Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Metro

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Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

Submitted by: Accounting Department
Josephine 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, 2005

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Metropolitan Transportation Authority
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Los Angeles, CA 90012-2952
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Metro

December 2, 2005

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

Dear Honorable Board of Directors:

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, 2005, 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 Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2004, Metro's management 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.

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, 2005, are free of material misstatement.

The management's discussion and analysis (MD&A), shown on pages 13 to 24, provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal 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 2005, with over 85.9 million annual vehicle revenue service miles delivered. The entire fleet is wheelchair accessible, and 79 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 76,000 weekday passengers in fiscal year 2005.

Metro Red Line – a 20-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 117,000 weekday passengers in fiscal year 2005.

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 33,000 weekday passengers in fiscal year 2005.

Metro Gold Line – a 14-mile light rail line connecting downtown Los Angeles and Pasadena. This light rail line served approximately 17,000 weekday passengers in fiscal year 2005. Currently, a 6-mile segment of this line is under construction and expected to open in December 2009.

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, with a fleet of 150 tow trucks, which patrols LA County freeways. The program alleviates 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.

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-MTA Risk Management Authority (PRMA), the Service Authority for Freeway Emergencies (SAFE), and the LACMTA Leasing Authority are included as blended component units in the financial statements.

Local Economy

Los Angeles County covers 4,752 square miles, and had a population of 10,047,000 in 2003. A quick demographic profile of Los Angeles County shows the following: 44.6% of the population is Hispanic, 31.1% is White non-Hispanic, 12.0% is Asian-Pacific Islander, and 9.5% is African-American (2000 Census).

Most of the workers in the County use automobiles or motorcycles to commute to their jobs (85.6%) while 6.6% take public transportation (vs. 4.7% for the U.S. as a whole). The rest, or 7.8%, walk or work at home.

Education - 70% of the population has a high school diploma or more, while 25% has a bachelor's degree or more (2000 census). Higher and specialized education is a strength of Los Angeles County, with 159 college and university campuses.

Economy - The gross product of Los Angeles County in 2003 was $373.2 billion which would make it the 17th largest national economy in the world if the County were a country. The "new economy" of Los Angeles County often is technology-driven, and includes bio-medicine, digital information technology, multimedia, and advanced transportation technology. Los Angeles is the second largest major manufacturing center in the U.S., with 605,700 workers in that activity in 2001. Transportation service in Los Angeles County is extensive. In addition to the ports and airports, there are three other commercial airports. Besides the extensive freeway system, there is an array of mass transit options including various bus operators, Amtrak, Metrolink (commuter rail), and Metro Rail (subway & light rail). Rail freight service is provided by Burlington Northern Santa Fe and the Union Pacific.

Outlook - According to the LA County Economic Forecast, the economy is expected to continue growing. The County's unemployment rate is expected to drop to 6.1% in 2005. Taxable retail sales growth in the County in 2005 will be 5.9%. Congestion has become a more prominent issue. Traffic congestion has long been an acknowledged problem, and Metro has been fully engaged in addressing that issue. However, now freight congestion has attracted more attention. This was prompted by the gridlock at the Los Angles-Long Beach port complex during the second half of 2004. The ports are currently being expanded.

Long-term Financial Planning

Long term financial planning is accomplished in three stages at Metro: the Long Range Transportation Plan (LRTP), the Short Range Transit Plan (SRTP), and the Ten-Year Forecast. The LRTP is a 25-year plan that is updated every 5-7 years. The LRTP is adopted by the Metro Board of Directors and prioritizes the infrastructure projects (highway and transit) and service developments for the entire region. The SRTP is a five year plan that is updated every 2 years and is also adopted by the Metro Board of Directors. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The ten-year forecast is updated annually using the current year budget as the baseline year. The LRTP and the SRTP use the most recent ten-year forecast as the baseline for the period covered in those plans.

Relevant Financial Policies

The Metro Board of Directors adopts the Financial Standards each year as part of the annual budget and financial planning process. The Financial Standards are divided into three sections:

General Financial Standards – The purpose of the general standards is to ensure that Metro prudently manages its financial affairs and establishes appropriate cash reserves to be able to meet its future financial commitments.

Debt Financial Standards – The purpose of the debt standards is to limit the level of debt that may be incurred and to ensure that debt assumptions used in financial planning are based on financial parameters similar to or more conservative than those that would be placed on Metro by the financial marketplace. These standards will be consistent with the board-approved debt policy.

Business Planning Parameters – The purpose of the business planning parameters is to provide management with a framework for developing the following year's budget and other Metro financial plans and establishes future business targets for management to achieve.

Major Initiatives

Major initiatives include transit service improvements, bus and rail infrastructure guideway construction, automation of the passenger fare system, completion of the I-405 high occupancy vehicle lane and other highway and regional improvements.

Transit service improvements include implementation of the Metro Rapid bus on six new lines throughout the county. Metro Rapid improves service in heavily traveled corridors through signal synchronization, limited stop service and higher capacity buses. Bus and rail infrastructure guideway construction include completion of the bus rapid transit project connecting the North Hollywood Red Line with Warner Center in the San Fernando Valley. The exclusive 14 mile at-grade busway includes a 26-foot wide busway, a bikeway and a landscaped median. It parallels several major streets and has 13 stations spaced approximately one mile apart.

Also under construction is the Metro Gold Line Eastside extension project. This project will connect East Los Angeles with Pasadena through downtown Los Angeles. Construction will start at Union Station and extend to Beverly and Atlantic boulevards. This light rail project is 6 miles and is planned to include 8 stations.

An additional project currently undergoing preliminary engineering is the Mid-City Exposition Light Rail project. This light rail project is planned to be 9.6 miles with 11 stations.

Metro is currently in the process of adapting its fare collection system to an electronic debit type fare media. This project includes replacing all fareboxes on over 2,500 transit buses and modernizing or replacing ticket vending machines for the Orange Line and all rail lines.

The highway program is focused on completing high occupancy vehicles lanes throughout Los Angeles County, particularly on the I-405 northbound corridor from Sunset Boulevard through the San Fernando Valley. Additional highway projects include the soundwall program and completion of freeway segments on the I-5 and the I-710.

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, 2004. This was the sixth 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, 2004

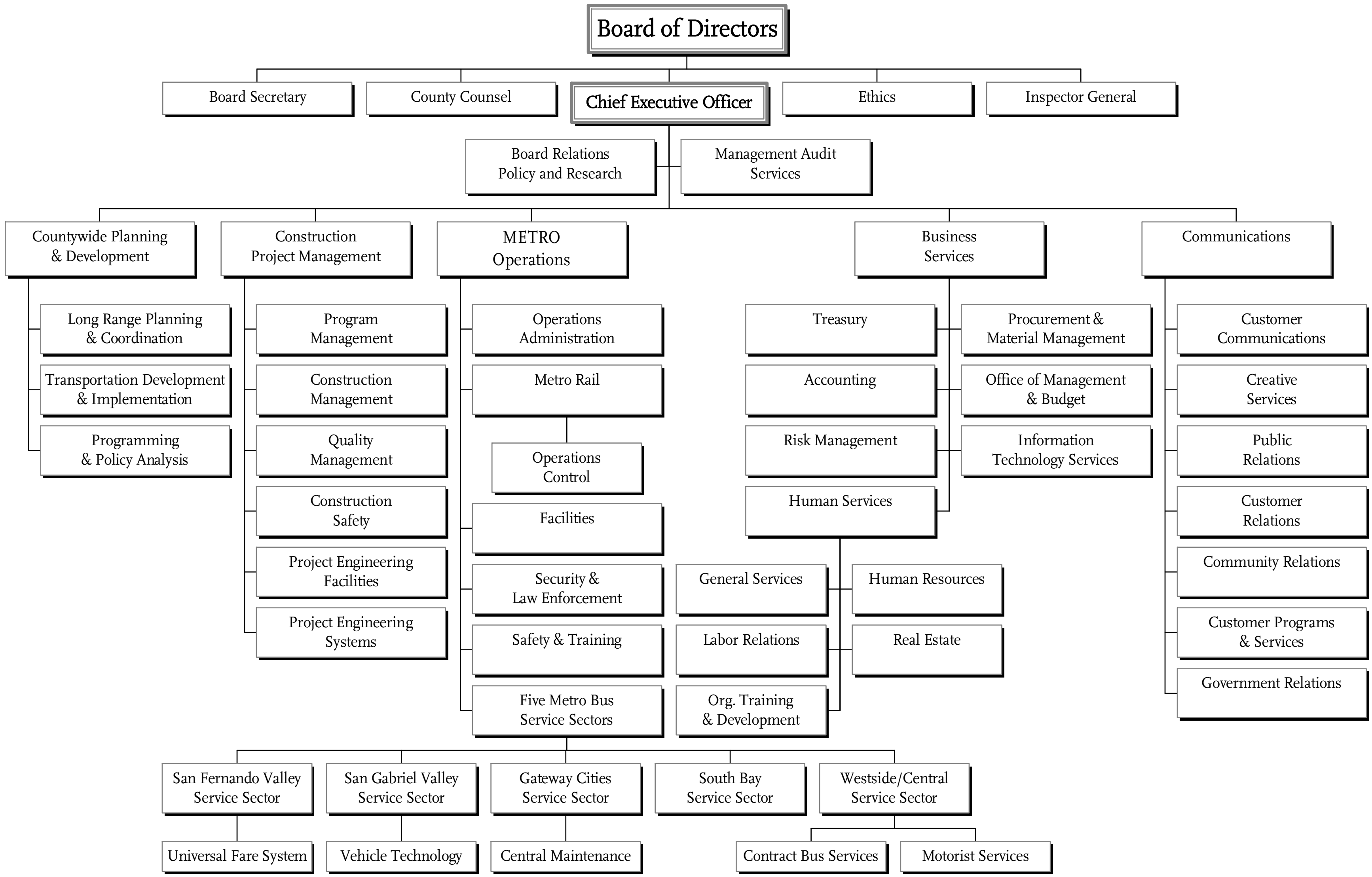
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Nancy L. Zielke
President

