ 1,003,394</b>	<b>\$ 259,377</b>	<b>\$ (244,986)</b>	<b>\$ 1,017,785</b>
Capital assets, being depreciated:				
Buildings	5,176,622	825,962	-	6,002,584
Equipment	792,893	9,840	(292,344)	510,389
Vehicles	1,558,901	120,640	(79,077)	1,600,464
<b>Total capital assets, being depreciated</b>	<b>\$ 7,528,416</b>	<b>\$ 956,442</b>	<b>\$ (371,421)</b>	<b>\$ 8,113,437</b>
Less accumulated depreciation for:				
Buildings	(1,178,679)	(188,898)	-	(1,367,577)
Equipment	(534,001)	(62,370)	291,927	(304,444)
Vehicles	(624,497)	(96,361)	76,981	(643,877)
<b>Total accumulated depreciation</b>	<b>(2,337,177)</b>	<b>(347,629)</b>	<b>368,908</b>	<b>(2,315,898)</b>
<b>Total capital assets, being depreciated, net</b>	<b>5,191,239</b>	<b>608,813</b>	<b>(2,513)</b>	<b>5,797,539</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 6,194,633</b>	<b>\$ 868,190</b>	<b>\$ (247,499)</b>	<b>\$ 6,815,324</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 832,156	\$ -	\$ (53,377)	\$ 778,779
<b>Governmental activities capital assets</b>	<b>\$ 832,156</b>	<b>\$ -</b>	<b>\$ (53,377)</b>	<b>\$ 778,779</b>
Capital assets, being depreciated:				
Freeway Service Patrol Safe Vehicles	-	368	-	368
Less accumulated depreciation	-	(27)	-	(27)
<b>Total capital assets, being depreciated, net</b>	<b>-</b>	<b>341</b>	<b>-</b>	<b>341</b>
<b>Governmental-type activities capital assets, net</b>	<b>\$ 832,156</b>	<b>\$ 341</b>	<b>\$ (53,377)</b>	<b>\$ 779,120</b>

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

<u>Business-type Activities</u>		
Bus Operations		93,467
Rail Operations		254,162
Total Business-type Activities		<u>\$ 347,629</u>
<u>Governmental-type</u>		
Congestions Relief (Safe)		27
Total		<u>\$ 347,656</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

**H. Risk Management**

The primary emphasis of risk management activities at Metro is to prevent or minimize the risk of injury to persons and damage to, or loss of, property. Where losses cannot be prevented, Metro 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 Metro's financial planning process.

For its construction projects, Metro makes provisions 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 Metro Rail segments. As of June 30, 2004, 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, 2004, 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 5.5 percent. Metro believes that the estimated liability for self-insured claims at June 30, 2004, will be sufficient to cover any costs arising from claims filed or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent estimate of reserves required for unsettled claims and related administrative costs, and includes damages that have been incurred but not reported.

Prior to September 1, 1998, Metro was fully self-insured for workers' compensation claims and administered by a third party administrator. Effective September 1, 1999, 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. Between September 1, 1998, and August 31, 2000, an outside insurance carrier insured MTA for workers compensation claims. 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 MTA and PTSC, with the claims operation managed by PRMA. A cash reserve has been established equal to the combined new self-insured and retro premium liabilities.

Metro is partially self-insured for public liability and property damage for non-construction activities up to \$4,500 per occurrence. Metro has acquired outside

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

insurance coverage for losses in excess of this amount. Metro reserves set aside for the incurred and outstanding liabilities as of June 30, 2004, are \$47,276 for liabilities under the self-insured retention.

In addition, Metro 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 up to \$5,800,000. The policies also contain an earthquake sub-limit of \$100,000 with a 5 percent 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, 2004 and 2003:

	Property and Casualty		Workers' Compensation		Total	
	2004	2003	2004	2003	2004	2003
Unpaid claims and claim adjustment reserve - beginning of year	\$81,217	\$68,847	\$152,426	\$130,556	\$233,643	\$199,403
Provisions for insured events	39,209	42,909	48,831	47,908	88,040	90,817
Interest Income	1,666	2,100	6,683	6,028	8,349	8,128
Total incurred claims and claims adjustment expense	122,092	113,856	207,940	184,492	330,032	298,348
Payment attributable to insured events	<u>(37,807)</u>	<u>(32,639)</u>	<u>(39,425)</u>	<u>(32,066)</u>	<u>(77,232)</u>	<u>(64,705)</u>
Total unpaid claims and claim adjustment reserves -end of the year	<u>\$84,285</u>	<u>\$81,217</u>	<u>\$168,515</u>	<u>\$152,426</u>	<u>\$252,800</u>	<u>\$233,643</u>

It is Metro's practice to review prior year claim payment patterns to determine the current portion of claims payable. As of June 30, 2004, \$77,232 of the total claims liability is considered current.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
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**I. Leases**

**Operating leases**

Metro 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, 2004, were \$ 1,739. Future minimum lease payments for these leases are as follows:

Year Ending <u>June 30.</u>	
2005	\$1,608
2006	157
2007	154
2008	152
2009	100
2010 and thereafter	<u>76</u>
<b>Total</b>	<b><u>\$2,247</u></b>

**Capital leases**

Metro 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	\$ 32,593	\$ 35,051	\$ 67,644
Less: accumulated depreciation	<u>(5,432)</u>	<u>(9,733)</u>	<u>(15,165)</u>
Total	<u>\$ 27,161</u>	<u>\$ 25,318</u>	<u>\$ 52,479</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follow:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	6.500% - 10.622%	\$32,195

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Notes to the Financial Statements (Continued)  
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The lease payment schedule to maturity is as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 10,408	\$ 1,913
2006	4,154	1,360
2007	3,870	1,089
2008	2,568	866
2009	2,749	687
2010-2013	8,446	1,012
<b>Totals</b>	<b>\$ 32,195</b>	<b>\$ 6,927</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, 2004, Metro's long-term obligations related to its business-type and governmental activities are:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-type Activities</b>					
General Revenue Bonds	\$ 185,735	\$88,485	\$ -	\$274,220	\$12,400
Certificates of Participation	106,895	-	(100,840)	6,055	6,055
Capitalized Lease	38,408	5,465	(11,678)	32,195	10,408
Sales Tax Revenue Bonds and Refunding Bonds	2,956,285	392,625	(444,635)	2,904,275	83,215
Sales Tax revenue Bonds - Local Allocation	13,020	-	(2,170)	10,850	2,170
Lease Revenue bonds	16,760	-	(2,478)	14,282	2,696
Lease/Leaseback to Service Obligation	750,054	128,899 *	(10,948)	868,005	12,336
Commercial Paper Notes	265,414	82,448	-	347,862	-
Business-type Activity Long-term Liabilities	<u>4,332,571</u>	<u>697,922</u>	<u>(572,749)</u>	<u>4,457,744</u>	<u>129,280</u>
<b>Governmental Activities</b>					
Redevelopment Bonds and Housing Bonds	30,280	-	(844)	29,436	422
Total Long-Term Liabilities	<u>\$4,362,851</u>	<u>\$697,922</u>	<u>(\$ 573,593)</u>	<u>\$4,487,180</u>	<u>\$129,702</u>

\*Includes leaseback loan accretion of \$39,266; and net of cash benefit from leaseback of \$8,128.



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June 30, 2004

**General revenue bonds**

On August 1, 2003, Metro issued its \$88,485 General Revenue Refunding Bonds (Workers' Compensation Funding Program), Series 2003 (Taxable) to prepay on a current basis the Southern California Rapid Transit District's \$160,000 Certificates of Participation (Workers' Compensation Funding Program, issued on March 1, 1991) currently outstanding in the principal amount of \$88,900. This was done to take advantage of lower interest rates ranging from 1.29 percent to 4.56 percent (compared to 6.00 percent to 7.50 percent if not prepaid) from July 1, 2004 to July 1, 2010, its maturity date. This resulted in a present value of net cash flow savings of \$9,442.

General revenue bonds of two issues currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type activities	1.29% - 5.90%	\$ 274,220

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 12,400	\$ 13,458
2006	11,980	13,263
2007	12,845	12,960
2008	14,445	12,517
2009	14,140	11,982
2010-2014	46,200	51,438
2015-2019	42,045	42,508
2020-2024	76,490	25,129
2025	43,675	2,640
Total	<u>\$ 274,220</u>	<u>\$ 185,895</u>

**Certificates of participation**

The certificates of participation executed on June 29, 1992, with an initial principal amount of \$118,375 and used to finance the acquisition of 333 buses and related equipment, were refunded on November 15, 2002, and will mature in fiscal year 2005. The certificates of participation with a par amount of \$5,765 matured on July 1, 2004.

The certificate issued on December 1, 1992, to finance the acquisition of up to 14 buses and related equipment operated by the City of Torrance likewise matured on July 1, 2004.

Certificates of participation currently outstanding are as follows:

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Notes to the Financial Statements (Continued)  
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Purpose	Interest Rates	Amount
Business-type Activities	4.00-6.00%	\$6,055

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 6,055	\$ 124
Total	\$ 6,055	\$ 124

**Sales tax revenue and refunding bonds**

Metro has issued bonds against sales tax revenue derived from Propositions A and C. 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 Metro’s debt service costs when more favorable interest rates are available. The Sales Tax Revenue Proposition A Refunding bonds, series 1992-A, and the Sales Tax revenue Proposition C Refunding Second Senior 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, refinanced, or mature. The agreements for the Proposition A bonds and Proposition C bonds expire in January 2008 and January 2009, respectively. Neither agreement is cancelable.

On October 7, 2003, Proposition C Sales Tax Revenue Refunding Second Senior Bonds, Series 2003-B in the amount of \$170,775, were issued by Metro as auction rate securities to refund the \$168,355 principal amount of Metro’s Proposition C Sales Tax Revenue Second Senior Bonds, Series 1993-B. Concurrently, Proposition C Sales Tax Revenue Refunding Second Senior Bonds, Series 2003-C in the amount of \$221,850 were issued by Metro as auction rate securities to advance refund the \$198,995 principal amount of Metro’s Proposition C Sales Tax Revenue Second Senior Bonds Series 1995-A. These two refundings resulted in a present value savings of \$39,052.

Sales tax revenue bonds currently outstanding have interest rates varying from 2 percent to 9 percent, amounting to \$2,904,275.

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Notes to the Financial Statements (Continued)  
June 30, 2004

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 83,215	\$ 145,599
2006	87,835	144,839
2007	92,135	140,134
2008	96,895	135,062
2009	103,430	129,710
2010-2014	599,905	510,852
2015-2019	772,155	346,315
2020-2024	788,570	151,207
2025-2029	250,585	34,249
2030-2033	29,550	1,799
Total	<u>\$ 2,904,275</u>	<u>\$ 1,739,766</u>

**Sales tax revenue bonds – local allocation**

These are bonds issued by Metro at the request of the City of Los Angeles to pay for the acquisition of certain buses for the City’s local public transit operations. The bonds are collateralized by pledged revenues from the City’s share of certain sales and use taxes. The necessary funds are withheld by the bond trustee from Metro’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:

Purpose	Interest Rates	Amount
Business-type Activities	4.00% - 4.30%	\$10,850

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 2,170	\$ 409
2006	2,170	320
2007	2,170	230
2008	2,170	139
2009	2,170	47
Total	<u>\$ 10,850</u>	<u>\$ 1,145</u>

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**Lease revenue bonds**

Lease revenue bonds were issued as part of a sale/leaseback of light railcars on the Los Angeles-Long Beach Light Rail System, which was placed in operation in July 1990. Basic provisions of the financing program called for the purchase price paid by the leasing agent to be paid 80 percent in U.S. dollars and 20 percent in Japanese yen. The lease arrangement has a purchase option equal to 10 percent 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:

Purpose	Interest Rates	Amount
Business-type Activities	4.94% - 7.385%	14,282

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 2,696	\$ 668
2006	2,784	479
2007	8,802	163
Total	\$ 14,282	\$ 1,310

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

In July 2003, Metro entered into two “lease to service” agreements, leasing 23 Siemens light rail vehicles. These arrangements are similar to prior lease/leaseback transactions, but each has a 15-year service period at the end of lease/leaseback under certain conditions. Metro 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 26.5-year term to expiration. Metro received prepayment of the head lease rents of \$99.1 million from the investors, of which it used approximately \$90.6 million to invest in three 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. \$7.9 million represents consideration for tax benefits net of \$0.6 million in expenses.

For the above transaction and six earlier “lease/leaseback to service” agreements entered into by Metro from June 2000 to December 2002, Metro is obligated to insure and maintain the facilities, buses and rail cars. The lease agreements also provide for

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

Metro's right to continue to use and control the facilities, buses, and rail cars. Metro 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 enterprise fund. The related liabilities are shown as business-type 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.

The lease obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	1.85% - 7.38%	\$868,005

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 12,336	\$ 23,491
2006	113,936	44,646
2007	31,093	41,769
2008	39,960	30,236
2009	9,181	43,994
2010-2014	361,606	217,414
2015-2019	107,256	170,442
2020-2024	64,261	357,645
2025-2029	91,586	189,733
2030-2033	36,790	61,629
Total	<u>\$ 868,005</u>	<u>\$ 1,180,999</u>

### Commercial paper notes

Commercial paper notes (CPN), taxable and tax-exempt, are issued by Metro 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 rolled-over into new notes. It is the intention of Metro 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. Metro periodically retires CPN by issuing long-term, fixed rate debt.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

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 three 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 Metro. Interest expense is reimbursed to the banks on a current basis from sales tax revenues. In the event that the dealer is unable to remarket the commercial paper and/or Metro 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.

**Redevelopment and housing bonds**

Metro entered into an agreement with the Community Redevelopment Financing Authority (CRFA) of the Community Redevelopment Agency (CRA) of the City of Los Angeles to assist in the financing of the Grand Central Square Multi-family Housing and Redevelopment Project. Under this agreement, housing and redevelopment bonds were issued.

The housing bonds were issued to fund the development in an historic central location in Los Angeles served by, and accessible to, the Metro Red Line.

The redevelopment bonds were issued to assist in the financing of the Agency's Redevelopment Plan for its Central Business District Redevelopment Project, also located in downtown Los Angeles, which borders the Bunker Hill Project and is accessible to the Red Line.

Both projects were undertaken with a commitment to promoting the use of mass transit and reducing congestion.

The project is completed and Metro is currently making debt service payments related to these bonds. Under a reimbursement agreement collateralized by real property of the Grand Central Square Project, the developer issued two promissory notes with a combined value of \$41,112 due in 2026.

Housing and redevelopment bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.50% - 5.85%	\$29,436

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

Annual debt service requirements to maturity for the housing and redevelopment bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 422	\$ 1,537
2006	760	1,509
2007	792	1,476
2008	825	1,440
2009	858	1,402
2010-2014	4,953	6,326
2015-2019	6,379	4,854
2020-2024	8,297	2,888
2025-2029	6,150	524
Total	<u>\$ 29,436</u>	<u>\$ 21,956</u>

The table below summarizes the net cash flow effect of the two debt refundings initiated during fiscal year 2004.

Changes in Cash Flows Resulting from Debt Refunding

<u>Refunding Debt Issue</u>	<u>Prior Cash Flow</u>	<u>Refunded Cash Flow</u>	<u>Net Cash Flow Savings</u>	<u>Present Value of Net Cash Flow Savings</u>
Prop C 2003 B&C	\$ 659,114	\$ 534,912	\$ 124,202	\$ 81,312
General Revenue Refunding Bonds -- Workers' Compensation 2003	112,323	101,487	10,835	9,442
	<u>\$ 771,437</u>	<u>\$ 636,399</u>	<u>\$ 135,037</u>	<u>\$ 90,754</u>

**K. Capital and MOU commitments**

**Construction In Progress And Other Significant Commitments**

The Board has approved a new Long Range Transportation Plan (the "Plan") that looks ahead at transportation needs over the twenty-five year period 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 mobility in Los Angeles County are the completion of the Eastside light-rail project, the rapid bus-way for the San Fernando Valley, and the extension of various other fixed guide-way projects through the year 2025.

Other major aspects of the Plan include expansion of the successful Metro Rapid Bus program. The Plan encourages more ridesharing, walking, bike riding,

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

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 within the County of Los Angeles.

Metro's capital activities are in various phases of development as of June 30, 2004. These projects include rail projects and the acquisition of buses, along with rapid bus transit-way projects. At year-end Metro's commitments to vendors for to these projects are as follows:

<u>Project</u>	<u>Inception-to-date Expended</u>	<u>Remaining Contract Commitments</u>
Rail Projects	\$ 76,545	\$ 42,662
Bus Rapid Transit-ways	67,336	98,401
Bus Acquisition & Others	170,952	65,818
Total	<u>\$ 314,833</u>	<u>\$ 206,881</u>

Through the Call For Projects, Metro has entered into various memoranda of understanding (MOU) agreements to fund local transportation projects. In addition, Metro has reserved funds related to the Transportation Development Act (TDA) for various transit operators. The total reserved for MOU and TDA/STA commitments was \$495,831 as of June 30, 2004. These reserves are accounted for in the special revenue funds.

**L. Compensated absences**

MTA's and PTSC's contract employees represented by the United Transportation Union (UTU), the Amalgamated Transportation Union (ATU), Transportation Communications Union (TCU), American Federation State, County, Municipal Employees (AFSCME) and the Brotherhood of Teamsters (Teamsters) accumulate vacation 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.

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



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

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

The following is a summary of the compensated absences payable at June 30, 2004:

	Union	Non-Union	Total
Vacation Leave	\$ 22,683	\$ 942	\$ 23,625
Sick Leave	19,333	3,994	23,327
TOWP	4,940	14,648	19,588
Total	\$ 46,956	\$ 19,584	\$ 66,540

**M. Deferred revenues and credits**

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 Metro 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 Metro has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

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

Metro 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

**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 percent (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 request from PERS, P.O. Box 942709, Sacramento, California 94229-2709.

The employer and employee contributions are a percentage of the employee's compensation. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. For the year ended June 30, 2004, the contribution rate of covered payroll was 12.23 percent. This rate includes the mandatory employee contribution of 7.0 percent that is currently paid by PTSC.

Total annual required contributions (ARC) for the years ended June 30, 2004, 2003, and 2002, were \$13,529, \$11,468 and \$10,323, 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, 2004, 2003, and 2002, were \$7,782, \$7,086, and \$6,408, respectively. At June 30, 2004, 2003, and 2002, 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 percent investment rate of return; an inflation rate of 3.5 percent; projected salary increases varying based on the duration of service; and a post retirement benefit increase of 2 percent.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to the Financial Statements (Continued)

June 30, 2004

**Metro-administered plans**

Metro 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 employees, and 10 years for UTU, ATU, and TCU 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 Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

Metro'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. Metro uses the level percentage of payroll method to amortize the unfunded liability or surplus of the base plan over a closed 15-year period.

Effective December 2003, annual contributions by Metro to the ATU pension plan was calculated based on actual wages rather than a fixed monthly amount derived from the Annual Valuation report.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

The annual required contributions (ARC), for Metro and employees, by plan, for the years ended June 30, 2004, 2003, and 2002, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	Total
<u>2004</u>					
Employer	\$ 15,623	\$ 2,517	\$ 13,256	\$ 3,201	\$ 34,597
Employee	<u>11,544</u>	<u>1,160</u>	<u>2,548</u>	-	<u>15,252</u>
Total	<u>\$ 27,167</u>	<u>\$ 3,677</u>	<u>\$ 15,804</u>	<u>\$ 3,201</u>	<u>\$ 49,849</u>
<u>2003</u>					
Employer	\$ 13,478	\$ 1,859	\$ 11,801	\$ 1,555	\$ 28,693
Employee	<u>11,615</u>	<u>1,144</u>	<u>1,339</u>	-	<u>14,098</u>
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	<u>11,122</u>	<u>1,119</u>	<u>595</u>	-	<u>12,836</u>
Total	<u>\$ 21,866</u>	<u>\$ 2,230</u>	<u>\$ 11,078</u>	<u>\$ -</u>	<u>\$ 35,174</u>

With the exception of the UTU Plan, Metro's contributions to the Plans for the year ended June 30, 2004, 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 paid for all plans for the years ended June 30, 2004, 2003, and 2002, was \$34,597, \$28,693, and \$22,338, respectively. As of June 30, 2004, Metro recorded a Net Pension Obligation of \$2,131 for the UTU Plan. There was no NPO at June 30, 2004, 2003, or 2002, for the ATU, TCU, or NC Plans. The required contribution rate by employees for years ended June 30, 2004, 2003, and 2002, was between 0 and 7.49 percent, 0 and 7.23 percent, and 0 and 7.09 percent, 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 percent investment rate of return including a 3.5 percent rate for inflation; projected salary increases of 4.5 percent; and no post-employment benefit increases.

### Post-employment benefits

Metro provides post-employment 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 Metro may become eligible for these benefits if they reach the appropriate eligibility requirements for retirement

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

while working for Metro. 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 3,500 participants was \$22,925 for the year ended June 30, 2004, and Metro contributions are funded on a pay-as-you-go-basis. The outstanding liability for the post-employment benefits as of June 30, 2004, is \$117,910.

**O. Deferred compensation and 401(k) savings plan**

**Deferred compensation plan**

Metro has a deferred compensation plan for all employees established in accordance with IRC Section 457, which permits employees to defer a portion of their current salary to future years. Under this plan, employees may contribute up to the lesser of \$13,000 (not in thousands) or 100 percent of their earnings in calendar year 2004. A special provision in the law allows an additional \$3,000 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2004), and employees eligible for retirement within 3 years can avail of the "catch up provision," totaling \$26,000 (not in thousands).

The plan is managed by a third party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100 percent vested in the plan, withdrawals are not available to employee until termination, retirement, death, or unforeseeable emergency. In the opinion of management, Metro 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, 2004, the deferred compensation plans had assets (at fair value) totaling \$159,036.

**401 (k) savings plan**

Metro 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, Metro 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 plan's assets and liability to employees are not reported in the fiduciary fund. At June 30, 2004, the 401(k) savings plan had assets (at fair value) totaling \$150,157.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
Notes to the Financial Statements (Continued)  
June 30, 2004

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 \$32,000 (not in thousands), or \$42,000 (not in thousands) if one falls within the catch up provision.

**P. Fiduciary fund type**

Included in the fiduciary fund type are accounts related to the Benefit Assessment Districts (BAD). The BAD 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, \$111,175 and \$6,035, 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 Metro and are payable solely from payments received on assessments against the levied properties. Accordingly, no liability has been recorded in the accompanying Metro financial statements.

**Q. Joint powers**

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

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California. Metro has made capital contributions to the SCRRA totaling \$192,746 as of June 30, 2004.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to the Financial Statements

June 30, 2004

Metro provided the majority of the system's operating costs for the year ending June 30, 2004. Summary audited financial information for the SCRRA for the year ended June 30, 2003, (most recent data available) is as follows:

Current assets	\$	75,708
Capital assets, net		630,825
Other assets		18,701
Total assets		<u>725,234</u>
Total liabilities		85,691
Net assets	\$	<u>639,543</u>
Total revenues	\$	169,035
Total expenses		(139,368)
Increase in net assets	\$	<u>29,667</u>

Additional detailed financial information is available from 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 to use for a specific purpose.

**S. Litigation and other contingencies**

**Litigation**

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

**Federal, state and other governmental funding**

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Notes to the Financial Statements (Continued)

June 30, 2004

**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**

On September 16, 2004, Metro issued \$197,050 of general revenue series 2004 tax-exempt refunding bonds. The proceeds of the refunding bonds will be used to defease the Series 1996-A Bonds and to pay the costs of issuing the series 2004 bonds. The interest rate on the bonds varies from a daily rate, weekly rate, or fixed rate, as outlined in the official bond statement.

On October 13, 2004, Metro issued \$176,345 of Proposition C sales tax revenue bonds. The proceeds of the sales tax revenue bonds will be used for the retirement of approximately \$64.9 million in commercial paper debt, and approximately \$105.3 million of the proceeds will be used to finance various capital projects, including the Metro Orange Line.



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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 For Fiscal Year Ended June 30, 2004  
 (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>						
06/30/01	\$ 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%
06/30/03	137,520	134,907	2,613	98.10%	104,001	2.50%
<b>MTA **</b>						
<b>UTU</b>						
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%
12/31/03	350,362	248,041	102,321	70.80%	170,078	60.16%
<b>TCU</b>						
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%
12/31/03	54,889	44,174	10,715	80.48%	27,610	38.81%
<b>ATU</b>						
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%
12/31/03	209,451	141,127	68,324	67.38%	97,934	69.77%
<b>Non-Contract</b>						
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%
12/31/03	150,495	138,370	12,125	91.94%	22,487	53.92%
<b>Total</b>						
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%
12/31/03	\$ 765,197	\$ 571,712	\$ 193,485	74.71%	\$ 318,109	60.82%

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  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004  
(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	\$ 13,504	\$ 54,359	\$ 75	\$ 67,938
Investments	14,998	-	77	15,075
Receivables				
Accounts	-	-	9	9
Interest	103	92	1	196
Intergovernmental	-	-	1,206	1,206
Sales tax	-	7,952	-	7,952
<b>TOTAL ASSETS</b>	<b>\$ 28,605</b>	<b>\$ 62,403</b>	<b>\$ 1,368</b>	<b>\$ 92,376</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,030	\$ -	\$ 1,319	\$ 3,349
Due to other funds	-	3,966	400	4,366
Other liabilities	-	-	6	6
<b>TOTAL LIABILITIES</b>	<b>2,030</b>	<b>3,966</b>	<b>1,725</b>	<b>7,721</b>
<b>FUND BALANCES</b>				
Reserved for:				
Memoranda of understanding	-	44,477	-	44,477
Encumbrances	1,081	-	12,520	13,601
Unreserved, reported in:				
Special revenue funds	25,494	13,960	(12,877)	26,577
<b>TOTAL FUND BALANCES</b>	<b>26,575</b>	<b>58,437</b>	<b>(357)</b>	<b>84,655</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,605</b>	<b>\$ 62,403</b>	<b>\$ 1,368</b>	<b>\$ 92,376</b>

Los Angeles County Metropolitan Transportation Authority  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2004**  
**(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>REVENUES</b>				
Sales tax	\$ -	\$ 31,086	\$ -	\$ 31,086
Intergovernmental	-	-	3,717	3,717
Investment income (expense)	535	779	(121)	1,193
Net decline in fair value of investments	(213)	-	(3)	(216)
Licenses and fines	7,261	-	-	7,261
Other	1	-	-	1
<b>TOTAL REVENUES</b>	<b>7,584</b>	<b>31,865</b>	<b>3,593</b>	<b>43,042</b>
<b>EXPENDITURES</b>				
Current:				
Administration and other	8,225	-	713	8,938
Transportation subsidies	-	22,437	3,364	25,801
<b>TOTAL EXPENDITURES</b>	<b>8,225</b>	<b>22,437</b>	<b>4,077</b>	<b>34,739</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(641)</b>	<b>9,428</b>	<b>(484)</b>	<b>8,303</b>
Fund balances - beginning	27,216	49,009	127	76,352
<b>FUND BALANCES - ENDING</b>	<b>\$ 26,575</b>	<b>\$ 58,437</b>	<b>\$ (357)</b>	<b>\$ 84,655</b>

Los Angeles County Metropolitan Transportation Authority  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2004**  
**(Amounts expressed in thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 47,521	\$ 47,521	\$ 49,115	\$ 1,594
Investment income	4,094	4,094	2,922	(1,172)
Net decline in fair value of investments	-	-	(1,297)	(1,297)
Lease and rental	10,125	10,125	10,963	838
Licenses and fines	500	500	456	(44)
Proceeds on lease/leaseback to service	-	-	8,128	8,128
Other	2,612	2,612	9,392	6,780
<b>TOTAL REVENUES</b>	<b>64,852</b>	<b>64,852</b>	<b>79,679</b>	<b>14,827</b>
<b>EXPENDITURES</b>				
Current:				
Administration and other	59,690	59,690	44,813	14,877
Transportation subsidies	14,597	38,460	28,200	10,260
Debt and interest expenditures				
Interest and fiscal charges	-	-	600	(600)
Bond principal & commercial paper retirement	-	-	844	(844)
<b>TOTAL EXPENDITURES</b>	<b>74,287</b>	<b>98,150</b>	<b>74,457</b>	<b>23,693</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(9,435)</b>	<b>(33,298)</b>	<b>5,222</b>	<b>38,520</b>
Fund balances - beginning	141,470	141,470	141,470	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 132,035</b>	<b>\$ 108,172</b>	<b>\$ 146,692</b>	<b>\$ 38,520</b>

Los Angeles County Metropolitan Transportation Authority  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Proposition A Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2004**  
**(Amounts expressed in thousands)**

	<b>Original &amp; Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive/(Negative)</b>
<b>REVENUES</b>			
Sales tax	\$ 565,754	\$ 576,651	\$ 10,897
Investment income	3,500	771	(2,729)
Net decline in fair value of investments	-	(589)	(589)
<b>TOTAL REVENUES</b>	<b>569,254</b>	<b>576,833</b>	<b>7,579</b>
<b>EXPENDITURES</b>			
Current:			
Transportation subsidies	558,275	535,454	22,821
<b>TOTAL EXPENDITURES</b>	<b>558,275</b>	<b>535,454</b>	<b>22,821</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,979</b>	<b>41,379</b>	<b>30,400</b>
Fund balances - beginning	71,141	71,141	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 82,120</b>	<b>\$ 112,520</b>	<b>\$ 30,400</b>

**Los Angeles County Metropolitan Transportation Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Proposition C Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2004**  
**(Amounts expressed in thousands)**

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive/(Negative)
<b>REVENUES</b>			
Sales tax	\$ 565,701	\$ 576,655	\$ 10,954
Intergovernmental	123,000	59,539	(63,461)
Investment income	12,000	2,188	(9,812)
Net decline in fair value of investments	-	(1,921)	(1,921)
Licenses and fines	-	77	77
Other	-	3	3
<b>TOTAL REVENUES</b>	<b>700,701</b>	<b>636,541</b>	<b>(64,160)</b>
<b>EXPENDITURES</b>			
Current:			
Administration and other	64,622	39,617	25,005
Transportation subsidies	734,410	672,623	61,787
<b>TOTAL EXPENDITURES</b>	<b>799,032</b>	<b>712,240</b>	<b>86,792</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(98,331)</b>	<b>(75,699)</b>	<b>22,632</b>
Fund balances - beginning	334,548	334,548	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 236,217</b>	<b>\$ 258,849</b>	<b>\$ 22,632</b>

**Los Angeles County Metropolitan Transportation Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Transportation Development Act Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2004**  
**(Amounts expressed in thousands)**

	<b>Original &amp; Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive/(Negative)</b>
<b>REVENUES</b>			
Sales tax	\$ 288,128	\$ 294,016	\$ 5,888
Intergovernmental	973	6	(967)
Investment income	4,000	2,301	(1,699)
<b>TOTAL REVENUES</b>	<b>293,101</b>	<b>296,323</b>	<b>3,222</b>
<b>EXPENDITURES</b>			
Current:			
Transportation subsidies	311,815	300,264	11,551
<b>TOTAL EXPENDITURES</b>	<b>311,815</b>	<b>300,264</b>	<b>11,551</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(18,714)</b>	<b>(3,941)</b>	<b>14,773</b>
Fund balances - beginning	146,974	146,974	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 128,260</b>	<b>\$ 143,033</b>	<b>\$ 14,773</b>



Los Angeles County Metropolitan Transportation Authority  
Combining Statement of Fiduciary Net Assets  
June 30, 2004  
(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	\$ 1,180	\$ 213	\$ 691	\$ 663	\$ 2,747
Leases and other	155	38	67	109	369
Prepaid items and other assets	27	6	17	16	66
Restricted:					
Cash and cash equivalents	8,928	1,613	5,231	5,012	20,784
Investments	261,125	47,178	152,986	146,591	607,880
<b>TOTAL ASSETS</b>	<b>\$ 271,415</b>	<b>\$ 49,048</b>	<b>\$ 158,992</b>	<b>\$ 152,391</b>	<b>\$ 631,846</b>
<b>LIABILITIES</b>					
Accounts payable	1,433	258	845	804	3,340
Liabilities for retirement income plan	6,094	1,101	3,570	3,421	14,186
<b>TOTAL LIABILITIES</b>	<b>7,527</b>	<b>1,359</b>	<b>4,415</b>	<b>4,225</b>	<b>17,526</b>
<b>NET ASSETS</b>					
Held in trust for pension benefits and other purposes	263,888	47,689	154,577	148,166	614,320
<b>TOTAL NET ASSETS</b>	<b>\$ 263,888</b>	<b>\$ 47,689</b>	<b>\$ 154,577</b>	<b>\$ 148,166</b>	<b>\$ 614,320</b>

Los Angeles County Metropolitan Transportation Authority  
Combining Statement of Changes in Fiduciary Net Assets  
For the year ended June 30, 2004  
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	Non-Contract Employees' Retirement Plan	Totals 2004
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 13,477	\$ 2,517	\$ 13,391	\$ 3,201	\$ 32,586
Member	11,415	1,149	2,554	-	15,118
Transfer	(564)	(206)	(123)	893	-
Total contributions	<u>24,328</u>	<u>3,460</u>	<u>15,822</u>	<u>4,094</u>	<u>47,704</u>
From Investing Activities					
Net appreciation in fair value of investments	37,115	6,547	20,931	20,740	85,333
Investment income	3,460	614	1,968	1,938	7,980
Investment expense	(1,021)	(182)	(586)	(568)	(2,357)
Other revenue	106	18	61	59	244
Total investing activity income	<u>39,660</u>	<u>6,997</u>	<u>22,374</u>	<u>22,169</u>	<u>91,200</u>
<b>TOTAL ADDITIONS</b>	<u>63,988</u>	<u>10,457</u>	<u>38,196</u>	<u>26,263</u>	<u>138,904</u>
<b>DEDUCTIONS</b>					
Retiree benefits	(35,499)	(3,675)	(15,769)	(13,029)	(67,972)
Administrative expense	(721)	(340)	(552)	(513)	(2,126)
<b>TOTAL DEDUCTIONS</b>	<u>(36,220)</u>	<u>(4,015)</u>	<u>(16,321)</u>	<u>(13,542)</u>	<u>(70,098)</u>
<b>NET INCREASE</b>	27,768	6,442	21,875	12,721	68,806
Net Assets Beginning of year	<u>236,120</u>	<u>41,247</u>	<u>132,702</u>	<u>135,445</u>	<u>545,514</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 263,888</u>	<u>\$ 47,689</u>	<u>\$ 154,577</u>	<u>\$ 148,166</u>	<u>\$ 614,320</u>

Los Angeles County Metropolitan Transportation Authority  
Agency Funds - Benefit Assessment District  
Statement of Changes in Assets and Liabilities  
For the year ended June 30, 2004  
(Amounts expressed in thousands)

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,310	\$ 5,756	\$ -	\$ 16,066
Receivables:				
Interest	130	90	130	90
Leases and others	1,464	18,669	16,622	3,511
<b>TOTAL ASSETS</b>	<u>\$ 11,904</u>	<u>\$ 24,515</u>	<u>\$ 16,752</u>	<u>\$ 19,667</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 531	\$ 7,883	\$ 7,498	\$ 916
Accrued interest payable	2,118	1,951	2,118	1,951
Accrued bond principal payable	9,255	16,800	9,255	16,800
<b>TOTAL LIABILITIES</b>	<u>\$ 11,904</u>	<u>\$ 26,634</u>	<u>\$ 18,871</u>	<u>\$ 19,667</u>