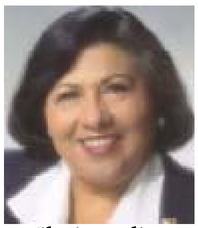
Jeffrey R. Emer
Executive Director

MANAGEMENT ORGANIZATION CHART

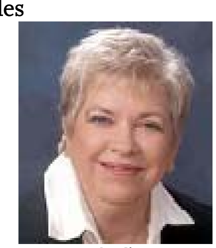


Board of Directors
(Updated as of July 2005)

Antonio Villaraigosa
Chairman of the Board
Mayor, City of Los Angeles



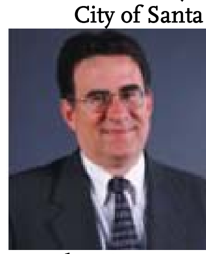
Gloria Molina
First Vice Chair
LA County Supervisor
First Supervisorial District



Pam O'Connor
Second Vice Chair
Mayor
City of Santa Monica

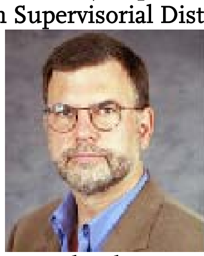
Michael D. Antonovich
LA County Supervisor
5th Supervisorial District

Yvonne B. Burke
LA County Supervisor
2nd Supervisorial District



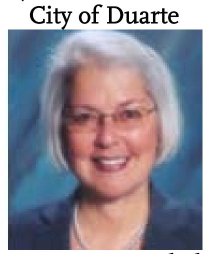
John Fasana
City Council Member
City of Duarte

David Fleming
Attorney



Richard Katz
Former Member
California State Assembly

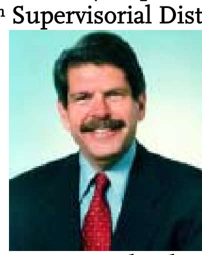
Don Knabe
LA County Supervisor
4th Supervisorial District



Bonnie Lowenthal
City Council Member
City of Long Beach

Bernard Parks
City Council Member
City of Los Angeles

Frank C. Roberts
Mayor
City of Lancaster



Zev Yaroslavsky
LA County Supervisor
3rd Supervisorial District

Douglas R. Failing
Ex-officio Member
Appointed by Governor

Board Appointed Officials

Roger Snoble
Chief Executive Officer

Steven Carnevale
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

William Waters
Inspector General

Chief Executive Staff

John B. Catoe
Deputy Chief Executive Officer

Richard Brumbaugh
Chief Financial Officer

Carol Inge
Interim Chief Planning Officer

Matt Raymond
Chief Communications Officer

Rick Thorpe
Chief Capital Management Officer

FINANCIAL SECTION

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

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, 2005, 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 13 through 24, the schedule of funding progress for pension funds on page 85 and budgetary comparison information on pages 86 through 89 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 introductory section, combining and individual fund statements and schedules and statistical section 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 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

December 2, 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 1) and the financial statements (beginning on page 25). All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- Metro's total assets exceeded its liabilities as of June 30, 2005, by $5,363,837. Of this amount, $1,092,692 is reported as unrestricted net assets (deficit) and may be used for system expansion, acquisition, and general and special revenue obligations.

- Total net assets increased by $162,661 (3.1 percent) this year over last year. Business-type net assets increased by $158,605 (4.5 percent), and governmental net assets increased by $4,056 (0.2 percent). The increase in business-type net assets is due primarily to an increase in capital contributions related to construction and system acquisition projects.

- At year-end the governmental funds reported fund balances totaling $746,982. Of this amount, $542,246 is reserved for encumbrances and other commitments, and $204,736 is unreserved fund balance available for spending at Metro's discretion.

- Metro's total liabilities increased by $275,158 (5.2 percent) during the year. The increase in liabilities is primarily related to borrowings to finance the construction of the busway projects and other system acquisitions.

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 25) 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 26-27) 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 (PRMA), 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 35-37.

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 28-29 and 32-33.

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 31 and 34.

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 non-major governmental funds are presented on pages 91-92.

Metro adopts a spending plan each year. Budgetary comparison schedules are provided for general fund and for each major special revenue fund on pages 86-89, and for each non-major fund on pages 93-95.

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 38-39. They cover the five 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 41-83.

Other Information

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 85 and additional supplementary and statistical information beginning on page 99.

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 $5,363,837 at the end of the fiscal year, a 3.1 percent increase over the previous year. The increase is primarily due to donated capital related to capital and debt service projects. Approximately 80 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, 2005.

Los Angeles County Metropolitan Transportation Authority
Net Assets
(Amounts expressed in thousands)

	Business-type Activities		Governmental Activites		Total	
	2005	2004	2005	2004	2005	2004
Current & other assets	$ 2,044,927	$ 1,887,831	$ 1,055,243	$ 995,252	$ 3,100,170	$ 2,883,083
Capital assets	7,036,130	6,815,324	779,046	779,120	7,815,176	7,594,444
Total assets	9,081,057	8,703,155	1,834,289	1,774,372	10,915,346	10,477,527
Current liabilities	652,299	535,195	118,451	104,056	770,750	639,251
Noncurrent liabilities	4,712,437	4,610,244	68,322	26,856	4,780,759	4,637,100
Total liabilities	5,364,736	5,145,439	186,773	130,912	5,551,509	5,276,351
Net Assets						
Investment in capital assets net of debt	3,492,099	3,505,058	779,046	779,120	4,271,145	4,284,178
Unrestricted (deficit)	224,222	52,658	868,470	864,340	1,092,692	916,998
Total net assets	$ 3,716,321	$ 3,557,716	$ 1,647,516	$ 1,643,460	$ 5,363,837	$ 5,201,176

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, 2005.