**Metro**<sup>™</sup>

Table 1

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

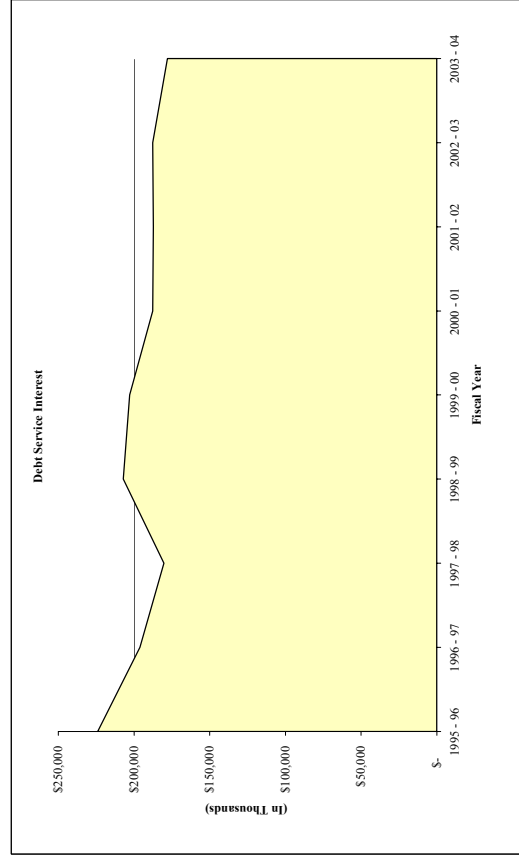
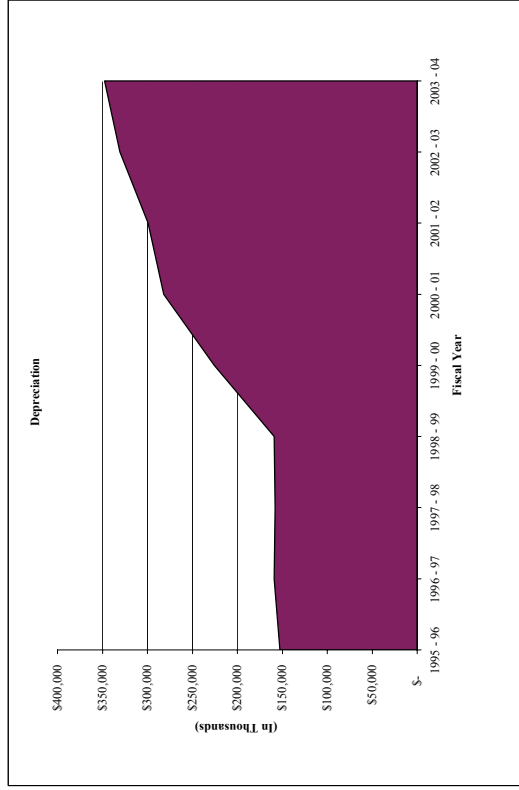
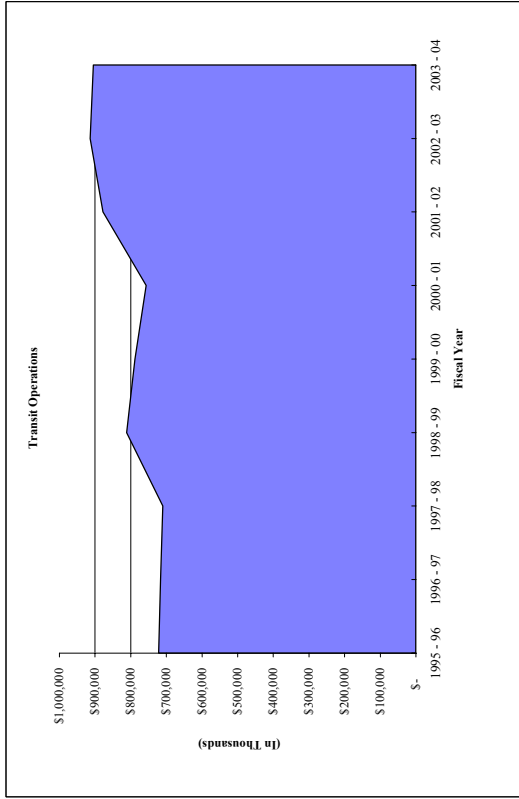
Fiscal Year	BUSINESS-TYPE ACTIVITIES				Total
	Transit Operations	Depreciation	Debt Service Interest	Debt Service Interest	
1995 - 96	\$ 721,554	\$ 152,645	\$ 223,907	\$	1,098,106
1996 - 97	716,080	159,100	196,116		1,071,296
1997 - 98	710,238	158,027	180,201		1,048,466
1998 - 99	811,295	159,210	207,042		1,177,547
1999 - 00	788,501	225,762	202,773		1,217,036
2000 - 01	756,589	281,694	187,660		1,225,943
2001 - 02	878,247	299,326	187,201		1,364,774
2002 - 03	913,398	330,613	187,760		1,431,771
2003 - 04	904,920	347,629	177,935		1,430,484

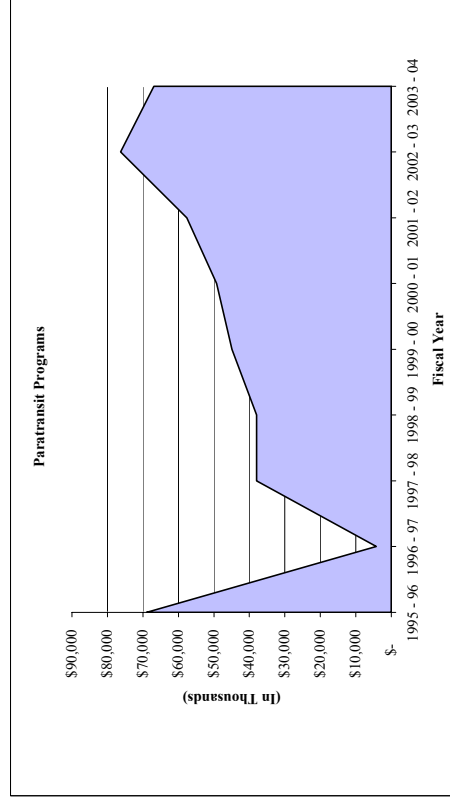
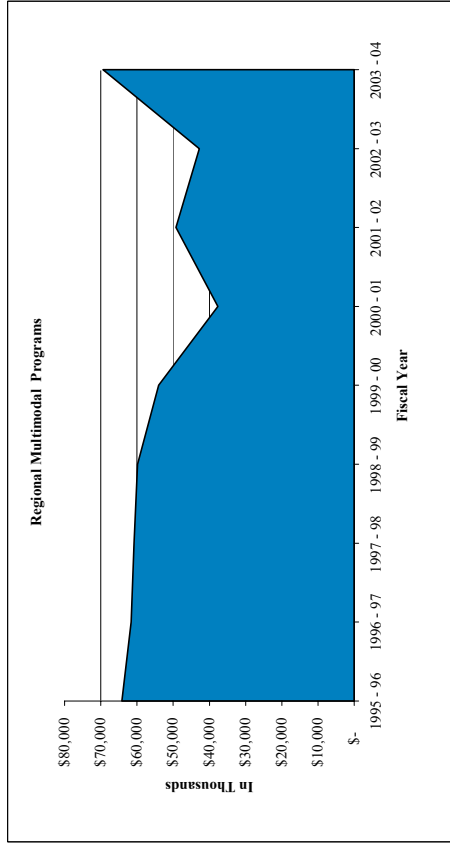
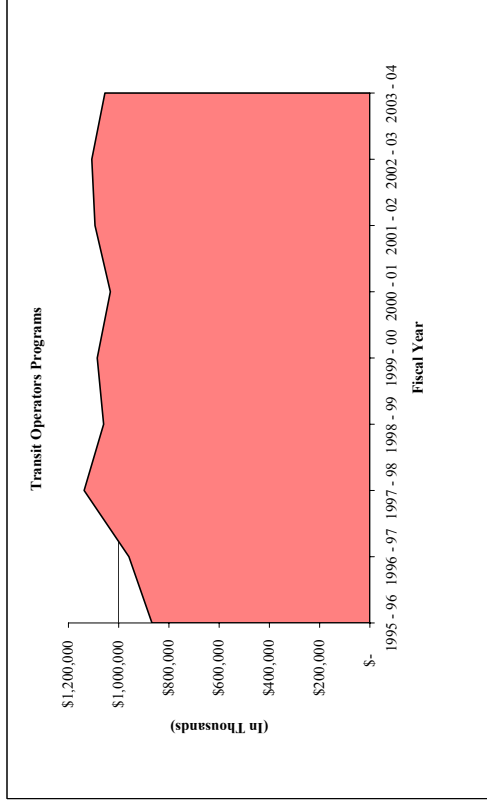
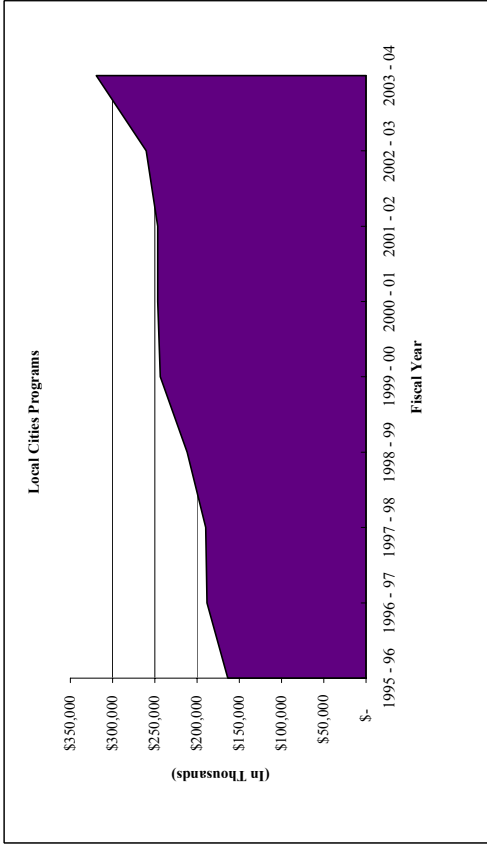
Fiscal Year	GOVERNMENTAL ACTIVITIES							Grand Total
	Local Cities Programs	Transit Operators Programs	Regional/Multimodal Programs	Paratransit Programs	Other Transportation Subsidies	Debt Service Interest	General Government	
1995 - 96	\$ 163,453	\$ 867,143	\$ 64,189	\$ 69,020	\$ 48,560	\$ -	\$ 93,997	\$ 1,306,362
1996 - 97	188,265	959,321	61,579	4,203	40,573	-	95,789	1,349,730
1997 - 98	189,716	1,137,882	60,827	37,929	36,045	-	140,205	1,602,604
1998 - 99	211,912	1,060,255	59,826	38,000	40,150	-	182,059	1,592,202
1999 - 00	243,551	1,085,919	54,001	44,887	43,085	-	229,209	1,700,652
2000 - 01	246,682	1,032,492	37,664	49,201	43,596	-	78,040	1,487,675
2001 - 02	246,687	1,093,801	49,269	57,616	39,985	-	137,760	1,625,118
2002 - 03	260,361	1,107,434	42,762	76,318	49,092	-	169,284	1,705,251
2003 - 04	319,317	1,055,227	69,393	66,913	49,335	600	95,553	1,656,338

Source: Comprehensive Annual Financial Report

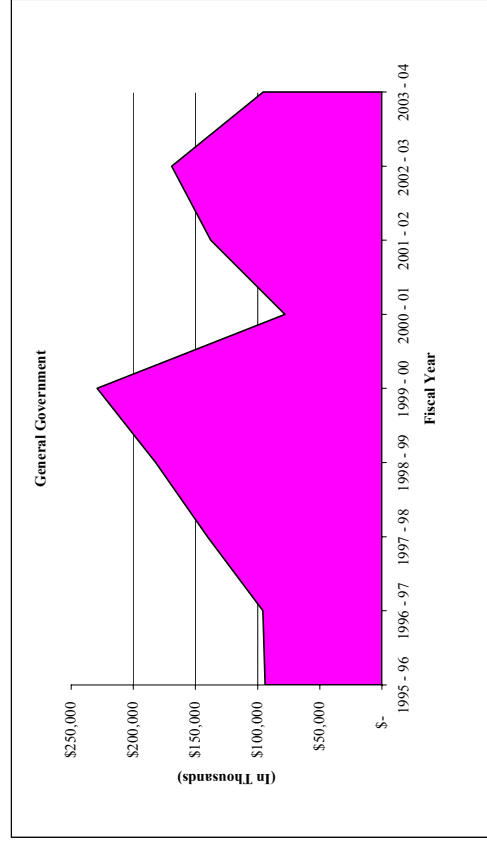
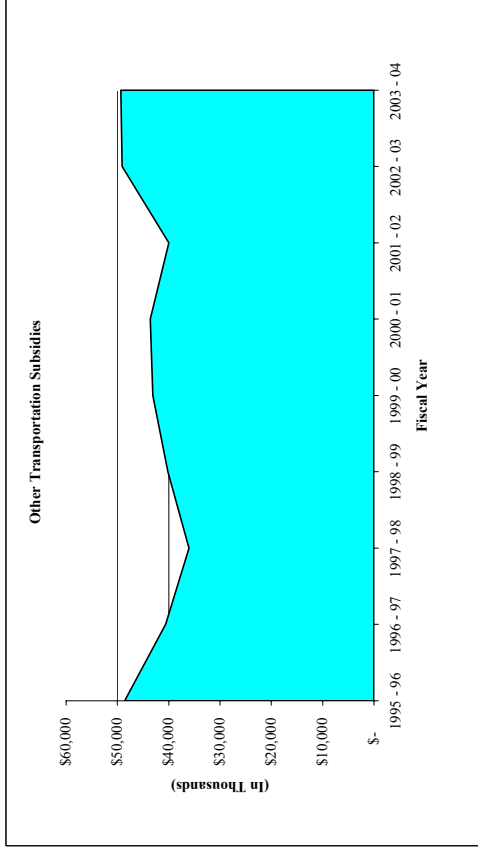
Los Angeles County Metropolitan Transportation Authority  
 Graphical Presentation A of Table 1  
 Business Activities



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



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





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

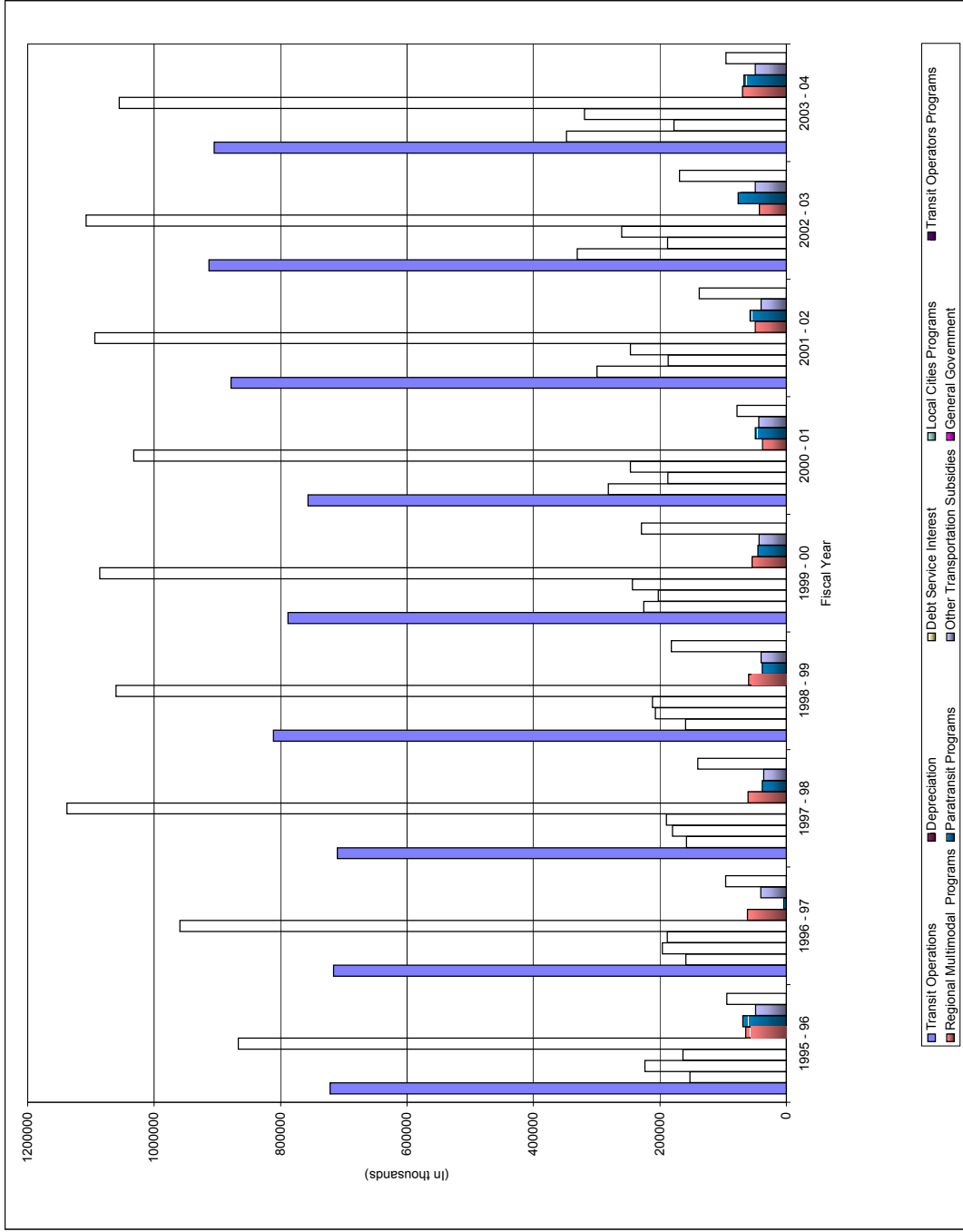


Table 2

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

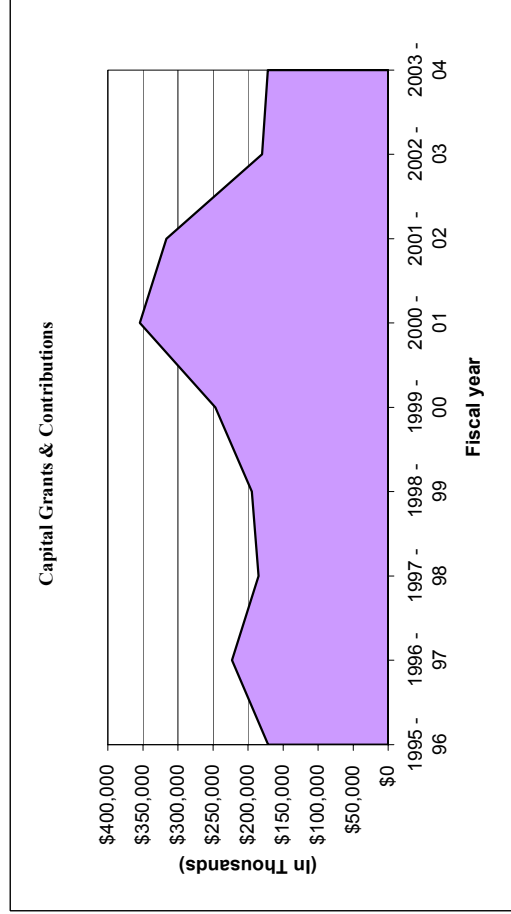
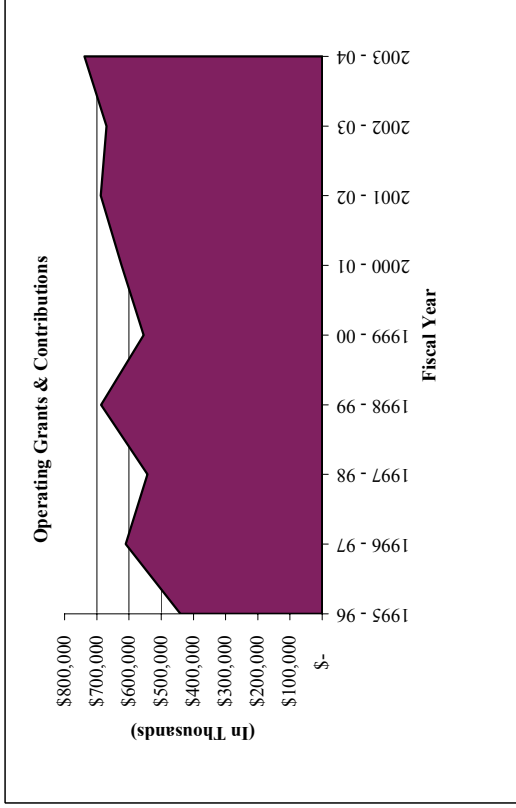
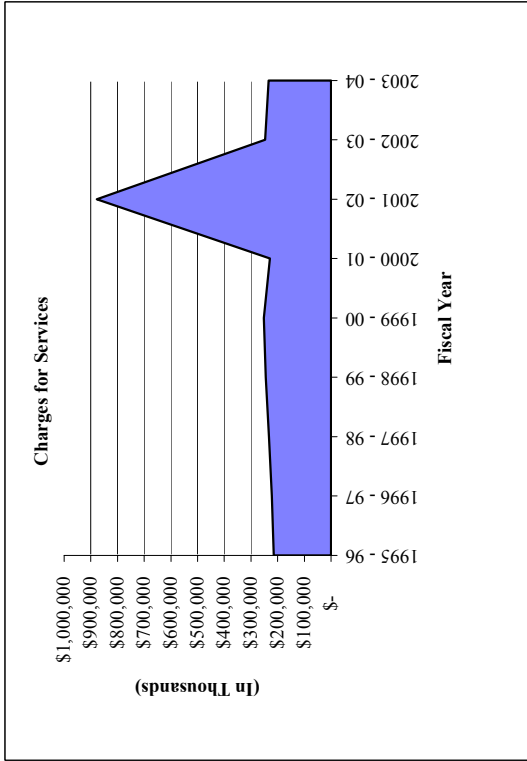
Fiscal Year	PROGRAM REVENUES				Total
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions		
1995 - 96	\$ 214,481	\$ 440,588	\$ 171,426	\$ 826,495	
1996 - 97	222,036	610,356	222,885	1,055,277	
1997 - 98	232,124	542,454	184,820	959,398	
1998 - 99	244,707	686,391	194,725	1,125,823	
1999 - 00	252,024	554,823	246,598	1,053,445	
2000 - 01	229,137	623,182	354,462	1,206,781	
2001 - 02	878,247	687,689	316,245	1,882,181	
2002 - 03	247,426	670,258	180,028	1,097,712	
2003 - 04	233,757	737,990	171,661	1,143,408	

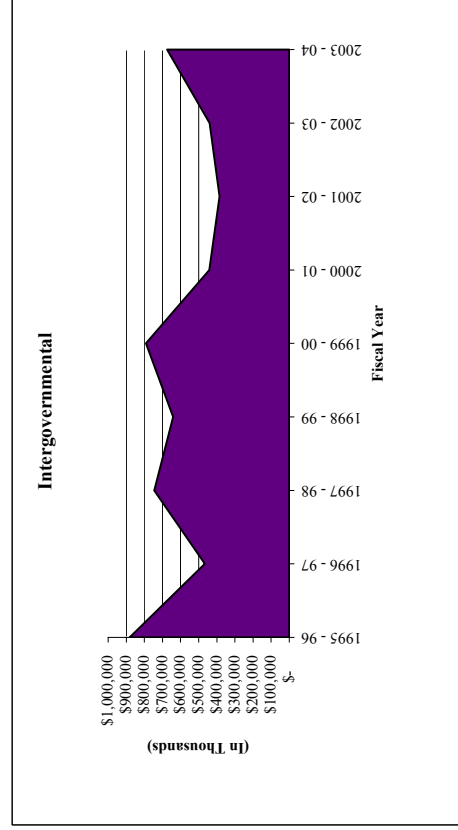
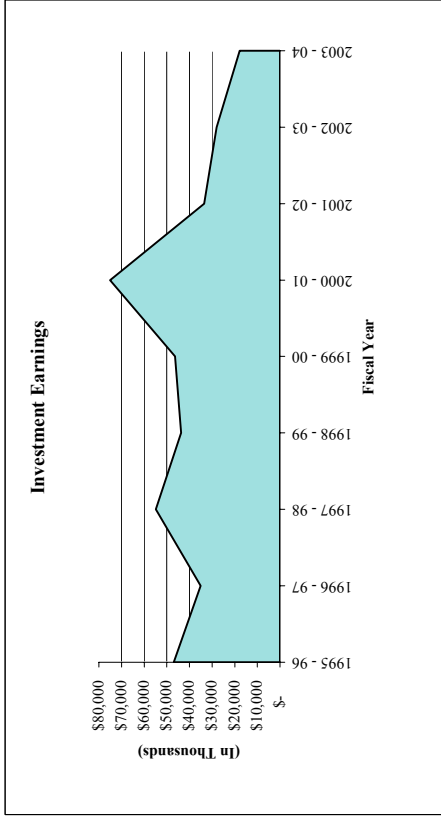
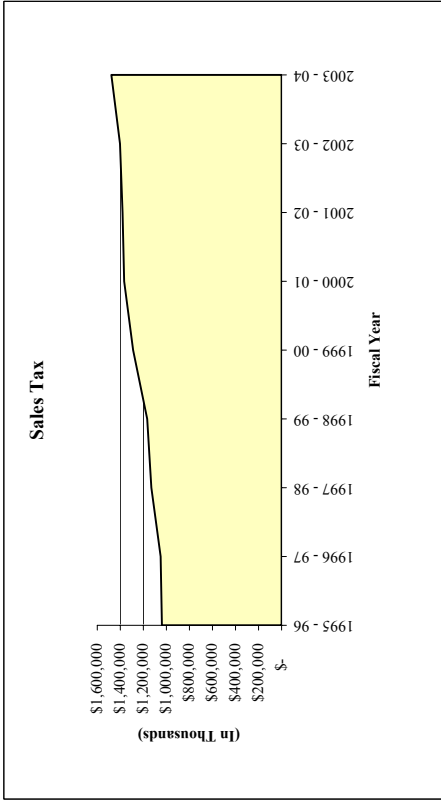
Year	GENERAL REVENUES					Total All Revenues
	Sales Tax	Investment Earnings	Intergovernmental	Lease & Rental	Miscellaneous	
1995 - 96	\$ 1,037,892	\$ 46,930	\$ 882,329	\$ 7,288	\$ 18,063	\$ 2,818,997
1996 - 97	1,050,497	35,030	467,310	6,551	18,833	2,633,498
1997 - 98	1,131,676	54,852	745,779	9,024	5,986	2,906,715
1998 - 99	1,167,672	43,669	640,789	8,634	18,834	3,005,421
1999 - 00	1,290,121	46,428	791,820	29,221	47,802	3,258,837
2000 - 01	1,365,650	74,989	442,482	12,960	12,746	3,115,608
2001 - 02	1,380,364	33,524	385,411	40,896	39,985	3,762,361
2002 - 03	1,403,750	27,985	439,432	12,186	18,509	2,999,574
2003 - 04	1,478,408	17,847	674,730	10,963	19,497	3,344,853

Source: Comprehensive Annual Financial Report

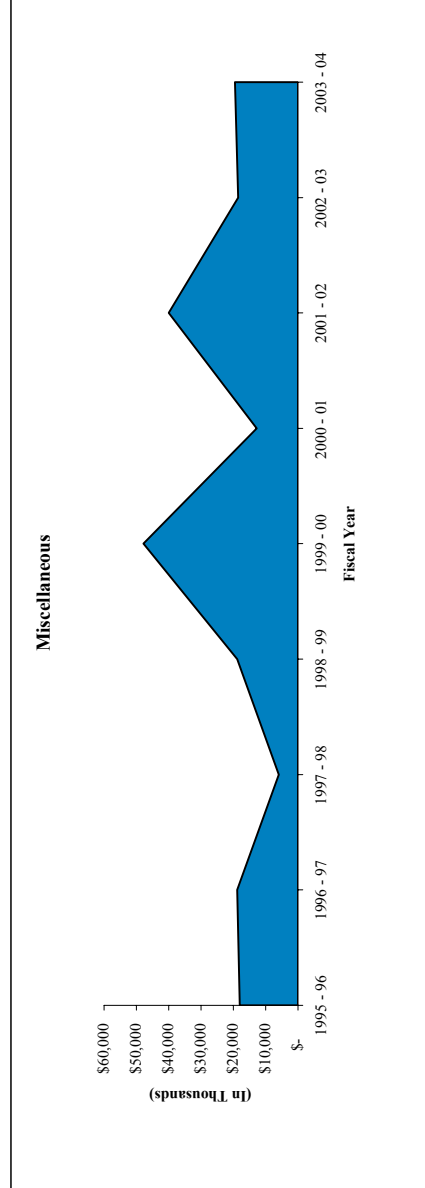
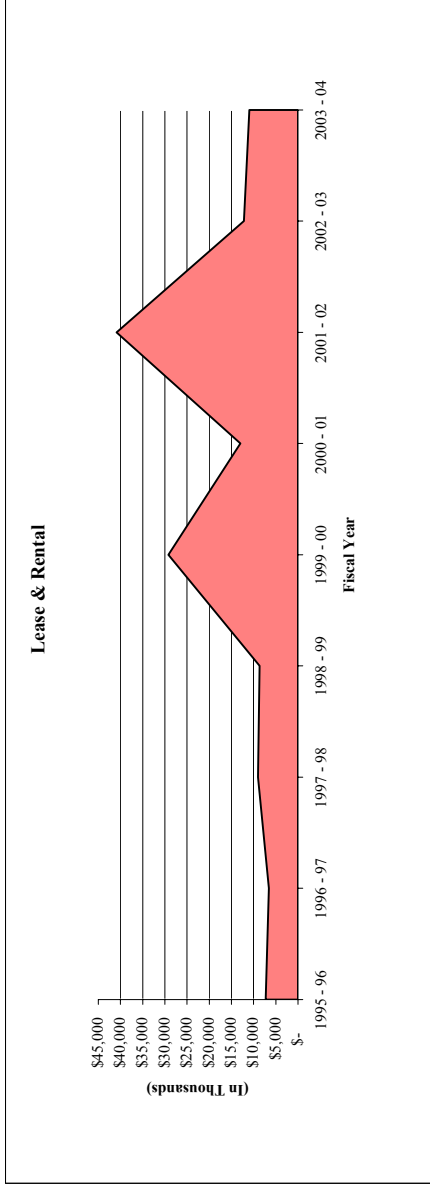
Los Angeles County Metropolitan Transportation Authority  
 Graphical Presentation A of Table 2  
 Program Revenues



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



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



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

**Table 3**

<b>Fiscal Year</b>	<b>(1)</b> <b>Unemployment</b> <b>Percentage Rate</b>	<b>(2)</b> <b>Population</b> <b>County of</b> <b>Los Angeles</b>	<b>(2)</b> <b>Population</b> <b>State of</b> <b>California</b>	<b>(3)</b> <b>Population</b> <b>United</b> <b>States</b>	<b>(4)</b> <b>Taxable Sales</b> <b>County of</b> <b>Los Angeles</b>
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%	9,902	35,301	282,798	113,685,422
2003 - 04	6.5%	10,075	35,915	290,810	118,835,372 <sup>(5)</sup>

*Sources:* (1) State Department of Employment Development for the County of Los Angeles (12 month moving average)

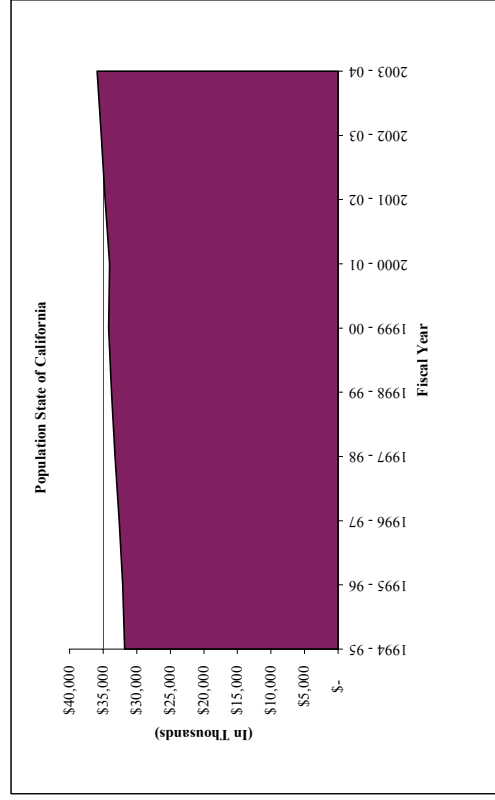
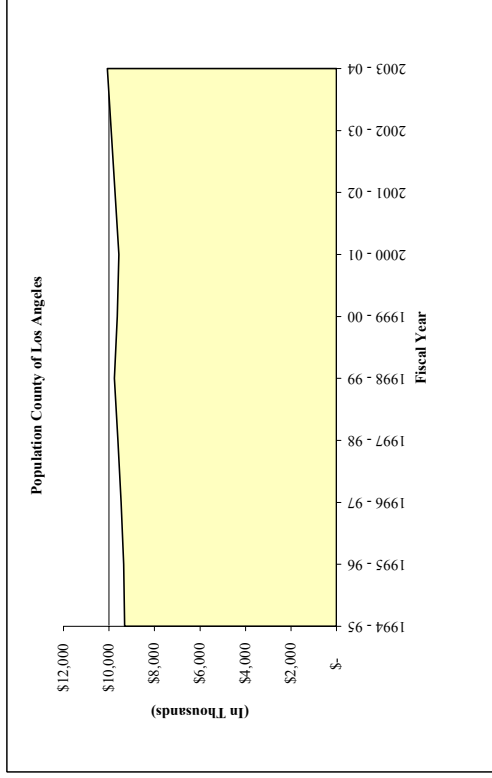
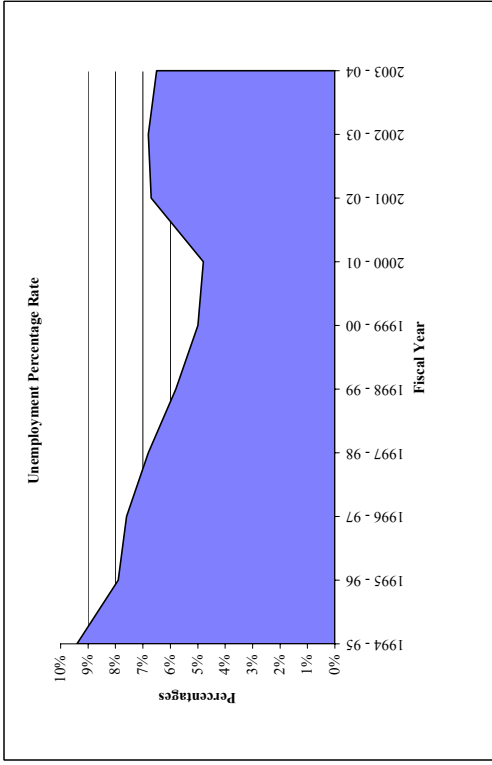
(2) California Department of Finance