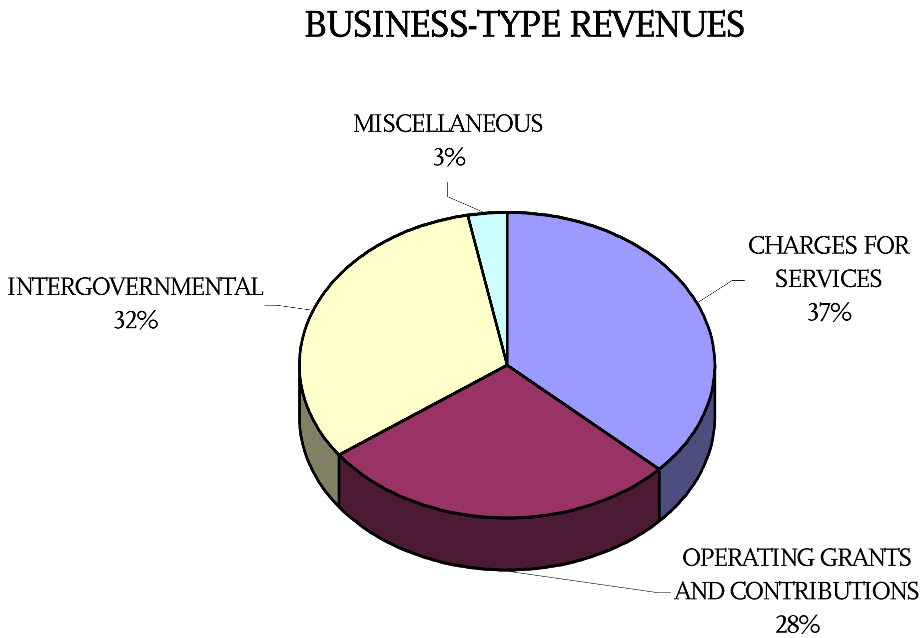
Los Angeles County Metropolitan Transportation Authority
Change in Net Assets
(Amounts expressed in thousands)

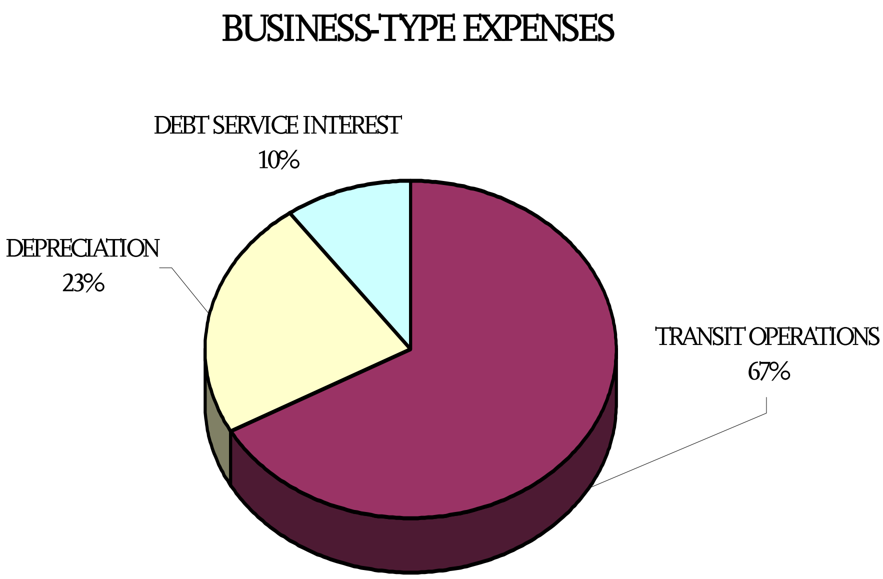
	Business-type Activities		Governmental Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$ 284,682	$ 233,757	$ -	$ -	$ 284,682	$ 233,757
Operating grants and contributions	217,043	116,200	19,946	15,222	236,989	131,422
General revenues						
Sales tax	-	-	1,587,517	1,478,408	1,587,517	1,478,408
Intergovernmental	245,860	470,393	108	48,910	245,968	519,303
Miscellaneous	19,985	12,705	38,678	35,603	58,663	48,308
Total revenues	767,570	833,055	1,646,249	1,578,143	2,413,819	2,411,198
Expenses:						
Transit operations						
Operations	987,462	904,920	-	-	987,462	904,920
Depreciation	335,533	347,629	-	-	335,533	347,629
Debt service interest	148,544	177,935	1,540	600	150,084	178,535
Transit operators programs	-	-	221,400	169,882	221,400	169,882
Local cities programs	-	-	303,969	271,007	303,969	271,007
Regional multimodal capital programs	-	-	60,619	69,393	60,619	69,393
Paratransit programs	-	-	35,010	66,913	35,010	66,913
Other transportation subsidies	-	-	55,471	49,335	55,471	49,335
General government	-	-	101,610	95,553	101,610	95,553
Total expenses	1,471,539	1,430,484	779,619	722,683	2,251,158	2,153,167
Increase (decrease) in net assets before transfers	(703,969)	(597,429)	866,630	855,460	162,661	258,031
Transfers	862,574	885,345	(862,574)	(885,345)	-	-
Increase (decrease) in net assets	158,605	287,916	4,056	(29,885)	162,661	258,031
Net assets – beginning of year	3,557,716	3,269,800	1,643,460	1,673,345	5,201,176	4,943,145
Net assets – ending of year	$ 3,716,321	$ 3,557,716	$ 1,647,516	$ 1,643,460	$ 5,363,837	$ 5,201,176

Prior year reclassified to be consistent with current year presentation.

Transit operations recovered 28.8 percent of total expenses from charges for services, excluding depreciation and debt service interest. The remaining costs were covered by grants and transfers 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.

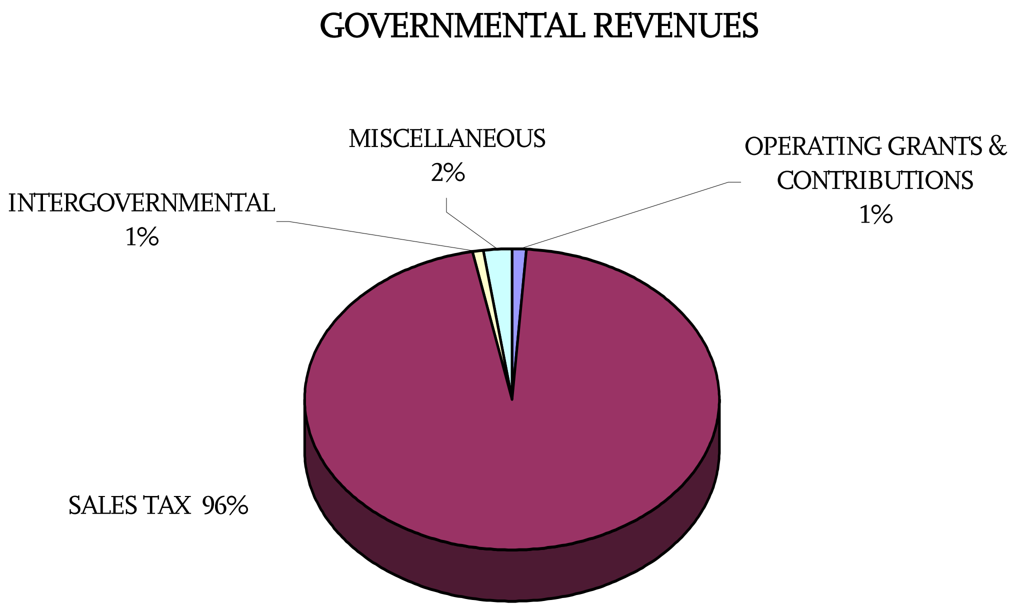


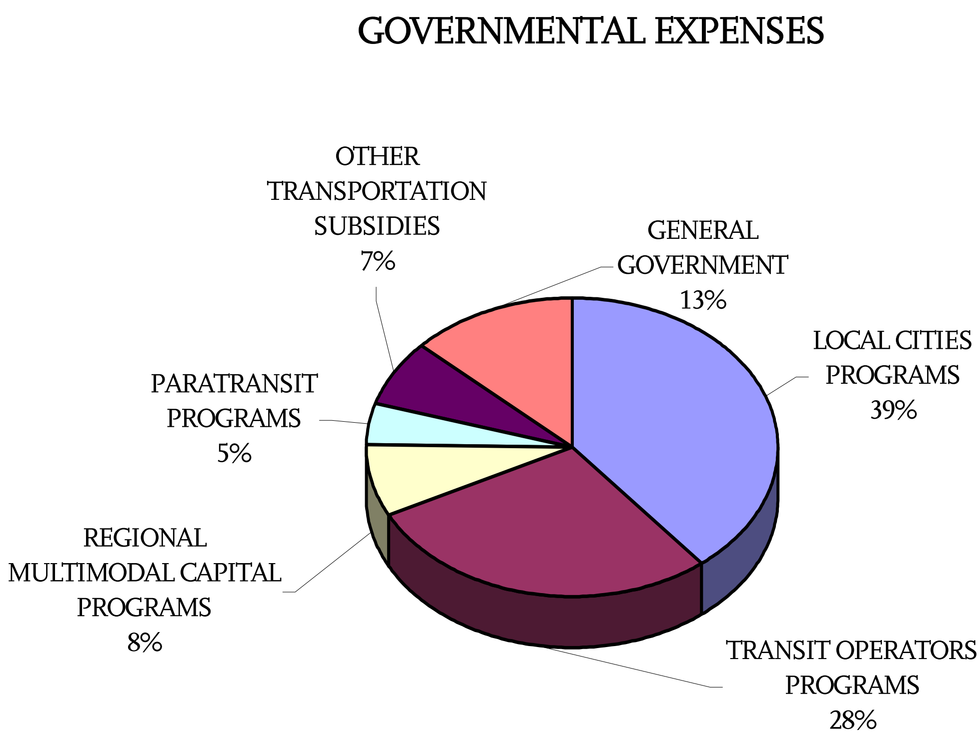


Governmental activities increased Metro's net assets by $4,056.