(3) U.S. Census Bureau

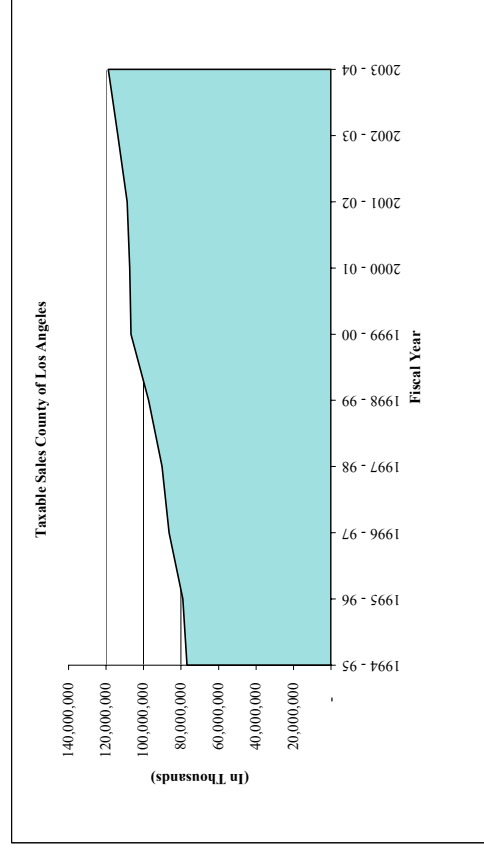
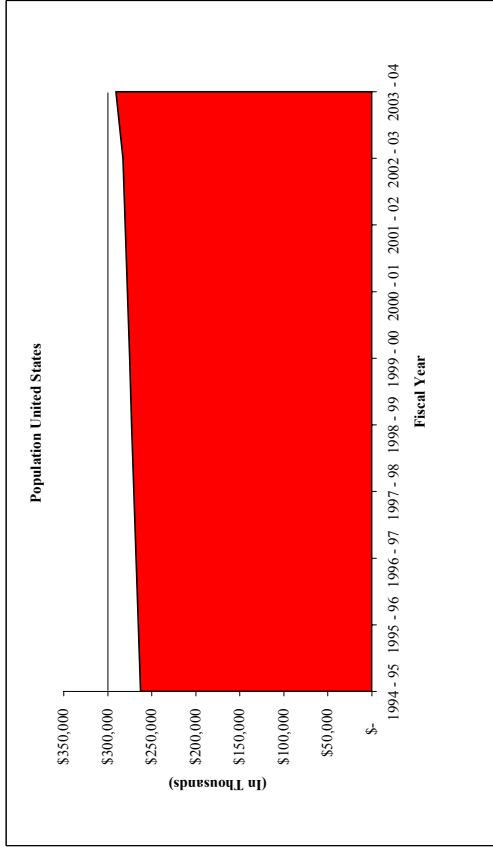
(4) State Board of Equalization

(5) Projected Taxable Sales data not available as of report date

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



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





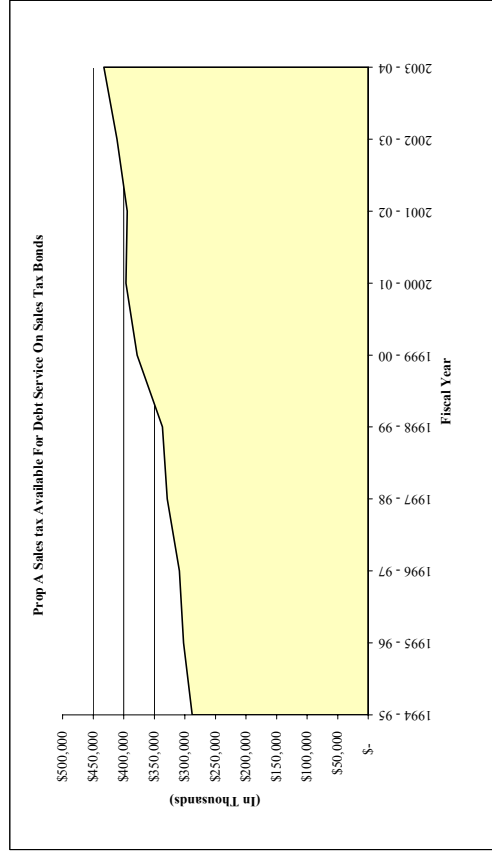
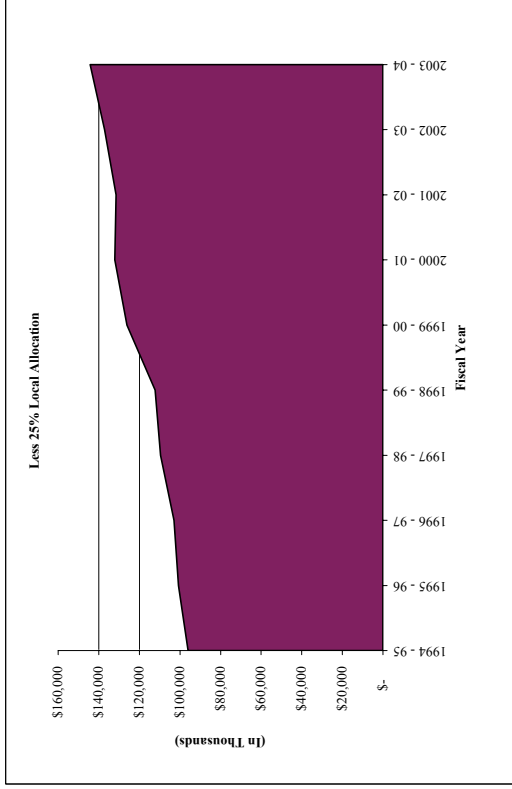
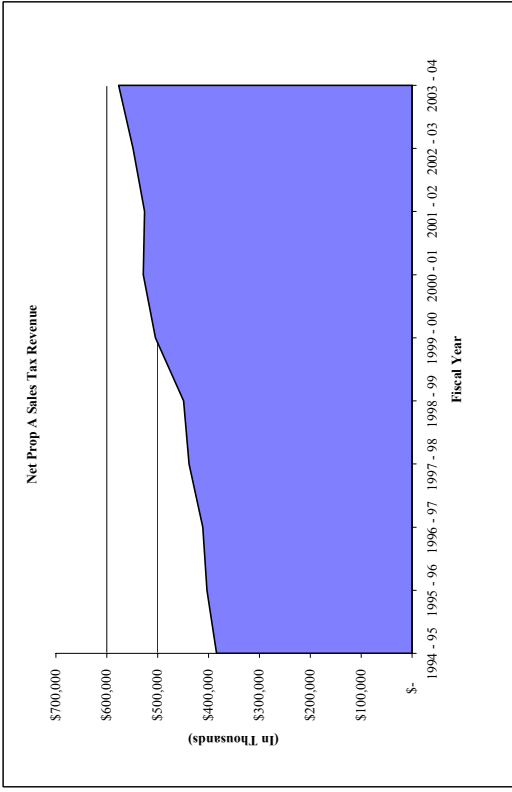
**Table 4**

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

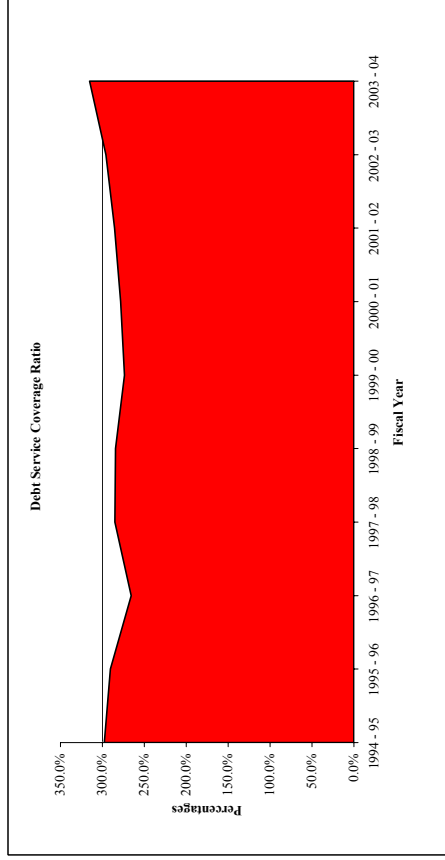
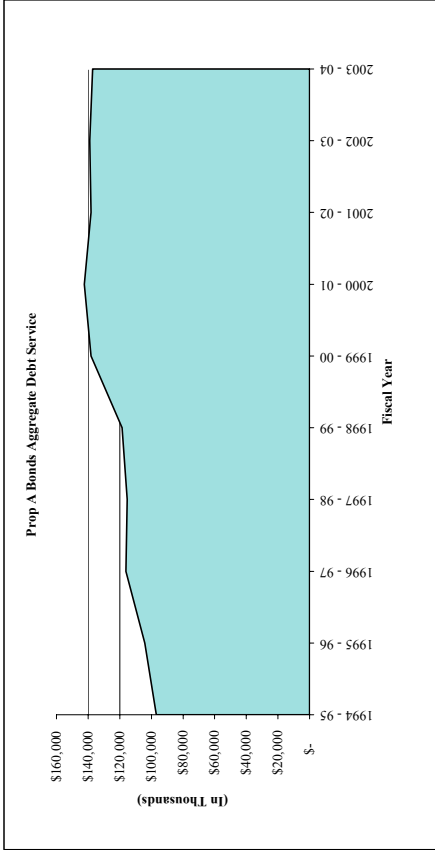
Fiscal Year	Net Prop A Sales Tax Revenue	Less 2.5% Local Allocation	Prop A Sales tax		Prop A Bonds		Debt Service Coverage Ratio
			Available For Debt Service	On Sales Tax Bonds	Aggregate	Debt Service	
1994 - 95	\$ 384,139	\$ 96,035	\$ 288,104	\$ 96,810	\$ 96,810		2.98
1995 - 96	402,981	100,745	302,236	104,096	104,096		2.90
1996 - 97	411,529	102,882	308,647	116,197	116,197		2.66
1997 - 98	438,321	109,580	328,741	115,270	115,270		2.85
1998 - 99	449,054	112,264	336,790	118,443	118,443		2.84
1999 - 00	504,353	126,088	378,265	138,188	138,188		2.74
2000 - 01	528,299	132,075	396,224	142,427	142,427		2.78
2001 - 02	525,980	131,495	394,485	138,234	138,234		2.85
2002 - 03	548,287	137,072	411,215	138,934	138,934		2.96
2003 - 04	576,651	144,163	432,488	137,142	137,142		3.15

Source: Comprehensive Annual Financial Report

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



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



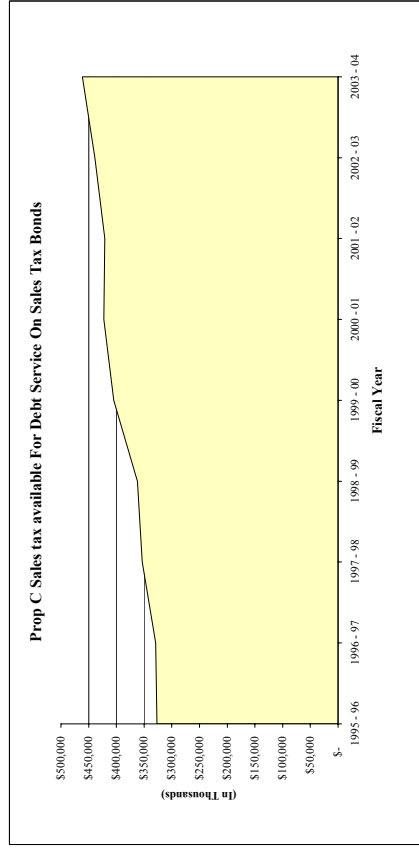
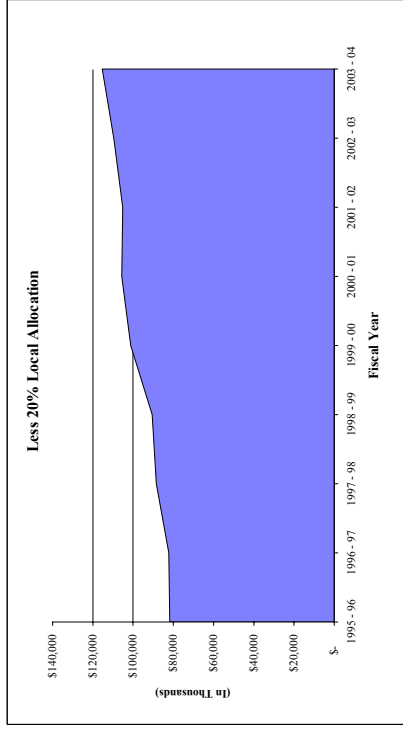
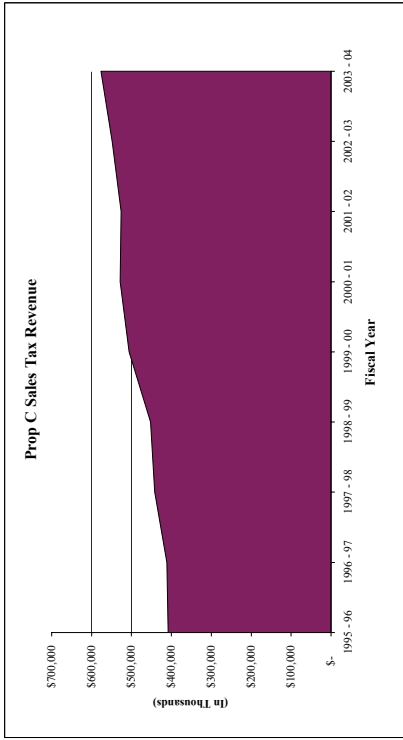
**Table 5**

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

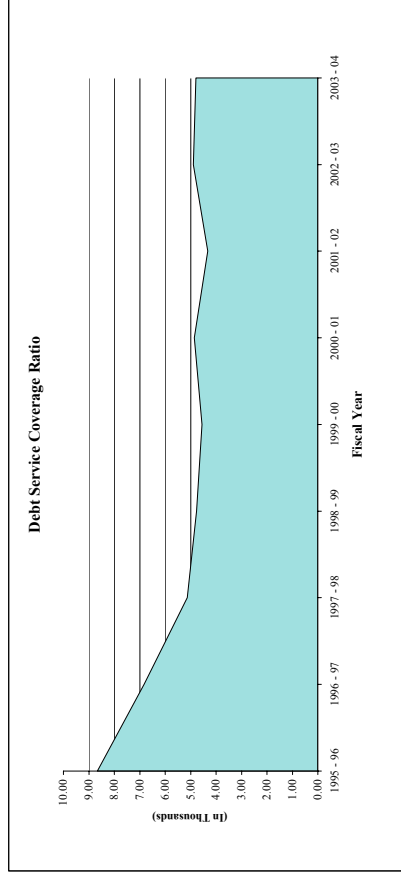
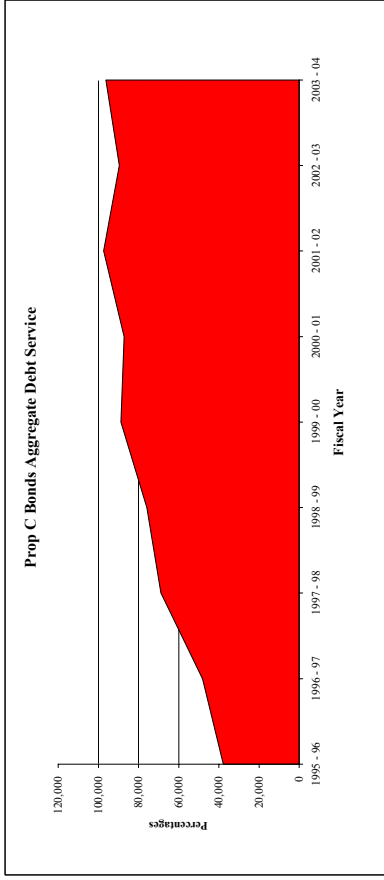
Fiscal Year	Prop C Sales Tax Revenue	Less 20% Local Allocation	Prop C		Debt Service Coverage Ratio
			Sales tax available For Debt Service On Sales Tax Bonds	Prop C Bonds Aggregate Debt Service	
1995 - 96	\$ 408,491	\$ 81,698	\$ 326,793	\$ 37,716	8.66
1996 - 97	411,224	82,245	328,979	48,202	6.83
1997 - 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
2003 - 04	576,655	115,331	461,324	96,286	4.79

Source: Comprehensive Annual Financial Report

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



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



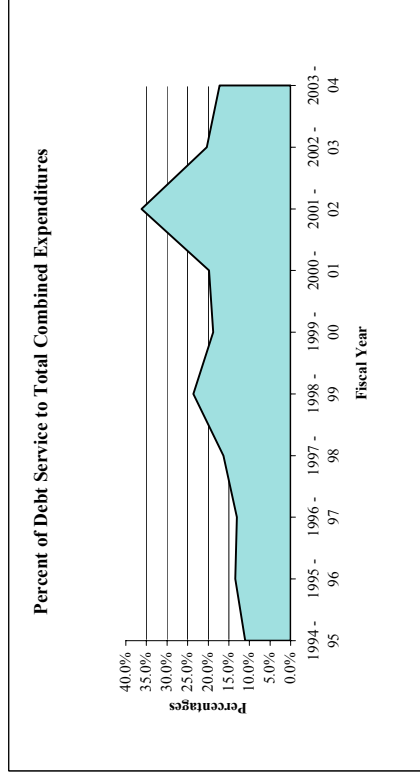
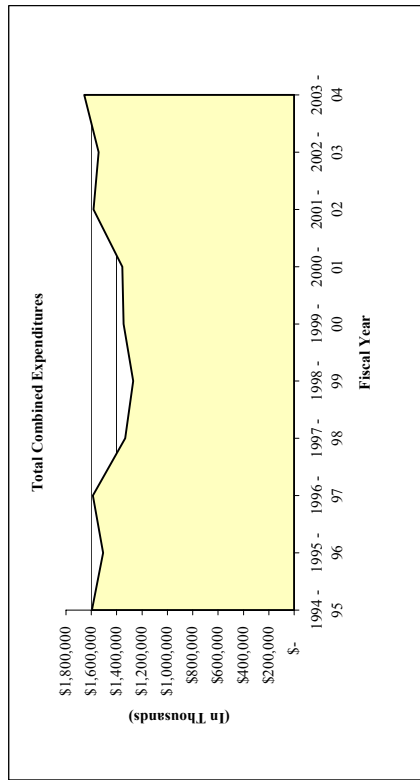
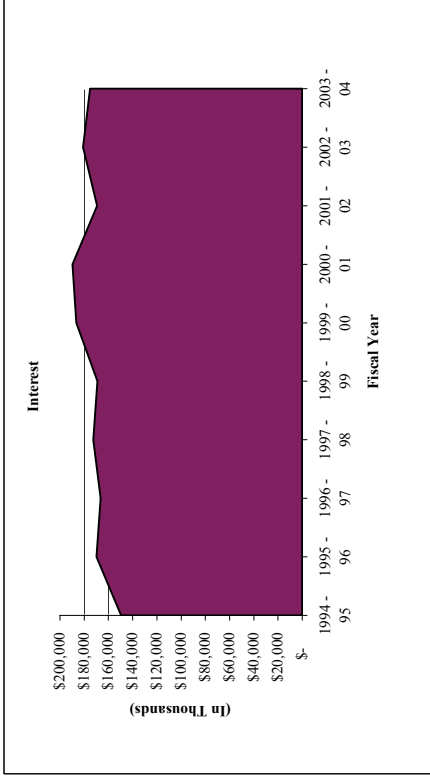
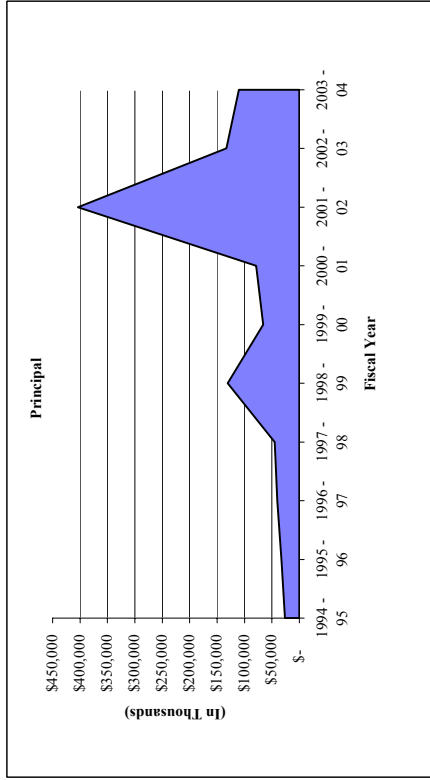
**Los Angeles County Metropolitan Transportation Authority**  
**Ratio of Annual Debt Service Expenditures for General Bonded**  
**Debt to Total General Expenditures**  
**Last Ten Fiscal Years**  
(Dollar amounts expressed in thousands)