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 $676,469 to other agencies represented the largest governmental expense, and consisted of the pass-through of state and local funding to other agencies in Los Angeles County for public transit, transportation demand management, bikeways, and highway projects.

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





Financial Analysis of 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 $158,605 substantially due to grants and contributions received for the construction of Metro's Bus Orange Line, eastside extension of Pasadena Gold Line and other system acquisition projects.

Metro uses operating statistics to measure operational effectiveness. Keys 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 (FY) 2005 and 2004.

Los Angeles County Metropolitan Transportation Authority
(Dollar amounts not in thousands)

	Bus		Rail	
	Cost Per Revenue Service Hours*			
	2005	2004	2005	2004
Budget	$ 104.18	$ 107.91	$ 340.27	$ 300.75
Actual	102.80	109.44	337.24	310.50
Variance	1.38	(1.53)	3.03	(9.75)
	Subsidy per Passenger Boarding			
Budget	$ 1.40	$ 1.55	$ 2.28	$ 1.99
Actual	1.52	1.60	2.32	2.23
Variance	(0.12)	(0.05)	(0.04)	(0.24)

*Refer to the attached schedules beginning on page 120.

The FY05 costs per revenue service hour (RSH) are under budget due to lower than planned services expenditures as described above. The delivery of RSH is 0.07% under the target. These two measures indicate that we are providing nearly all the planned service at $1.38 per hour less cost than budgeted. The FY05 cost per RSH compared with the FY03 cost per RSH (the last year without strike interruption) shows that the growth over those two years is 1.3%, which is less than inflation over the same period.

Rail expenses are under budget by nearly $10 million due mainly to service hour reductions implemented as part of the FY05 budget amendment and other management actions to reduce cost. The cost per vehicle service hour is virtually on budget since the light rail under run is almost completely offset by the heavy rail overrun. Since a substantial percentage of rail costs are fixed, the cost per hour did not decline as much as service hours. Professional services and propulsion costs were both below budget.

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 $746,982 in total fund balances. Approximately 73 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

The general fund balance decreased by $53,342 to $93,353. During the fiscal year, $58.0 million in operating subsidies and capital contributions was authorized and paid to the enterprise fund. The additional funding to the enterprise fund covered increases in labor and fuel related to the implementation of additional consent decree service and the purchase of additional consent decree buses.

Proposition A fund balance increased by $24,419, due to higher than expected sales tax collection. Of the $136,940 fund balance, $96,695 is reserved for future programs.

Proposition C fund balance increased by $28,491 due to higher than expected sales tax collection. Of the $287,341 fund balance, $267,376 is reserved for future programs.

TDA fund balance decreased by $4,637. Approximately 77 percent of the $138,397 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 was increased by $40.8 million. However, due to lower than anticipated enterprise fund expenses, only $28.8 million of additional appropriation was actually spent. Eight million two hundred thousand dollars ($8.2 million) was for operating subsidies to fund labor and fuel increases due to implementation of additional service and $20.6 million was for capital expenditures to increase ridership capacity. This amount was funded by $4.0 million investment income and by $24.8 million available in unreserved undesignated fund balance.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, Metro had $7,815,176 (net of accumulated depreciation) invested in capital assets, as shown below, a 2.9 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 Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	$ 612,373	$ 592,633	$ 778,779	$ 778,779	$ 1,391,152	$ 1,371,412
Building	4,363,204	4,635,007	-	-	4,363,204	4,635,007
Equipments	164,406	205,945	-	-	164,406	205,945
Vehicles	919,911	956,587	267	341	920,178	956,928
Constructions in Process	976,236	425,152	-	-	976,236	425,152
Total Capital Assets	$ 7,036,130	$ 6,815,324	$ 779,046	$ 779,120	$ 7,815,176	$ 7,594,444

Major capital asset projects in various stages of developments at the end of the current fiscal year included the following:

Metro Orange Line – This construction project is now completed and opened to the public on October 29, 2005. This $330 million project originates at the North Hollywood Metro Red Line Subway Station and extends to the planned Warner Center Transit Hub. The 60-foot articulated CNG vehicles are slated to operate in an exclusive 14-mile lane. These vehicles will be given signal priority at grade and at cross streets, which will reduce end to end travel time between the thirteen (13) stations.

Metro Gold Line Eastside Extension – This $900 million project, with 8 new stations and one station modification is forecasted for revenue operation on July 15, 2009. This 6-mile, dual track light rail system originates at Union Station in downtown Los Angeles, where it connects with the Pasadena Gold Line, and extends east to Pomona and Atlantic Boulevards.

Universal Fare Collection and Communication Systems (UFS) – The $94 million UFS project will improve Metro's fare collection systems on all rolling stock. New fare collection equipment will be installed on all Metro buses and rail cars. Field installation of communication cable is nearing completion at all Orange Line stations and production acceptance testing on Ticket Vending Machine (TVM) and Stand Alone Validators (SAV) has been completed.

Advance Transportation Management System (ATMS) – The $109 million ATMS project is designed to improve transit service. The existing bus radio systems will be replaced with a new integrated communication system that helps controls bus operations while providing information to the riding public. This project is progressing as planned.

Additional information on capital assets can be found on page 59.

Long-term Liabilities

At the end of the current fiscal year Metro had total long-term liabilities outstanding of $5,099,351, of which $2,995,880 represented bonds secured by sales tax revenue, and $887,654 represented lease/leaseback obligations. The remainder of the liabilities represents commercial paper, general revenue bonds, and other debts as shown below.

Los Angeles County Metropolitan Transportation Authority
Long-Term Liabilities
(Amounts expressed in thousands)

	Business-type Activities:		Governmental Activities:		Total	
	2005	2004	2005	2004	2005	2004
Claims and Judugements	$ 288,575	$ 252,800	$ -	$ -	$ 288,575	$ 252,800
Compensated absennces	67,269	66,540	-	-	67,269	66,540
Long-Term Debt						
Sales Tax Revenue Bonds & Refunding Bonds	2,995,880	2,904,275	-	-	2,995,880	2,904,275
General Revenue Bonds	269,435	274,220	-	-	269,435	274,220
Lease/Leaseback to Service Obligation	887,654	868,005	-	-	887,654	868,005
Commercial Paper Notes	399,040	347,862	-	-	399,040	347,862
Certificates of Participation	-	6,055	-	-	-	6,055
Other debts	41,205	57,327	28,572	29,436	69,777	86,763
Total long-Term Debt	4,593,214	4,457,744	28,572	29,436	4,621,786	4,487,180
Postemployment benefits	121,721	117,910	-	-	121,721	117,910
Total Long-Term Liabilities	$ 5,070,779	$ 4,894,994	$ 28,572	$ 29,436	$ 5,099,351	$ 4,924,430

During the current fiscal year Metro refinanced debt worth $185,735 to take advantage of favorable interest rates. Metro issued $176,345 in new bonds to finance the construction of the Metro Orange Line and other portions of the transit system. Metro has also issued $115,405 in tax-exempt commercial paper notes to provide interim financing for construction and acquisition activities.

Additional information on Metro's long-term liabilities can be found on pages 60-74.

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 2006 assumes a modest improvement in economic conditions for the Los Angeles region as discussed in page 4. Local sales tax revenues represent the single largest revenue sources for Metro, and comprise 60.0 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, 2005
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 85,029	$ 502,457	$ 587,486
Investments	21,774	230,395	252,169
Receivables (net of allowance for uncollectibles)	146,808	132,277	279,085
Internal balances	3,015	(3,015)	-
Inventories	77,525	-	77,525
Prepaid items	24,601	-	24,601
Designated and restricted assets:			
Cash and cash equivalents - designated	18,487	-	18,487
Cash and cash equivalents - restricted	189,705	383	190,088
Investments - designated	156,265	-	156,265
Investments - restricted	86,251	-	86,251
Total current assets	809,460	862,497	1,671,957
Noncurrent assets:			
Designated and restricted assets:			
Cash and cash equivalents - restricted	19,427	-	19,427
Investments - designated	186,284	-	186,284
Investments - restricted	1,029,756	-	1,029,756
Total designated and restricted assets	1,235,467	-	1,235,467
Investment in other agencies	-	192,746	192,746
Capital assets (net of accumulated depreciation)			
Land	612,373	778,779	1,391,152
Buildings	4,363,204	-	4,363,204
Equipment	164,406	-	164,406
Vehicles	919,911	267	920,178
Construction in progress	976,236	-	976,236
Total capital assets	7,036,130	779,046	7,815,176
Total noncurrent assets	8,271,597	971,792	9,243,389
Total assets	9,081,057	1,834,289	10,915,346
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	162,768	114,633	277,401
Accrued interest payable	75,039	-	75,039
Claims payable - current	108,085	-	108,085
Compensated absences payable - current	46,667	-	46,667
Bonds and notes payable - current	220,555	779	221,334
Post employment benefits payable - current	20,000	-	20,000
Deferred revenue and credits	15,469	2,157	17,626
Other current liabilities	3,716	882	4,598
Total current liabilities	652,299	118,451	770,750
Noncurrent liabilities:			
Claims payable	180,490	-	180,490
Compensated absences payable	20,602	-	20,602
Bonds and notes payable	4,372,659	27,793	4,400,452
Post-employment benefits payable	101,721	-	101,721
Deferred revenue and credits	36,965	40,529	77,494
Total noncurrent liabilities	4,712,437	68,322	4,780,759
Total liabilities	5,364,736	186,773	5,551,509
NET ASSETS			
Invested in capital assets, net of related debt	3,492,099	779,046	4,271,145
Unrestricted	224,222	868,470	1,092,692
Total net assets	$ 3,716,321	$ 1,647,516	$ 5,363,837

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, 2005
(Amounts expressed in thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Business-type activities:			
Transit operations			
Operations	$ 987,462	$ 284,682	$ 217,043
Depreciation	335,533	-	-
Debt service interest	148,544	-	-
Total business-type Activities	1,471,539	284,682	217,043
Governmental activities:			
Transit operators programs	221,400	-	-
Local cities programs	303,969	-	-
Regional multimodal capital programs	60,619	-	-
Paratransit programs	35,010	-	-
Other transportation subsidies	55,471	-	3,919
Debt service interest	1,540	-	-
General government	101,610	-	16,027
Total governmental-activities	779,619	-	19,946
Total	$ 2,251,158	$ 284,682	$ 236,989

General revenues:

Sales taxes
Restricted intergovernmental revenues for capital and other projects
Interest Income
Lease and rentals
Investment earnings
Miscellaneous
Transfers
Total general revenues
Change in Net Assets

Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets		
Business-type Activities	Governmental Activities	Total
$ (485,737)	$ -	$ (485,737)
(335,533)	-	(335,533)
(148,544)	-	(148,544)
(969,814)	-	(969,814)
-	(221,400)	(221,400)
-	(303,969)	(303,969)
-	(60,619)	(60,619)
-	(35,010)	(35,010)
-	(51,552)	(51,552)
-	(1,540)	(1,540)
-	(85,583)	(85,583)
-	(759,673)	(759,673)
$ (969,814)	$ (759,673)	$ (1,729,487)
-	1,587,517	1,587,517
245,860	108	245,968
15,269	19,220	34,489
1,358	10,945	12,303
256	(4,334)	(4,078)
3,102	12,847	15,949
862,574	(862,574)	-
1,128,419	763,729	1,892,148
158,605	4,056	162,661
3,557,716	1,643,460	5,201,176
$ 3,716,321	$ 1,647,516	$ 5,363,837

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2005
(Amounts expressed in thousands)

	General Fund	Special Proposition A
ASSETS		
Cash and cash equivalents	$ 55,217	$ 62,775
Investments	43,062	49,061
Receivables (net of allowances for uncollectibles)		
Accounts	498	-
Interest	585	657
Intergovernmental	584	-
Sales tax	-	46,367
Leases and other	30	-
Due from other funds	-	-
TOTAL ASSETS	$ 99,976	$ 158,860
LIABILITIES		
Accounts payable and accrued liabilities	$ 5,750	$ 21,920
Other liabilities - current	873	-
Due to other funds	-	-
TOTAL LIABILITIES	6,623	21,920
FUND BALANCES		
Fund balances		
Reserved for:		
Memoranda of understanding	-	96,695
Encumbrances	6,727	-
Unreserved, reported in:		
General fund	86,626	-
Special revenue funds	-	40,245
TOTAL FUND BALANCES	93,353	136,940
TOTAL LIABILITIES AND FUND BALANCES	$ 99,976	$ 158,860

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

Revenue				
Proposition C	TDA	Other Governmental Funds	Total Governmental Funds
$ 160,080	$ 143,040	$ 81,728	$ 502,840
125,313	-	12,959	230,395
100	-	-	598
1,461	433	361	3,497
1,568	-	1,320	3,472
46,369	23,763	8,154	124,653
27	-	-	57
-	7,556	-	7,556
$ 334,918	$ 174,792	$ 104,522	$ 873,068
$ 47,574	36,395	$ 2,994	$ 114,633
3	-	6	882
-	-	10,571	10,571
47,577	36,395	13,571	126,086
267,376	106,490	46,045	516,606
-	74	18,839	25,640
-	-	-	86,626
19,965	31,833	26,067	118,110
287,341	138,397	90,951	746,982
$ 334,918	$ 174,792	$ 104,522	$ 873,068

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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, 2005
(Amounts expressed in thousands)

Fund Balance - total governmental funds (page 29)	$	746,982
Capital assets are not financial resources, and therefore, are not reported in the funds.		
Government capital assets		779,046
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.		(28,572)
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.		(42,686)
Net Assets of governmental activities (page 25)	$	1,647,516

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, 2005
(Amounts expressed in thousands)

		Special
	General Fund	Proposition A
REVENUES		
Sales tax	$ -	$ 619,497
Intergovernmental	127	-
Investment earnings	4,034	1,545
Lease and rental	10,945	-
Licenses and fines	511	-
Other	2,604	-
TOTAL REVENUES	18,221	621,042
EXPENDITURES		
Current:		
Administration and other	55,777	-
Transportation subsidies	336	237,036
Debt and interest expenditures		
Interest and fiscal charges	2,283	-
TOTAL EXPENDITURES	58,396	237,036
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,175)	384,006
OTHER FINANCING SOURCES (USES)		
Transfers in	46,559	-
Transfers out	(59,726)	(359,587)
TOTAL OTHER FINANCING SOURCES (USES)	(13,167)	(359,587)
NET CHANGE IN FUND BALANCES	(53,342)	24,419
Fund balances - beginning	146,695	112,521
FUND BALANCES - ENDING	$ 93,353	$ 136,940

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

Revenue				
Proposition C	TDA	Other Governmental Funds	Total Governmental Funds
$ 619,575	$ 314,457	$ 33,988	$ 1,587,517
16,462	-	3,465	20,054
4,537	2,934	1,836	14,886
-	-	-	10,945
-	-	7,577	8,088
3	-	1	2,608
640,577	317,391	46,867	1,644,098
30,042	-	6,123	91,942
307,303	134,229	7,166	686,070
-	-	-	2,283
337,345	134,229	13,289	780,295
303,232	183,162	33,578	863,803
1,647	-	49	48,255
(276,388)	(187,799)	(27,329)	(910,829)
(274,741)	(187,799)	(27,280)	(862,574)
28,491	(4,637)	6,298	1,229
258,850	143,034	84,653	745,753
$ 287,341	$ 138,397	$ 90,951	$ 746,982

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, 2005
(Amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

Net change in fund balances - total governmental funds (page 33)	$	1,229
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.		746
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).		2,155
Government funds do not account for depreciation of capital assets use. Depreciation expense		(74)
Change in net assets of government activities (page 27)	$	4,056

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, 2005
(Amounts expressed in thousands)