*Table 6*

FISCAL YEAR	1994 - 95	1995 - 96	1996 - 97	1997 - 98	1998 - 99	1999 - 00	2000 - 01	2001 - 02	2002 - 03	2003 - 04
Principal	\$ 26,345	\$ 32,498	\$ 40,200	\$ 45,025	\$ 130,757	\$ 66,135	\$ 78,881	\$ 404,181	\$ 132,998	\$ 110,070
Interest	149,630	169,876	166,552	172,579	169,011	186,437	189,808	169,271	180,984	175,270
Commercial Paper Retirement	-	-	-	-	-	-	-	-	-	-
Total Debt Service Expenditures	175,975	202,374	206,752	217,604	299,768	252,572	268,689	573,452	313,982	285,340
<b>Total Combined Expenditures</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>	<b>\$ 1,657,154</b>
Percent of Debt Service to General Expenditures (%)	11.03%	13.42%	13.02%	16.32%	23.60%	18.77%	19.80%	36.21%	20.35%	17.22%

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority  
Graphical Presentation of Table 6





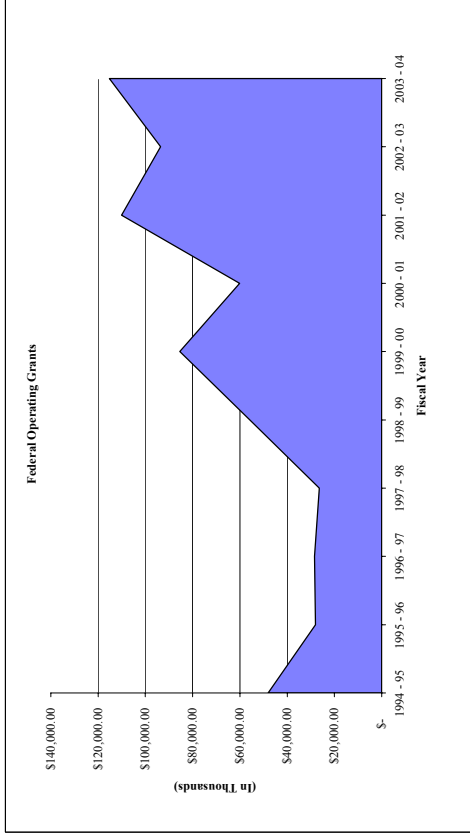
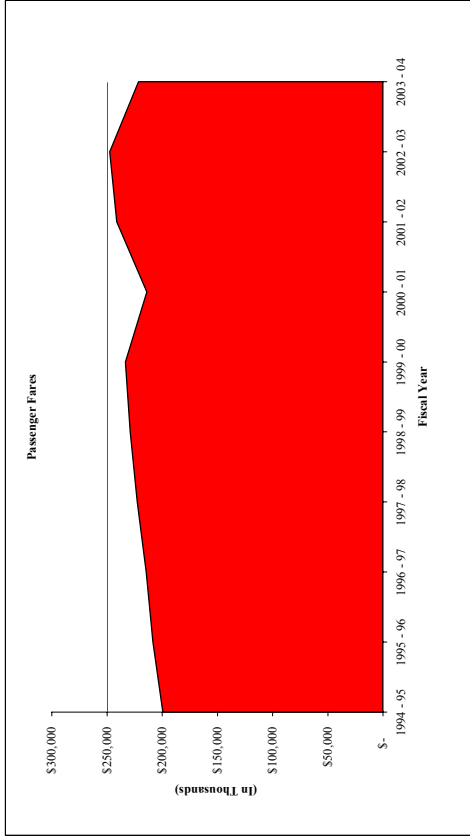
**Table 7**

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

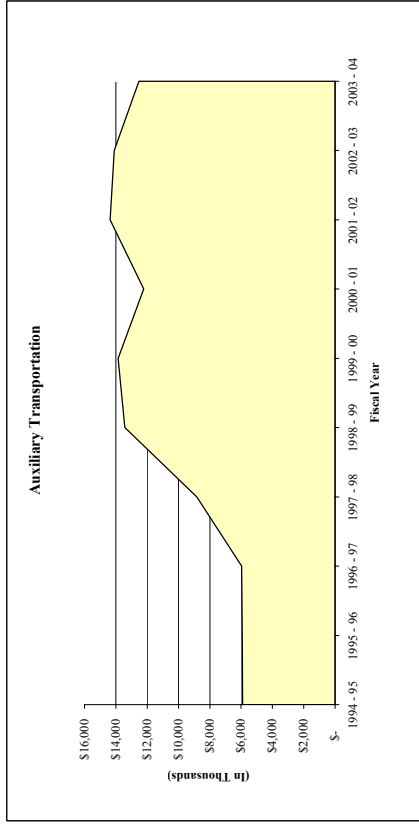
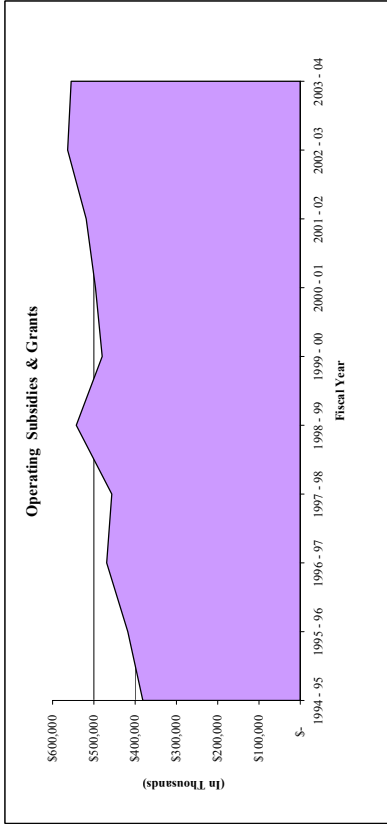
<b>Fiscal Year</b>	<b>Passenger Fares</b>	<b>Federal Operating Grants</b>	<b>Operating Subsidies &amp; Grants</b>	<b>Auxiliary Transportation</b>	<b>Total</b>
1994 - 95	\$ 199,349	\$ 48,020	\$ 381,259	\$ 5,903	\$ 634,531
1995 - 96	208,389	27,998	418,145	5,927	660,459
1996 - 97	214,519	28,476	469,317	5,968	718,280
1997 - 98	222,502	26,372	456,955	8,835	714,664
1998 - 99	228,854	55,845	542,897	13,422	841,018
1999 - 00	233,436	85,379	480,139	13,864	812,818
2000 - 01	213,989	60,128	496,312	12,227	782,656
2001 - 02	241,144	110,076	518,908	14,370	884,498
2002 - 03	247,426	93,606	563,620	14,102	918,754
2003 - 04	221,454	115,219	554,857	12,534	904,064

Source: Comprehensive Annual Financial Report

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



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



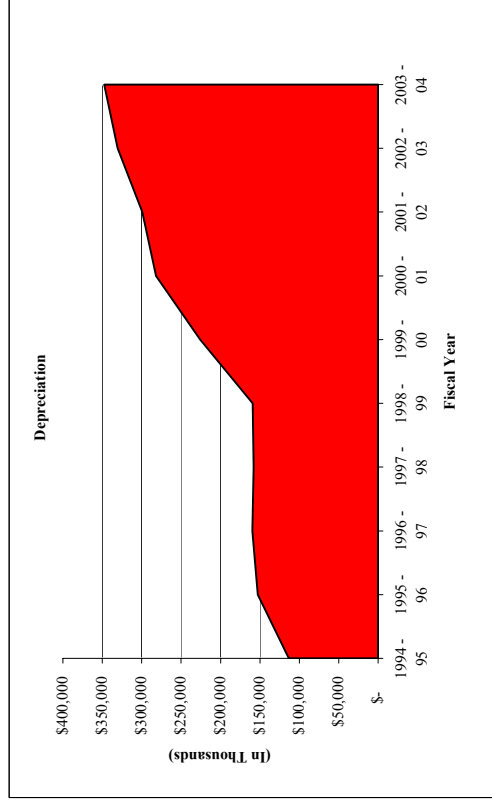
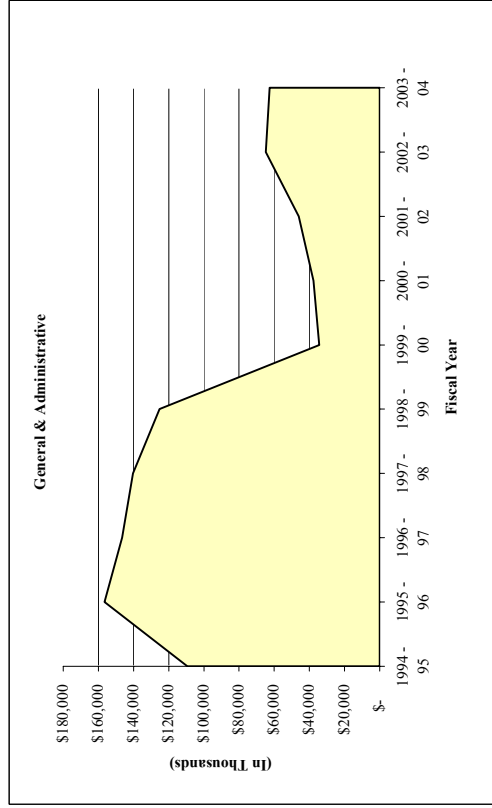
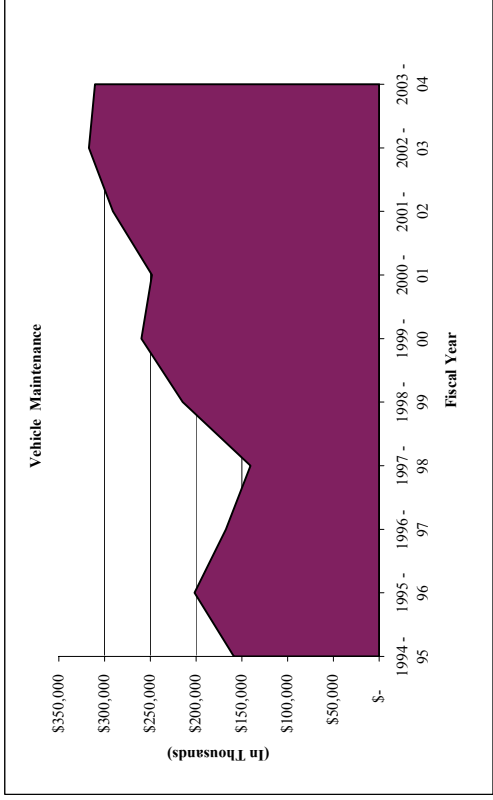
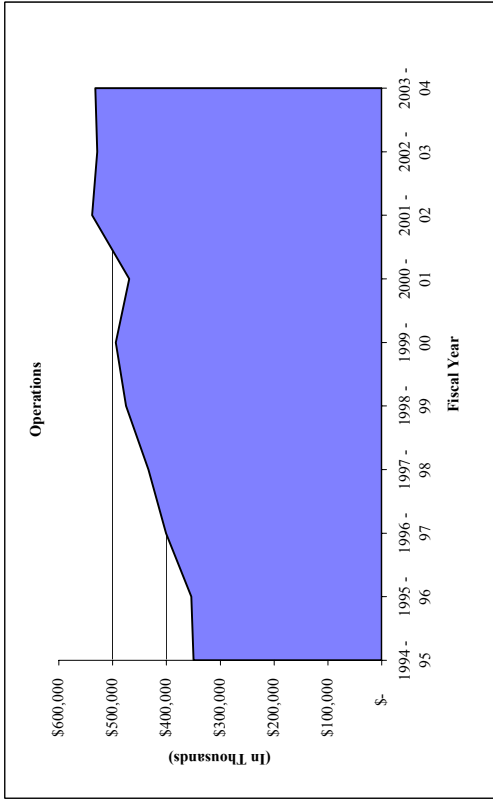
**Los Angeles County Metropolitan Transportation Authority**  
**Operating Expenses By Function (Bus & Rail)**  
**Last Ten Fiscal Years**  
**(Dollar amounts expressed in thousands)**

**Table 8**

<b>Fiscal Year</b>	<b>Operations</b>	<b>Vehicle Maintenance</b>	<b>General &amp; Administrative</b>	<b>Depreciation</b>	<b>Total</b>
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
2003 - 04	531,986	310,359	62,615	347,629	1,252,589

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				LA	SFV	
1986	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1987	167,364	-	-	167,364	138,543	-	138,543	-	138,543	-	-	-	-	305,907
1988	71,209	-	-	71,209	69,429	-	69,429	-	69,429	-	-	-	-	140,638
1989	128,067	-	-	128,067	64,781	7,898	72,679	-	72,679	7,898	-	-	-	192,848
1990	145,631	-	-	145,631	100,505	16,069	116,574	-	116,574	16,069	-	-	-	246,137
1991	86,837	10,132	-	96,969	53,620	59,886	113,506	-	113,506	70,018	-	-	-	140,457
1992	53,151	78,453	-	131,604	90,573	89,947	181,424	2,325	183,749	168,399	904	2,325	-	143,724
1993	10,855	130,432	18,200	159,487	9,266	85,066	97,996	9,421	107,417	215,498	8,760	22,525	-	20,121
1994	33,379	154,956	35,696	224,031	195,974	85,479	3,926	285,379	295,474	240,435	13,921	35,796	-	229,353
1995	(610)	164,555	83,795	247,740	10,940	80,144	17,657	108,741	154,145	244,699	41,120	105,737	-	10,330
1996	-	118,574	112,081	230,655	5,296	76,460	7,745	89,501	109,417	195,034	39,128	100,615	-	5,296
1997	-	61,998	233,032	295,030	(731)	46,159	3,510	48,938	57,965	(731)	68,759	176,810	-	(731)
1998	-	-	124,352	124,352	3,539	208,306	21,842	233,687	289,853	3,539	208,306	145,661	-	3,539
1999	-	-	58,774	58,774	(247)	97,484	31,142	128,379	208,459	(247)	120,484	47,599	-	(247)
2000	-	-	109,874	109,874	277	59,871	5,507	65,655	79,814	277	98,519	30,779	-	277
2001	-	-	99,148	99,148	-	37,949	8,777	46,726	69,297	-	50,674	19,389	-	-
2002	-	-	17,872	17,872	-	-	19,134	35,242	54,376	-	-	15,725	-	-
2003	-	-	44	44	-	-	53	53	239	-	-	68	-	-
2004	-	-	11,505	11,505	-	-	(5,695)	(5,695)	(25,886)	-	-	(3,164)	-	-
<b>Total</b>	<b>695,884</b>	<b>719,100</b>	<b>904,373</b>	<b>2,319,357</b>	<b>741,765</b>	<b>950,718</b>	<b>118,166</b>	<b>1,810,649</b>	<b>2,095,050</b>	<b>1,437,649</b>	<b>1,744,191</b>	<b>339,649</b>	<b>906,044</b>	<b>4,427,533</b>

Expenditure Requirement (15% \* \$1,810,649) \$271,597  
 Interest Earned 33,488

**Total Required Expenditures \$305,085**

**Actual Expenditures \$906,044**

\* 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, 2004  
(Amount expressed in Thousands)