	Business -type Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 85,029
Investments	21,774
Receivables (net of allowance for uncollectibles)	146,808
Inventories	77,525
Due from other funds	3,015
Prepaid items	24,601
Designated and restricted assets:	
Cash and cash equivalents - designated	18,487
Cash and cash equivalents - restricted	189,705
Investments - designated	156,265
Investments - restricted	86,251
Total current assets	809,460
Noncurrent assets:	
Designated and restricted assets:	
Cash and cash equivalents - restricted	19,427
Investments - designated	186,284
Investments - restricted	1,029,756
Total designated and restricted assets	1,235,467
Capital assets (net of accumulated depreciation)	
Land	612,373
Buildings	4,363,204
Equipment	164,406
Vehicles	919,911
Construction in progress	976,236
Total capital assets	7,036,130
Total noncurrent assets	8,271,597
Total assets	9,081,057
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	162,768
Accrued interest payable	75,039
Claims payable - current	108,085
Compensated absences payable - current	46,667
Bonds and notes payable - current	220,555
Post employment benefits payable - current	20,000
Deferred revenue and credits	15,469
Other current liabilities	3,716
Total current liabilities	652,299
Noncurrent liabilities:	
Claims payable	180,490
Compensated absences payable	20,602
Bonds and notes payable	4,372,659
Post employment benefits payable	101,721
Deferred revenue and credits	36,965
Total noncurrent liabilities	4,712,437
Total liabilities	5,364,736
NET ASSETS	
Invested in capital assets, net of related debt	3,492,099
Unrestricted	224,222
Total net assets	$ 3,716,321

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund - Enterprise Fund
For the year ended June 30, 2005
(Amounts expressed in thousands)

	Business-type Activities
OPERATING REVENUES:	
Passenger fares	$ 269,518
Route subsidies	481
Auxiliary transportation	14,683
TOTAL OPERATING REVENUES	284,682
OPERATING EXPENSES:	
Transportation	553,378
Maintenance	271,548
General and administrative	161,887
TOTAL OPERATING EXPENSES, excluding depreciation	986,813
OPERATING LOSS BEFORE DEPRECIATION	(702,131)
Depreciation	335,533
OPERATING LOSS	(1,037,664)
NON-OPERATING REVENUE (EXPENSES)	
Local grants	565
Federal grants	216,599
Interest revenues	1,218
Investment earnings	935
Interest expense	(148,544)
Loss on disposition of capital assets	(648)
Other revenue	5,368
TOTAL NON-OPERATING REVENUE (EXPENSES)	75,493
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(962,171)
CONTRIBUTIONS AND CAPITAL GRANTS	
Local grants	15,811
State grants	19,655
Federal grants	222,736
Governmental funds	382,205
TOTAL CONTRIBUTIONS AND CAPITAL GRANTS	640,407
TRANSFERS	480,369
CHANGE IN NET ASSETS	158,605
Net assets - beginning of year	3,557,716
NET ASSETS - END OF YEAR	$ 3,716,321

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

Los Angeles County Metropolitan Transportation Authority
Statement of Cash Flows
Proprietary Fund - Enterprise Fund
For the Year ended June 30, 2005
(Amount expressed in thousands)

	Business-type Activities
Cash flows from operating activities	
Collections from customers/grantors	$ 307,814
Payments to suppliers	(245,349)
Payments to employees	(656,512)
Net cash flows from operating activities	**(594,047)**
Cash flows from non-capital financing activities	
Proceeds from operating grants	628,404
Net cash flows from non-capital financing activities	**628,404**
Cash flows from capital and related financing activities	
Proceeds from the issuance of debts	529,813
Proceeds from capital grants	621,520
Payments for matured bonds and notes payable	(394,343)
Acquisition and construction of capital assets	(556,988)
Interest paid	(147,900)
Net cash flows from capital and related financing activities	**52,101**
Cash flows from investing activities	
Proceed from sales and maturity of investments	7,374,473
Purchase of investments	(7,509,968)
Investment earnings	20,653
Net cash flows from investing activities	**(114,842)**
Net decrease in cash and cash equivalents	**(28,384)**
Cash and cash equivalents, beginning of year	**341,032**
Cash and cash equivalents, end of year	**$ 312,648**
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating (loss)	(1,037,664)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	335,534
Decrease in accounts receivable	21,434
Decrease in leases and other receivables	599
Increase in due from other funds	(54)
Increase in prepaid and other assets	(400)
Increase in inventories	(1,486)
Increase in accounts payable	42,755
Increase in accrued liabilities	2,778
Increase in compensated absences payable	730
Increase in claims payable	35,775
Increase in post employment benefit payable	3,810
Decrease in due to other governments	(1,734)
Increase in other liabilities	2,777
Increase in deferred revenues and credits	1,099
Total adjustments	443,617
Net cash used for operating activities	$ (594,047)
Non-cash investing, capital and financing transactions	
capital asset write off	(1,104)
Net decrease in fair value of investments	(4,135)

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Fiduciary Funds
June 30, 2005
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 12,135	$ -
Investments	696,280	35,913
Receivables:		
Interest	2,108	211
Leases and other	454	-
Special assessments receivable - delinquent (net)	-	1,778
Special assessments receivable - deferred	-	63,671
Prepaid items and other assets	81	1,334
TOTAL ASSETS	711,058	102,907
LIABILITIES		
Accounts payable	4,167	276
Accrued interest payable	-	1,639
Deferred credits	-	582
Liablilities for retirement income plan	53,829	-
Bonds payable	-	100,410
TOTAL LIABILITIES	57,996	102,907
NET ASSETS		
Held in trust for pension benefits and other purposes	653,062	-
TOTAL NET ASSETS	$ 653,062	$ -

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

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005
(Amounts expressed in thousands)

	Employee Retirement Trust Funds
ADDITIONS	
Contributions	
Employer	$ 33,398
Member	15,659
Total contributions	49,057
From Investing Activities	
Net appreciation in fair value of investments	51,583
Investment income	9,032
Investment expense	(2,629)
Other revenue	233
Total investing activity income	58,219
TOTAL ADDITIONS	107,276
DEDUCTIONS	
Retiree benefits	(65,686)
Administrative expense	(2,848)
TOTAL DEDUCTIONS	(68,534)
NET INCREASE	38,742
Net Assets Beginning of year	614,320
NET ASSETS END OF YEAR	$ 653,062

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

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The Notes to the Combined 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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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 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 90012-2952.

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. On July 1, 2004, the assets and liabilities of PRMA were transferred and assumed by the enterprise fund.

Summary audited financial information for PTSC for the year ended June 30, 2005, is presented below:

	PTSC
Current Assets	$ 71,062
Total Assets	71,062
Current Liabilities	25,374
Long-term Liabilities	45,688
Total Liabilities	71,062
Net Assets	-
Total Revenues	154,019
Total Expenses	(154,019)
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. <u>Government-wide and Fund Financial Statements</u>

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 beginning with the year ended 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.

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 non-fiduciary 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 liability is incurred. However, long-tem debts are recorded only when payment is due.

Sales taxes and interest associated with the current fiscal period are subject to accrual and so have been recognized as revenues of the current fiscal period.

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.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers of transit services or privileges provided and (2) operating grants and contributions. General revenues include all taxes, restricted intergovernmental revenues for capital projects, and other investments and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 to the general public on a continuing basis be recovered primarily through user charges, and shortfalls from governmental transfers.

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, state and federal grants, and contribution from the governmental funds. Sales tax guaranteed-related debt is reported as proprietary liabilities in the enterprise fund, and the financial resources used to pay the debt interest are reported as enterprise fund contributions from the governmental funds.

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.
>
> *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 five 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.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Metro's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition. Investments include instruments or deposits beyond the 90-day original maturities.

State statute and Metro's policy allows Metro to invest in US Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment pool.

Investments for Metro, as well as for its component units, are reported at fair value.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balance outstanding between the governmental activities is reported in the government-wide financial statements as internal balances.

All receivables are shown net of allowance for uncollectibles.

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 applicable to future accounting periods are recorded as prepaid items.

Restricted and Designated Assets

Certain cash, cash equivalents, and investments of Metro's business-type activities and governmental activities are classified as restricted or designated assets on the statement of net assets and balance sheets. Restricted assets are maintained in separate accounts and their use is restricted to debt service, construction and asset acquisitions. Designated assets are separate unrestricted funds designated by management to pay for post-employment benefits, self-insurance claims related to public liability, property damages, workers' compensation liabilities, and compensated absences.

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 expensed.

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.

Asset Type	Useful Life Years
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.