Project	Task Description	Expenditures	Revenues				
			Prop A Admin	Prop C Admin	TDA Admin	Other Sources	Total Revenue
<b>Beginning Fund Balance</b>			\$ -	\$ -	\$ -	\$ 141,470	\$ 141,470
<b>Revenues for the year - Actual</b>			28,287	8,485	5,320	37,587	79,679
<b>Available funds</b>			<b>28,287</b>	<b>8,485</b>	<b>5,320</b>	<b>179,057</b>	<b>221,149</b>
<b>100002</b>	<b>Governmental and Oversight Activities</b>						
	General Non-allocable	\$ 11,427	4,763	3,541	3,123	-	11,427
	Funds Administration	22	15	7	-	-	22
	Legal-Ops Overhead	1,096	1,096	-	-	-	1,096
	Legal-Bus Ops	87	87	-	-	-	87
	Legal-Empl Cases-Ops	607	607	-	-	-	607
	Debt Management	130	107	23	-	-	130
<b>100002</b>	<b>Total</b>	<b>13,369</b>	<b>6,675</b>	<b>3,571</b>	<b>3,123</b>	<b>-</b>	<b>13,369</b>
<b>100010</b>	<b>Unrestricted GF Proceeds</b>						
	Cross Border Lease-MRL Breda Cars	42				42	42
	Qte Related Activity	27				27	27
<b>100010</b>	<b>Total</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>69</b>
<b>100011</b>	<b>Employee Activities</b>						
	Emply Recreation Exp	259	-	-	-	259	259
	Emply Center Expense	532	-	-	-	532	532
<b>100011</b>	<b>Total</b>	<b>791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>791</b>	<b>791</b>
<b>100012</b>	<b>Prop A &amp; C Audit</b>						
	Prop A Audit	54	54	-	-	-	54
	Prop C Audit	54	-	54	-	-	54
<b>100012</b>	<b>Total</b>	<b>108</b>	<b>54</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>108</b>
<b>330500</b>	<b>Industry Assistance</b>						
	Filming Marketing	218	-	-	-	218	218
<b>330500</b>	<b>Total</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>218</b>
<b>400018</b>	<b>Union Station Enhancements</b>						
	CA-0504 PED Tunnel	128	-	-	-	128	128
	CA-03-0504 ADA Restrooms	193	-	-	-	193	193
<b>400018</b>	<b>Total</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321</b>	<b>321</b>
<b>400225</b>	<b>Pedestrians/Bikeway Enhancement</b>						
	Public Outreach	154	-	154	-	-	154
	MTA Support	25	-	25	-	-	25
	Bike Station Plan	143	-	143	-	-	143
	MTA Support	25	-	25	-	-	25
	System Preservation	7	-	7	-	-	7
<b>400225</b>	<b>Total</b>	<b>354</b>	<b>-</b>	<b>354</b>	<b>-</b>	<b>-</b>	<b>354</b>
<b>405510</b>	<b>Other P&amp;P Planning</b>						
	Call/MOU Tech.Supp	323	-	278	45	-	323
	Consolidated Audit	499	200	224	75	-	499
	Triennial Audit	778	350	350	78	-	778
	HOV Administration	5	-	-	5	-	5
	General Bikeways	28	-	28	-	-	28
	Prop A/C Admin	333	200	133	-	-	333
	Grant Funds Adm.	82	-	-	82	-	82
	Grants Admin	653	-	-	653	-	653
	TDA Art. 3 & 8	15	-	-	15	-	15
	TIP Administration	599	450	100	49	-	599
	Sta Monica Fwy Smart Corridor	12	-	12	-	-	12
	General Public Outreach	11	7	4	-	-	11
	Interdepartmental & Outside Agency Coordination	865	588	173	104	-	865

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Sources and Uses of General funds**  
**For the Fiscal Year Ending June 30, 2004**  
**(Amount expressed in Thousands)**

Project	Task Description	Expenditures	Revenues				
			Prop A Admin	Prop C Admin	TDA Admin	Other Sources	Total Revenue
	Project Imagine	\$ (13)	\$ -	\$ (13)	\$ -	\$ -	\$ (13)
	Fuel Cell Buyers	3	3	-	-	-	3
	Bus System Improvement	90	90	-	-	-	90
	Other Program & Planning	5	5	-	-	-	5
	Station Planning/Joint Development	885	885	-	-	-	885
	Hollywood/Vine Negotiations	68	-	68	-	-	68
	New "Call" Programming	202	-	202	-	-	202
	Non-Motorized	126	-	126	-	-	126
	Transit Capital/TCI	14	9	5	-	-	14
	Art Program	108	90	18	-	-	108
	Public Outreach	245	175	70	-	-	245
	General Planning	1,567	1,567	-	-	-	1,567
	Gen Commuter Prgm	4	3	1	-	-	4
	Measurement	2,537	2,537	-	-	-	2,537
	3rd Party Cost-Developer	14	9	3	2	-	14
<b>405510</b>	<b>Total</b>	<b>10,058</b>	<b>7,168</b>	<b>1,782</b>	<b>1,108</b>	<b>-</b>	<b>10,058</b>
<b>405511</b>	<b>Transit Planning</b>						
	Avalon Jitney	35			35	-	35
	Chinatown Plaza	100		100	-	-	100
	Long Range Plan Update	929	450	450	29	-	929
	Municipal Funding & Coordination	281	150	100	31	-	281
	Admin NTD Report for Sampling	62	41	12	9	-	62
	Westlake Station Study	18	12	6	-	-	18
	SRTP Serv. Dvlp.	956	956	-	-	-	956
	Bus/Rail Interface	5	4	1	-	-	5
	Restructuring Study	84	57	17	10	-	84
	Consent Decree	5,895	4,306	884	705	-	5,895
	Implement Metro Rapid Bus	965	666	183	116	-	965
	Transit Service Expa	34	23	7	4	-	34
	Transit Planning	1,949	1,786	102	61	-	1,949
	BRT Resrch/TVL	7	5	1	1	-	7
	NE Community Study-Ph 1	1	1	-	-	-	1
	Eastside Ext Ped Cor	2	-	2	-	-	2
	ADA Compliance	126	87	26	13	-	126
	Social Serv.Trantit	55	36	11	8	-	55
	Research & Development	559	380	112	67	-	559
<b>405511</b>	<b>Total</b>	<b>12,063</b>	<b>8,960</b>	<b>2,014</b>	<b>1,089</b>	<b>-</b>	<b>12,063</b>
<b>405547</b>	<b>SCAG Employer Rideshare Service Project</b>						
	Core Rideshare Svc	813	473	340	-	-	813
	Emplr Rideshare Svc	1,216	864	352	-	-	1,216
	Rideshare 2K & Club	35	17	18	-	-	35
<b>405547</b>	<b>Total</b>	<b>2,064</b>	<b>1,354</b>	<b>710</b>	<b>-</b>	<b>-</b>	<b>2,064</b>
<b>609910</b>	<b>Transportation Industry Consortium</b>						
	Task 1	1	-	-	-	1	1
<b>609910</b>	<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>609911</b>	<b>Transportation Academies/TOP/FTA</b>						
	TOP	161	161	-	-	-	161
<b>609911</b>	<b>Total</b>	<b>161</b>	<b>161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161</b>
<b>609913</b>	<b>Transit Academies/TOP</b>						
	Transp Career-AC2	1	-	-	-	1	1
<b>609913</b>	<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>610041</b>	<b>Property Management</b>						
	General Row Oh	2,614	-	-	-	2,614	2,614



Los Angeles County Metropolitan Transportation Authority  
Schedule of Sources and Uses of General funds  
For the Fiscal Year Ending June 30, 2004  
(Amount expressed in Thousands)

Project	Task Description	Expenditures	Revenues				Total Revenue
			Prop A Admin	Prop C Admin	TDA Admin	Other Sources	
	West Santa Ana	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ 1
	Exposition	3	-	-	-	3	3
	Sanbag	96	-	-	-	96	96
<b>610041</b>	<b>Total</b>	<b>2,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,714</b>	<b>2,714</b>
<b>610051</b>	<b>Pasadena Blue Line Property Management</b>						
	Pasadena Blue Line	26	-	-	-	26	26
<b>610051</b>	<b>Total</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>26</b>
<b>610061</b>	<b>Owned Property</b>						
	Property Acquisition	68	-	-	-	68	68
	Administration	2,700	-	-	-	2,700	2,700
	Coast Subdivision	1	-	-	-	1	1
	Environmental Clean	23	-	-	-	23	23
<b>610061</b>	<b>Total</b>	<b>2,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,792</b>	<b>2,792</b>
<b>610306</b>	<b>Debt Service Payment</b>						
	Debt service payment - interest	600	-	-	-	600	600
	Debt service payment - principal	844	-	-	-	844	844
<b>610061</b>	<b>Total</b>	<b>1,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,444</b>	<b>1,444</b>
<b>Fund Transfer To:</b>							
	Prop C	3,463	-	-	-	3,463	3,463
	Enterprise Fund	23,736	-	-	-	23,736	23,736
	Other Capital	899	-	-	-	899	899
	Other (offsets within Gen Fund)	(195)	-	-	-	(195)	(195)
	<b>Total</b>	<b>27,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,903</b>	<b>27,903</b>
<b>Total Expenditures, Allocations and Transfers</b>		<b>74,457</b>	<b>24,372</b>	<b>8,485</b>	<b>5,320</b>	<b>36,280</b>	<b>74,457</b>
<b>Remaining balance at June 30, 2004</b>			<b>\$ 3,915</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,777</b>	<b>\$ 146,692</b>

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Bus**  
**For The Year Ended June 30, 2004**

Activity	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	41.72	256,694	41.22	256,394	(0.50)	-1.2%	39.91	272,707	(1.81)	-4.5%
3 Other	0.05	316	0.06	390	0.01	16.7%	0.04	258	(0.01)	-25.0%
4 Training	0.84	5,143	0.96	5,994	0.12	12.5%	0.63	4,332	(0.21)	-33.3%
5 Control Center	0.97	5,951	1.05	6,554	0.08	7.6%	1.00	6,842	0.03	3.0%
6 Scheduling and Planning	0.87	5,378	0.30	1,875	(0.57)	-190.0%	0.28	1,889	(0.59)	-210.7%
7 <b>Subtotal</b>	<b>44.45</b>	<b>273,482</b>	<b>43.59</b>	<b>271,207</b>	<b>(0.86)</b>	<b>-154.4%</b>	<b>41.86</b>	<b>286,028</b>	<b>(2.59)</b>	<b>-270.6%</b>
<b>9 Division Maintenance</b>										
10 Labor and Benefits	14.81	91,126	14.43	89,773	(0.38)	-2.6%	14.90	101,792	0.09	0.6%
11 Fuel	5.24	32,207	4.74	29,500	(0.50)	-10.5%	4.24	28,977	(1.00)	-23.6%
12 Materials & Supplies	5.51	33,895	5.41	33,628	(0.10)	-1.8%	4.44	30,342	(1.07)	-24.1%
13 Other (Note 2)	(0.23)	(1,406)	(0.09)	(539)	0.14	-155.6%	0.01	38	0.24	2400.0%
14 Preventative Maintenance	0.01	65	-	0	(0.01)	0.0%	0.43	2,943	0.42	97.7%
15 <b>Subtotal</b>	<b>25.34</b>	<b>155,887</b>	<b>24.49</b>	<b>152,362</b>	<b>(0.85)</b>	<b>-170.6%</b>	<b>24.02</b>	<b>164,092</b>	<b>(1.32)</b>	<b>2450.6%</b>
<b>17 RRC Regular Maintenance</b>										
18 Labor and Benefits	1.18	7,247	0.99	6,169	(0.19)	-19.2%	1.31	8,920	0.13	9.9%
19 Materials & Supplies	0.40	2,476	0.30	1,842	(0.10)	-33.3%	0.48	3,253	0.08	16.7%
20 Other	0.16	966	0.15	937	(0.01)	-6.7%	0.12	818	(0.04)	-33.3%
21 <b>Subtotal</b>	<b>1.74</b>	<b>10,689</b>	<b>1.44</b>	<b>8,948</b>	<b>(0.30)</b>	<b>-59.2%</b>	<b>1.91</b>	<b>12,991</b>	<b>0.17</b>	<b>-6.7%</b>
<b>23 RRC Preventative Maintenance</b>										
24 Power Plant Assembly	1.13	6,923	1.72	10,706	0.59	34.3%	2.08	14,222	0.95	45.7%
25 Accident Repair	0.10	609	0.15	935	0.05	33.3%	0.09	606	(0.01)	-11.1%
26 Ethanol Conversion	-	0	-	0	-	0.0%	-	0	-	0.0%
27 Contractor	-	0	-	0	-	0.0%	-	17	-	0.0%
28 Wheelchair Lifts	-	9	-	0	-	0.0%	0.01	53	0.01	100.0%
29 Painting	0.35	2,149	0.51	3,184	0.16	31.4%	0.21	1,457	(0.14)	-66.7%
30 Windows	0.03	185	-	18	(0.03)	0.0%	0.03	237	-	0.0%
31 RRC Mgt & Admin	0.15	896	(0.66)	(4,083)	(0.81)	122.7%	0.08	541	(0.07)	-87.5%
32 <b>Subtotal</b>	<b>1.76</b>	<b>10,770</b>	<b>1.72</b>	<b>10,761</b>	<b>(0.04)</b>	<b>221.7%</b>	<b>2.50</b>	<b>17,133</b>	<b>0.74</b>	<b>-19.6%</b>
<b>34 Other Maintenance Costs</b>										
35 Maintenance Support	2.06	12,672	2.27	14,110	0.21	9.3%	2.32	15,851	0.26	11.2%
36 Non-Revenue Vehicles	0.62	3,797	0.63	3,926	0.01	1.6%	0.44	3,020	(0.18)	-40.9%
37 Facilities Maintenance	3.18	19,567	3.61	22,462	0.43	11.9%	2.61	17,803	(0.57)	-21.8%
38 Training	0.21	1,265	0.24	1,474	0.03	12.5%	0.05	336	(0.16)	-320.0%
39 <b>Subtotal</b>	<b>6.07</b>	<b>37,301</b>	<b>6.75</b>	<b>41,972</b>	<b>0.68</b>	<b>35.2%</b>	<b>5.42</b>	<b>37,010</b>	<b>(0.65)</b>	<b>-371.5%</b>
<b>40 Subtotal Maintenance</b>	<b>34.91</b>	<b>214,648</b>	<b>34.40</b>	<b>214,042</b>	<b>(0.51)</b>	<b>27.2%</b>	<b>33.85</b>	<b>231,226</b>	<b>(1.06)</b>	<b>2052.7%</b>
<b>43 Other Operating Costs</b>										
44 Transit Security	2.20	13,532	2.66	16,559	0.46	17.3%	3.76	25,705	1.56	41.5%
45 General Managers	2.62	16,099	2.93	18,205	0.31	10.6%	2.17	14,843	(0.45)	-20.7%
46 Transit Operating Costs	0.43	2,651	0.40	2,497	(0.03)	-7.5%	1.69	11,578	1.26	74.6%
48 Revenue Services and Collection	0.97	5,952	0.96	5,988	(0.01)	-1.0%	1.38	9,404	0.41	29.7%
49 Service Development	0.12	739	0.19	1,168	0.07	36.8%	0.34	2,343	0.22	64.7%
50 Safety	0.11	680	0.24	1,489	0.13	54.2%	0.08	535	(0.03)	-37.5%
51 Casualty & Liability	6.48	39,875	4.75	29,544	(1.73)	-36.4%	4.05	27,684	(2.43)	-60.0%
52 Workers Comp	7.75	47,684	7.97	49,580	0.22	2.8%	7.28	49,769	(0.47)	-6.5%
53 Transitional Duty Program	0.28	1,731	0.33	2,082	0.05	15.2%	0.32	2,210	0.04	12.5%
54 Building Costs	2.26	13,883	1.35	8,399	(0.91)	-67.4%	1.56	10,635	(0.70)	-44.9%
55 Copy Services	0.35	2,126	0.30	1,876	(0.05)	-16.7%	0.30	2,021	(0.05)	-16.7%
56 Employee Subsidies	0.15	902	0.04	260	(0.11)	-275.0%	0.18	1,241	0.03	16.7%
47 Other	(0.23)	(1,394)	(0.01)	(50)	0.22	-2200.0%	-	0	0.23	0.0%
57 <b>Subtotal</b>	<b>23.49</b>	<b>144,462</b>	<b>22.11</b>	<b>137,596</b>	<b>(1.38)</b>	<b>-6.2%</b>	<b>23.11</b>	<b>157,968</b>	<b>(0.38)</b>	<b>-1.6%</b>
<b>59 Support Department Costs</b>										
60 Board Oversight	0.08	469	0.07	464	(0.01)	-14.3%	0.09	582	0.01	11.1%
61 Human Resources	0.70	4,319	0.57	3,536	(0.13)	-22.8%	0.59	3,999	(0.11)	-18.6%
62 General Services	0.60	3,708	0.48	3,006	(0.12)	-25.0%	0.65	4,418	0.05	7.7%
63 Other Chief of Staff	1.47	9,052	0.95	5,932	(0.52)	-54.7%	0.79	5,407	(0.68)	-86.1%
64 Construction Project Management	0.02	130	-	0	(0.02)	0.0%	0.03	199	0.01	33.3%
65 Countywide Planning & Development	0.01	71	-	0	(0.01)	0.0%	-	0	(0.01)	0.0%
66 Communications	0.79	4,835	0.51	3,164	(0.28)	-54.9%	0.51	3,507	(0.28)	-54.9%
67 MASD	0.08	507	0.05	336	(0.03)	-60.0%	0.11	777	0.03	27.3%
68 Finance	2.12	13,057	1.95	12,137	(0.17)	-8.7%	1.22	8,302	(0.90)	-73.8%
69 ITS	1.43	8,813	1.06	6,587	(0.37)	-34.9%	1.30	8,901	(0.13)	-10.0%
70 Other Support Services	2.91	17,906	5.68	35,308	2.77	48.8%	1.77	12,092	(1.14)	-64.4%
71 <b>Subtotal</b>	<b>10.21</b>	<b>62,867</b>	<b>11.32</b>	<b>70,471</b>	<b>1.11</b>	<b>9.8%</b>	<b>7.06</b>	<b>48,184</b>	<b>(3.15)</b>	<b>-44.6%</b>
<b>74 Metro Operated</b>	<b>\$ 113.06</b>	<b>\$695,458,854.92</b>	<b>\$ 111.42</b>	<b>693,315</b>	<b>(1.64)</b>	<b>-1.5%</b>	<b>\$ 105.88</b>	<b>723,406</b>	<b>(7.18)</b>	<b>-6.8%</b>

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Bus**  
**For The Year Ended June 30, 2004**

Activity	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>76 Purchased Transportation</b>											<b>76</b>
77 Contracted Service	54.60	27,057	54.20	25,426	(0.40)	-0.7%	45.60	28,328	(9.00)	-19.7%	77
78 Security	2.20	1,090	2.66	1,249	0.46	17.3%	3.76	2,337	1.56	41.5%	78
79 Administration	0.78	385	0.70	328	(0.08)	-11.4%	0.81	506	0.03	3.7%	79
80											80
<b>81 Purchased Transportation</b>	<b>\$ 57.58</b>	<b>28,533</b>	<b>\$ 57.56</b>	<b>27,003</b>	<b>(0.02)</b>	<b>0.0%</b>	<b>\$ 50.17</b>	<b>31,171</b>	<b>(7.41)</b>	<b>-14.8%</b>	<b>81</b>
82											82
<b>83 Enterprise Fund Debt</b>											<b>83</b>
84 Interest (610309) (Note 1)	0.02	159	0.01	41	(0.01)	-100.0%	0.19	1,442	0.17	89.5%	84
85 Administration (300076)	0.05	304	0.22	1,454	0.17	77.3%	0.10	719	0.05	50.0%	85
86 <b>Sub-total</b>	<b>0.07</b>	<b>463</b>	<b>0.23</b>	<b>1,494</b>	<b>0.16</b>	<b>69.6%</b>	<b>0.29</b>	<b>2,161</b>	<b>0.22</b>	<b>75.9%</b>	<b>86</b>
87											87
<b>88 All Bus Operating Expenses</b>	<b>\$ 109.44</b>	<b>724,455</b>	<b>\$ 107.91</b>	<b>721,812</b>	<b>(1.54)</b>	<b>-1.4%</b>	<b>\$ 101.52</b>	<b>756,738</b>	<b>(7.46)</b>	<b>-7.3%</b>	<b>88</b>
89											89
<b>90 Revenue Service Hours (Metro only)</b>	<b>6,152,157</b>		<b>6,220,160</b>		<b>(68,003)</b>	<b>-1.1%</b>	<b>6,832,313</b>		<b>680,156</b>		<b>90</b>
91											91
<b>92 RSH Contract Services</b>	<b>467,301</b>		<b>469,095</b>		<b>(1,794)</b>	<b>-0.4%</b>	<b>621,218</b>		<b>153,917</b>		<b>92</b>
93											93
<b>94 Total Revenue Service Hours</b>	<b>6,619,458</b>		<b>6,689,255</b>		<b>(69,797)</b>	<b>-1.0%</b>	<b>7,453,531</b>		<b>834,073</b>		<b>94</b>

Note 1 Excluding interest for Workers' Comp. COP of \$6,715 as of FY 04; \$3,286 as of FY 03.  
Note 2 Covers \$718 of warranty claim reimbursements/credits.