Compensated Absences

It is Metro's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Accumulation and payment of vacation and sick leave is based on the collective bargaining agreements with the various unions. For more detailed information, please see pages 61-62.

Long-term Obligations

In the government-wide and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums are recorded as deferred credits. Bond issuance costs, as well as bond discounts, are recorded as deferred charges. Both deferred charges and credits are amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums, discounts and bond issuance costs are recognized as current period expenditures.

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. 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 statement of net assets and the revenue is recognized.

The deferred credits represent the unamortized bond premiums.

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 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. Cash and Investments

As of June 30, 2005 the following are Metro's cash deposits and investment:

	Business-type Activities	Governmental Activities	Total
Cash Deposits and Investment accounts:			
Cash deposits	$ 17,113	$ 1,675	$ 18,788
Asset- backed securities	10,284	12,094	22,378
Bankers' acceptance	8,620	35,502	44,122
Certificate of deposits	139	1,281	1,420
Commercial paper	15,161	72,348	87,509
Medium-term notes	48,499	62,745	111,244
Guaranteed investment contracts	34,198	-	34,198
Investment pools	43,656	244,624	288,280
Lease/Leaseback investment agreements	887,654	-	887,654
Mortgage-backed securities	44,078	9,862	53,940
Pooled funds and mutual funds	223,511	9,447	232,958
Repurchase agreements	98,598	-	98,598
US Agency securities	131,194	237,066	368,260
US Treasury obligations	230,273	46,591	276,864
Grand total	**$ 1,792,978**	**$ 733,235**	**$ 2,526,213**
Reported in statement of net assets and balance sheet:			
Cash and cash equivalents	$ 85,029	$ 502,457	$ 587,486
Investments	21,774	230,395	252,169
Cash and cash equivalents – restricted	209,132	383	209,515
Investments – restricted	1,116,007	-	1,116,007
Cash and cash equivalents – designated	18,487	-	18,487
Investments – designated	342,549	-	342,549
Grand total	**$ 1,792,978**	**$ 733,235**	**$ 2,526,213**

Metro pools all cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the pooled cash deposit 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/designated 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.

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's Investment Policy, adopted by the Board of Directors on January 27, 2005, requires Metro's investment program to meet three criteria in the order of their importance: **Safety** – preservation of capital and the protection of investment principal. **Liquidity** – investment portfolio will remain sufficiently liquid to enable Metro to meet operating requirements which might be reasonably anticipated. **Yield** – Metro will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes Metro's investment policy in compliance with the California Government Code (CGC) Section 53600 et seq., Sections 16429.1 through 16429.4. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of Metro's bond trust agreements.

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Ratings
Bonds Issued by Metro	5 years	No limit	No limit	None
US Treasury Obligations	5 years	No limit	No limit	Not applicable
State of California Obligations	5 years	25%	No limit	A1/SP-1 short term or Aa/AA long term
Local Agency within State of California	5 years	25%	No limit	A1/SP-1 short term or Aa/AA long term
US Agency Securities	5 years	50%	15%	Not applicable
Banker's Acceptance	180 Days	40%	10%	None
Commercial Paper	270 Days	25%	10%	A-1
Negotiable Certificate of Deposit	5 years	30%	10%	None
Repurchase Agreements	90 Days	20%	None	None
Medium-term Notes	5 years	30%	10%	A
Mutual Funds	Not applicable	20%	10%	A-1
State/County Investment Pool	Not applicable	No limit	Amount permitted by CGC	Not applicable
Asset-backed Securities	5 years	15% combined with any mortgage-backed securities	None	AAA
Mortgage-backed Securities	5 years	15% combined with any asset-backed securities	None	AAA

Metro's investment policy prohibits the investment on derivatives or reverse repurchase agreements.

The management of Metro's cash and investments can be categorized as follow:

- Cash deposits
- Short-term investments
- Bond proceeds and debt service investments

Metro's investment policy is applicable to the cash deposits and short-term investments. Bond proceeds and debt service investments accounts are governed by Metro's debt policy.

Cash Deposits

As of June 30, 2005, Metro's carrying amount of cash is comprised of $13,847 in checking accounts and $4,941 in debt service accounts for a combined total of $18,788. Metro's total bank balance was $37,572 with the difference represented primarily by outstanding checks and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to $100,000 (amount not in thousands) each and amounts uninsured are registered or covered by securities held by the bank's trust department or its agent in Metro's name.

Short-term Investments

As of June 30, 2005, Metro had the following short-term investments:

Investment Type	Fair Value	Weighted Average Duration (in Years) per Investment Type	Concentration of Investments	Ratings
Asset-backed securities	$ 22,378	1.0109	1.87%	AAA
Bankers' acceptance	39,077	0.1620	3.27%	A-1 to A-1+
Certificate of deposit	1,420	0.0772	0.12%	Not rated
Commercial paper	79,627	0.0443	6.67%	A-1, A-1+ to A-2
Corporate bonds	111,244	1.4098	9.32%	A, A-, A+, AA, AA-, AAA
Investment pool	288,280	Not applicable	24.14%	Not applicable
Mortgage-backed securities	53,940	2.0747	4.52%	AAA
Pooled funds and mutual funds	23,039	0.0155	1.93%	A-1
Repurchase agreement	500	Not applicable	0.04%	Not rated
US Agency securities	310,465	0.7118	26.00%	Aaa
US Treasury obligations	264,098	1.1545	22.12%	Exempt
Total Fair Value	**$ 1,194,068**		**100.00%**	
Portfolio Weighted Average Duration		**0.6927**		

Metro's investment with the California Local Agency Investment Fund (LAIF) and the Los Angeles County Investment Pool (LACIP) amounted to $288,280 and are not 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. Likewise, 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.

The weighted average duration is calculation using the investment's effective duration weighted by the investment's fair value.

Bond Proceeds and Debt Service Investments

The following table addresses the investments held by the bond trustees as of June 30, 2005 for the benefit of Metro in accordance with the provisions of the various bond trust agreements. The investments comply with the California Government Code. Further, it is restricted by specific bond trust agreements and any applicable investment, deposit or other contractual agreements.

Investment Type	Fair Value	Weighted Average Maturities (in Years) per Investment Type	Concentration of Investment	Ratings
Bankers' acceptance	$ 1,060	0.0300	0.24%	A-1+
	3,985	0.1224	0.94%	Not rated
Commercial paper	7,882	0.0491	1.85%	A-1+
Guaranteed investment contracts	34,198	2.0295	8.04%	AAA
Pooled funds and mutual funds	209,919	0.0027	49.31%	A-1
Repurchase agreement	98,098	6.6553	23.04%	AAA
US Agency obligations	57,795	1.2561	13.59%	AAA
US Treasury obligations	12,766	0.4602	2.99%	Exempt
Total Fair Value	**$ 425,703**		**100.00%**	
Portfolio Weighted Average Maturities		**1.8851**		

Aside from the securities held by the bond trustees, Metro has entered into various agreements such as participation agreements, loan agreements and payment undertaking agreements with various investment providers for the lease/lease-back transactions. These are general obligations of the providers held by the lease trust for the benefit of the trust and no securities are held in the name of Metro. The value of these agreements as of June 30, 2005 total $887,654.

Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above for short-term investments and bond proceeds and debt service investments summarized the market value of investment and the related credit ratings. Metro maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, Metro maintains investment policies that establish thresholds for holdings of individual securities. Metro does not have any holdings meeting or exceeding these threshold levels.

Custodial Credit Risk

Metro has no known custodial credit risk for deposits as financial institutions are required by The California Government Code 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, and 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. All investment securities purchased were held and registered in Metro's name and maintained for the benefit of the Metro in the Trust Department or safekeeping department of a financial institution as established by a written third party safekeeping agreement between Metro and the financial institution.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Metro measures interest rate risk on its short-term investments using the effective duration method. The table summarized the average effective duration of its short-term investments. Metro maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investment of proceeds related to bond financings and defeased lease/leaseback transactions. Metro measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

Foreign Currency Risk

There is no exposure to foreign currency risk as all Metro cash deposits and investments are denominated in US dollar currency.

B. Interfund Receivables, Payables, and Transfers

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

As of June 30, 2005, special revenue funds are indebted to the enterprise fund in the amount of $3,015.