**Los Angeles County Metropolitan Transportation Authority**  
**Activity Based Costing**  
**Heavy Rail**  
**For The Year Ended June 30, 2004**

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	29.75	7,094	29.85	7,300	0.10	0.3%	19.47	5,139	(10.28)	-52.8%
3 Other	0.43	102	0.39	95	(0.04)	-10.3%	0.20	54	(0.23)	-115.0%
4 Control Center	(0.23)	(55)	-	0	0.23	0.0%	9.23	2,435	9.46	102.5%
5 Scheduling and Planning	-	0	-	0	-	0.0%	-	0	-	0.0%
6 <b>Subtotal</b>	<b>29.95</b>	<b>7,141</b>	<b>30.24</b>	<b>7,395</b>	<b>0.29</b>	<b>1.0%</b>	<b>28.90</b>	<b>7,628</b>	<b>(1.05)</b>	<b>-3.6%</b>
<b>8 Division Maintenance</b>										
9 Labor and Benefits	35.33	8,423	35.87	8,773	0.54	1.5%	31.39	8,284	(3.94)	-12.6%
10 Materials & Supplies	7.79	1,858	8.96	2,191	1.17	13.1%	10.39	2,741	2.60	25.0%
11 Other	0.23	56	0.54	132	0.31	57.4%	0.69	183	0.46	66.7%
12 Preventative Maintenance	0.87	207	12.82	3,135	11.95	93.2%	3.23	852	2.36	73.1%
13 <b>Subtotal</b>	<b>44.22</b>	<b>10,543</b>	<b>58.19</b>	<b>14,231</b>	<b>13.97</b>	<b>24.0%</b>	<b>45.70</b>	<b>12,060</b>	<b>1.48</b>	<b>3.2%</b>
<b>15 Maintenance of Way</b>										
16 Labor and Benefits	41.24	9,832	38.30	9,368	(2.94)	-7.7%	16.91	4,462	(24.33)	-143.9%
17 Materials & Supplies	5.77	1,375	5.72	1,399	(0.05)	-0.9%	2.00	528	(3.77)	-188.5%
18 Propulsion Power	26.54	6,327	24.53	6,000	(2.01)	-8.2%	27.81	7,339	1.27	4.6%
19 Other	3.40	810	1.22	299	(2.18)	-178.7%	0.04	10	(3.36)	-8400.0%
20 <b>Subtotal</b>	<b>76.95</b>	<b>18,344</b>	<b>69.77</b>	<b>17,066</b>	<b>(7.18)</b>	<b>-10.3%</b>	<b>46.76</b>	<b>12,339</b>	<b>(30.19)</b>	<b>-64.6%</b>
<b>22 Other Maintenance Costs</b>										
23 Maintenance Support	-	1	-	0	-	0.0%	-	0	-	0.0%
24 Non-Revenue Vehicles	0.18	43	0.15	37	(0.03)	-20.0%	0.46	121	0.28	60.9%
25 Facilities Maintenance	11.14	2,656	11.07	2,707	(0.07)	-0.6%	36.59	9,656	25.45	69.6%
26 <b>Subtotal</b>	<b>11.32</b>	<b>2,700</b>	<b>11.22</b>	<b>2,744</b>	<b>(0.10)</b>	<b>-0.9%</b>	<b>37.05</b>	<b>9,777</b>	<b>25.73</b>	<b>69.4%</b>
<b>28 Subtotal Maintenance</b>	<b>132.49</b>	<b>31,587</b>	<b>139.18</b>	<b>34,041</b>	<b>6.69</b>	<b>4.8%</b>	<b>129.51</b>	<b>34,176</b>	<b>(2.98)</b>	<b>-2.3%</b>
<b>30 Other Operating Costs</b>										
31 Transit Security	54.42	12,974	55.81	13,651	1.39	2.5%	41.74	11,015	(12.68)	-30.4%
32 General Managers	0.01	3	-	0	(0.01)	0.0%	0.07	19	0.06	85.7%
33 Transit Operating Costs	8.12	1,937	5.43	1,327	(2.69)	-49.5%	7.76	2,048	(0.36)	-4.6%
34 Other (Bus)	0.05	12	-	0	(0.05)	0.0%	-	0	(0.05)	0.0%
35 Revenue Services and Collection	3.46	824	3.34	817	(0.12)	-3.6%	3.11	820	(0.35)	-11.3%
36 Service Development	0.25	60	0.39	96	0.14	35.9%	0.13	34	(0.12)	-92.3%
37 Safety	0.66	158	0.71	173	0.05	7.0%	0.27	72	(0.39)	-144.4%
38 Casualty & Liability	13.58	3,239	17.42	4,261	3.84	22.0%	9.43	2,489	(4.15)	-44.0%
39 Workers Comp	7.63	1,820	1.41	344	(6.22)	-441.1%	3.14	830	(4.49)	-143.0%
40 Building Costs	3.93	936	2.20	537	(1.73)	-78.6%	2.93	774	(1.00)	-34.1%
41 Copy Services	0.60	143	0.49	120	(0.11)	-22.4%	0.56	147	(0.04)	-7.1%
42 Employee Subsidies	0.25	61	0.07	17	(0.18)	-257.1%	0.34	90	0.09	26.5%
43 <b>Subtotal</b>	<b>92.96</b>	<b>22,165</b>	<b>87.27</b>	<b>21,345</b>	<b>(5.69)</b>	<b>-6.5%</b>	<b>69.48</b>	<b>18,338</b>	<b>(23.48)</b>	<b>-33.8%</b>
<b>45 Support Department Costs</b>										
46 Board Oversight	0.10	24	0.06	15	(0.04)	-66.7%	0.14	36	0.04	28.6%
47 Human Resources	1.12	267	0.80	196	(0.32)	-40.0%	1.00	264	(0.12)	-12.0%
48 General Services	1.25	298	1.07	261	(0.18)	-16.8%	1.17	309	(0.08)	-6.8%
49 Other Chief of Staff	3.24	773	2.66	650	(0.58)	-21.8%	1.14	301	(2.10)	-184.2%
50 Construction Project Management	0.37	88	-	0	(0.37)	0.0%	0.13	34	(0.24)	-184.6%
51 Countywide Planning & Development	-	0	-	0	-	0.0%	0.01	3	0.01	100.0%
52 Communications	3.05	728	3.01	736	(0.04)	-1.3%	1.86	492	(1.19)	-64.0%
53 MASD	0.27	63	0.24	58	(0.03)	-12.5%	0.28	74	0.01	3.6%
54 Finance	3.34	797	2.90	708	(0.44)	-15.2%	4.25	1,121	0.91	21.4%
55 ITS	1.85	440	1.23	301	(0.62)	-50.4%	2.33	616	0.48	20.6%
56 Other Support Services	7.70	1,839	10.73	2,632	3.03	28.2%	4.18	1,105	(3.52)	-84.2%
57 <b>Subtotal</b>	<b>22.29</b>	<b>5,317</b>	<b>22.70</b>	<b>5,557</b>	<b>0.41</b>	<b>1.8%</b>	<b>16.49</b>	<b>4,355</b>	<b>(5.80)</b>	<b>-35.2%</b>
<b>60 Metro Operated</b>	<b>\$ 277.69</b>	<b>66,210</b>	<b>\$ 279.39</b>	<b>68,338</b>	<b>\$ 1.70</b>	<b>0.6%</b>	<b>\$ 244.38</b>	<b>64,497</b>	<b>(33.31)</b>	<b>-13.6%</b>
<b>63 Revenue Service Hours (Metro only)</b>	<b>238,422</b>		<b>244,592</b>		<b>-6,170</b>	<b>-2.5%</b>	<b>263,911</b>		<b>25,489</b>	<b>9.7%</b>

**Activity Based Costing  
LIGHT RAIL  
For The Year Ended June 30, 2004**

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	52.95	17,830	44.35	16,294	(8.60)	-19.4%	39.98	11,439	(12.97)	-32.4%
3 Materials & Supplies	0.44	148	0.87	321	0.43	49.4%	0.07	21	(0.37)	-528.6%
4 Other	0.05	16	0.23	84	0.18	78.3%	0.02	6	(0.03)	-150.0%
5 Control Center	(0.17)	(57)	-	0	0.17	0.0%	13.37	3,827	13.54	101.3%
6 Scheduling and Planning	-	0	-	0	-	0.0%	0.02	7	0.02	100.0%
7 <b>Subtotal</b>	<b>53.27</b>	<b>17,937</b>	<b>45.45</b>	<b>16,700</b>	<b>(7.82)</b>	<b>-17.2%</b>	<b>53.46</b>	<b>15,300</b>	<b>0.19</b>	<b>0.4%</b>
<b>9 Division Maintenance</b>										
10 Labor and Benefits	47.22	15,901	44.90	16,494	(2.32)	-5.2%	46.61	13,337	(0.61)	-1.3%
11 Materials & Supplies	15.76	5,306	6.44	2,365	(9.32)	-144.7%	13.56	3,879	(2.20)	-16.2%
12 Other	0.32	107	9.72	3,573	9.40	96.7%	0.91	260	0.59	64.8%
13 Preventative Maintenance	-	0	-	0	-	0.0%	2.00	573	2.00	100.0%
14 <b>Subtotal</b>	<b>63.30</b>	<b>21,314</b>	<b>61.06</b>	<b>22,432</b>	<b>(2.24)</b>	<b>-3.7%</b>	<b>63.08</b>	<b>18,049</b>	<b>(0.22)</b>	<b>-0.3%</b>
<b>16 Maintenance of Way</b>										
17 Labor and Benefits	37.78	12,724	44.88	16,489	7.10	15.8%	19.13	5,474	(18.65)	-97.5%
18 Materials & Supplies	4.49	1,513	2.39	877	(2.10)	-87.9%	2.47	707	(2.02)	-81.8%
19 Propulsion Power	27.65	9,311	28.04	10,300	0.39	1.4%	33.77	9,665	6.12	18.1%
20 Other	1.45	487	1.43	526	(0.02)	-1.4%	0.34	96	(1.11)	-326.5%
21 <b>Subtotal</b>	<b>71.37</b>	<b>24,035</b>	<b>76.74</b>	<b>28,192</b>	<b>5.37</b>	<b>7.0%</b>	<b>55.71</b>	<b>15,942</b>	<b>(15.66)</b>	<b>-28.1%</b>
<b>23 Other Maintenance Costs</b>										
24 Maintenance Support	0.03	10	0.04	16	0.01	25.0%	0.04	12	0.01	25.0%
25 Non-Revenue Vehicles	1.26	425	-	0	(1.26)	0.0%	0.63	180	(0.63)	-100.0%
26 Facilities Maintenance	7.64	2,573	8.55	3,142	0.91	10.6%	21.69	6,207	14.05	64.8%
27 <b>Subtotal</b>	<b>8.93</b>	<b>3,008</b>	<b>8.59</b>	<b>3,159</b>	<b>(0.34)</b>	<b>-4.0%</b>	<b>22.36</b>	<b>6,399</b>	<b>13.43</b>	<b>60.1%</b>
<b>29 Subtotal Maintenance</b>	<b>143.60</b>	<b>48,356</b>	<b>146.39</b>	<b>53,782</b>	<b>2.79</b>	<b>1.9%</b>	<b>141.15</b>	<b>40,390</b>	<b>(2.45)</b>	<b>-1.7%</b>
<b>31 Other Operating Costs</b>										
32 Transit Security	57.93	19,509	61.95	22,758	4.02	6.5%	52.22	14,947	(5.71)	-10.9%
33 General Manager	0.02	5	-	0	(0.02)	0.0%	0.01	3	(0.01)	-100.0%
34 Transit Operating Costs	9.30	3,132	7.83	2,877	(1.47)	-18.8%	10.51	3,008	1.21	11.5%
35 Other (Bus)	0.73	246	-	0	(0.73)	0.0%	-	0	(0.73)	0.0%
36 Revenue Services and Collection	5.04	1,697	4.19	1,538	(0.85)	-20.3%	4.09	1,170	(0.95)	-23.2%
37 Service Development	0.53	179	0.79	289	0.26	32.9%	0.11	31	(0.42)	-381.8%
38 Safety	2.83	953	3.13	1,152	0.30	9.6%	1.28	365	(1.55)	-121.1%
39 Casualty & Liability	8.80	2,963	6.79	2,493	(2.01)	-29.6%	3.39	971	(5.41)	-159.6%
40 Workers Comp	11.33	3,817	(0.87)	(321)	(12.20)	-1402.3%	4.19	1,200	(7.14)	-170.4%
41 Building Costs	5.16	1,736	3.03	1,114	(2.13)	-70.3%	3.71	1,062	(1.45)	-39.1%
42 Copy Service	0.79	266	0.68	249	(0.11)	-16.2%	0.71	202	(0.08)	-11.3%
43 Employee Subsidies	0.33	113	0.09	34	(0.24)	-266.7%	0.43	124	0.10	23.3%
44 <b>Subtotal</b>	<b>102.79</b>	<b>34,616</b>	<b>87.61</b>	<b>32,185</b>	<b>(15.18)</b>	<b>-17.3%</b>	<b>80.65</b>	<b>23,083</b>	<b>(22.14)</b>	<b>-27.5%</b>
<b>46 Indirect Costs</b>										
<b>47 Non-Operating Departments Charging Operating Projects</b>										
48 Board Oversight	0.13	44	0.08	30	(0.05)	-62.5%	0.17	50	0.04	23.5%
49 Human Resources	1.48	498	1.11	406	(0.37)	-33.3%	1.26	361	(0.22)	-17.5%
50 General Services	1.82	613	1.78	656	(0.04)	-2.2%	1.49	425	(0.33)	-22.1%
51 Chief of Staff	5.63	1,896	4.37	1,604	(1.26)	-28.8%	3.52	1,007	(2.11)	-59.9%
52 Construction Project Management	0.20	66	0.01	5	(0.19)	-1900.0%	0.11	33	(0.09)	-81.8%
53 Countywide Planning & Development	0.01	3	-	0	(0.01)	0.0%	0.02	5	0.01	50.0%
54 Communications	6.37	2,144	5.91	2,170	(0.46)	-7.8%	3.51	1,003	(2.86)	-81.5%
55 MASD	0.35	119	0.36	131	0.01	2.8%	0.46	131	0.11	23.9%
56 Finance	4.25	1,431	3.73	1,369	(0.52)	-13.9%	5.36	1,534	1.11	20.7%
57 ITS	2.43	818	1.81	664	(0.62)	-34.3%	2.89	827	0.46	15.9%
58 Support Services	11.40	3,839	16.34	6,004	4.94	30.2%	6.18	1,768	(5.22)	-84.5%
59 <b>Subtotal</b>	<b>34.07</b>	<b>11,471</b>	<b>35.50</b>	<b>13,039</b>	<b>1.43</b>	<b>4.0%</b>	<b>24.97</b>	<b>7,144</b>	<b>(9.10)</b>	<b>-36.4%</b>
<b>62 Metro Operated</b>	<b>\$ 333.73</b>	<b>112,380</b>	<b>\$ 314.95</b>	<b>115,706</b>	<b>\$ (18.78)</b>	<b>-6.0%</b>	<b>\$ 300.23</b>	<b>85,917</b>	<b>\$ (33.50)</b>	<b>-11.2%</b>
<b>65 Revenue Service Hours (Metro only)</b>	<b>336,756</b>		<b>367,368</b>		<b>30,612</b>	<b>-8.3%</b>	<b>286,148</b>		<b>(50,608)</b>	<b>-17.7%</b>

Los Angeles County  
Metropolitan Transportation Authority  
One Gateway Plaza  
Los Angeles, CA 90012-2952

213.922.6000  
metro.net