Business-type Activities Receivable Fund	Governmental Activities Payable Fund	Amount
Enterprise	TDA	$ (7,556)
Enterprise	STA	10,371
Enterprise	Others	200
		$ 3,015

Transfers in and out by fund are as follows:

Transfers Out	Transfers In: General Fund	Proposition C	Other Funds	Enterprise Fund	TOTAL
General Fund	$ -	$ 1,648	$ 49	$ 58,029	$ 59,726
Proposition A	32,039	-	-	327,548	359,587
Proposition C	9,184	-	-	267,204	276,388
TDA	5,335	-	-	182,464	187,799
STA	-	-	-	27,318	27,318
Other Gov't Funds	-	-	-	11	11
	$ 46,558	$ 1,648	$ 49	$ 862,574	$ 910,829

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended.

C. Receivables

Receivables as of June 30, 2005, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

Receivables	Balance
Business type activities	
Accounts	$ 26,296
Interest	5,473
Intergovernmental	117,400
Gross receivables	149,169
Less allowances	(2,361)
Net receivables	$ 146,808
Government activities	
Accounts	$ 1,037
Interest	3,497
Intergovernmental	3,472
Sales tax	124,653
Other	57
Gross receivables	132,716
Less allowances	(439)
Net receivables	$ 132,277
Total	$ 279,085

Receivables as of June 30, 2005, 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 25.

Receivables as of June 30, 2005, for government activities by individual major funds and non-major 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	$ 937	$ -	$ 100	$ -	$ -	$ 1,037
Interest	585	657	1,461	433	361	3,497
Intergovernmental	584	-	1,568	-	1,320	3,472
Sales tax	-	46,367	46,369	23,763	8,154	124,653
Lease and Other	30	-	27	-	-	57
Gross Receivables	2,136	47,024	49,525	24,196	9,835	132,716
Less Allowances	(439)	-	-	-	-	(439)
Net Receivables	$ 1,697	$ 47,024	$ 49,525	$ 24,196	$ 9,835	$ 132,277

D. Investments in Other Agencies

As of June 30, 2005, Metro has made a $192,746 investment in the Southern California Regional Rail Authority (SCRRA). Metro holds a 57 percent equity share of the net assets of SCRRA. The summary financial information for SCRRA is shown on page 79.

E. Capital Assets

Capital asset activity for the year ended June 30, 2005 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 592,633	$ 19,896	$ (156)	$ 612,373
Construction in progress	425,152	551,084	-	976,236
Total capital assets, not being depreciated	**$ 1,017,785**	**$ 570,980**	**$ (156)**	**$ 1,588,609**
Capital assets, being depreciated:				
Buildings	$ 6,002,584	$ 370	$ (86,089)	$ 5,916,865
Equipment	510,389	20,221	(12,841)	517,769
Vehicles	1,600,464	60,919	(26,557)	1,634,826
Total capital assets, being depreciated	**$ 8,113,437**	**$ 81,510**	**$ (125,487)**	**$ 8,069,460**
Less accumulated depreciation for:				
Buildings	$ (1,367,577)	$ (189,273)	$ 3,189	$ (1,553,661)
Equipment	(304,444)	(49,292)	373	(353,363)
Vehicles	(643,877)	(96,968)	25,930	(714,915)
Total accumulated depreciation	**(2,315,898)**	**(335,533)**	**29,492**	**(2,621,939)**
Total capital assets, being depreciated, net	**5,797,539**	**(254,023)**	**(95,995)**	**5,447,521**
Business-type activities capital assets, net	**$ 6,815,324**	**$ 316,957**	**$ (96,151)**	**$ 7,036,130**
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 778,779	$ -	$ -	$ 778,779
Capital assets, being depreciated:				
Freeway Service Patrol Safe Vehicles	$ 368	$ -	$ -	$ 368
Less accumulated depreciation	(27)	(74)	-	(101)
Total capital assets, being depreciated, net	**341**	**(74)**	**-**	**267**
Governmental-type activities capital assets, net	**$ 779,120**	**$ (74)**	**$ -**	**$ 779,046**

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

<u>Business-type Activities</u>	
Bus Operations	$ 108,473
Rail Operations	227,060
Total Business-type Activities	335,533
<u>Governmental-type</u>	
Congestion Relief (SAFE)	74
Total	$ 335,607

F. 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. At June 30, 2005, a liability of $45,200 has been determined and accrued for such potential self-insured retentions.

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, 2005, 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 workers' compensations coverage to both companies. Between September 1, 1998, and August 31, 2000, an outside insurance carrier insured Metro 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 of $184,078 has been established equal to the self-insured 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 insurance coverage for losses in excess of this amount up to $100,000. Metro reserves set aside for the incurred and outstanding liabilities as of June 30, 2005 are $59,297 for liabilities under the self-insured retention.

Further, Metro has an all-risk property insurance program that covers rail and bus operations. The property insurance policy covers insurable values of approximately $6,000,000 with policy limits of $30,000 for earthquake and $300,000 for all other perils. Metro does not set aside funds to cover potential gaps in property insurance coverage in case of losses.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2005 and 2004:

	Property and Casualty		Workers' Compensation		Total	
	2005	2004	2005	2004	2005	2004
Unpaid claims and claim adjustment reserve - beginning of year	$ 84,285	$ 81,217	$ 168,515	$ 152,426	$ 252,800	$ 233,643
Provisions for insured events	48,594	39,209	45,061	48,831	93,655	88,040
Interest Income	329	1,666	4,876	6,683	5,205	8,349
Total incurred claims and claims adjustment expense	133,208	122,092	218,452	207,940	351,660	330,032
Payment attributable to insured events	(28,711)	(37,807)	(34,374)	(39,425)	(63,085)	(77,232)
Total unpaid claims and claim adjustment reserves - end of the year	$ 104,497	$ 84,285	$ 184,078	$ 168,515	$ 288,575	$ 252,800

It is Metro's practice to review prior year claim payment patterns to determine the current portion of claims payable. As of June 30, 2005, $108,085 of the total claims liability is considered current.

G. 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, TCU and Teamsters 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 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, 2005:

	Balance June 30, 2004	Earned	Usages	Balance June 30, 2005	Due Within One Year
Union					
Vacation Leave	$ 22,683	$ 19,537	$ 18,345	$ 23,875	$ 23,707
Sick leave	19,333	1,314	387	20,260	3,143
TOWP	4,940	5,354	5,136	5,158	5,151
Total Union	46,956	26,205	23,868	49,293	32,001
Non-union					
Vacation Leave	942	-	326	616	74
Sick leave	3,994	-	862	3,132	395
TOWP	14,648	13,637	14,057	14,228	14,197
Total Non-union	19,584	13,637	15,245	17,976	14,666
Total	$ 66,540	$ 39,842	$ 39,113	$ 67,269	$ 46,667

H. 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, 2005, were $ 2,457. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2006	$ 2,048
2007	1,854
2008	1,286
2009	928
2010	828
2011 and thereafter	120
Total	$ 7,064

Capital Leases

Metro has entered into various lease agreements as lessee to finance the acquisition of buses and compressed natural gas (CNG) fueling facilities. These lease agreements qualify as capital leases for accounting purposes. The related assets and liabilities have been recorded as business-type items. The liabilities represent 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:

	Vehicles	Facilities	Total
Cost	$ 32,593	$ 35,051	$ 67,644
Less: accumulated depreciation	(8,067)	(13,238)	(21,305)
Total	$ 24,526	$ 21,813	$ 46,339

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 are as follow:

Purpose	Interest Rates	Amount
Business-type Activities	6.500% - 10.622%	$ 20,939

The lease payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30,	**Principal**	**Interest**
2006	$ 3,307	$ 1,361
2007	3,868	1,090
2008	2,568	867
2009	2,749	686
2010	2,639	496
2011 - 2013	5,808	517
Totals	$ 20,939	$ 5,017

I. Long-term Bond and Note Obligations

In the government-wide financial statements and in the fund financial statements for proprietary fund type activities, long-term bond and note 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 straight-line interest method.

As of June 30, 2005, Metro's bond and note obligations related to its business-type and governmental activities are as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Business-type Activities					
General revenue bonds	$ 274,220	$ 197,050	$ (201,835)	$ 269,435	$ 13,205
Certificates of participation	6,055	-	(6,055)	-	-
Capitalized lease	32,195	-	(11,256)	20,939	3,307
Sales tax revenue bonds and refunding bonds	2,904,275	176,345	(84,740)	2,995,880	88,415
Sales tax revenue bonds - local allocation	10,850	-	(2,170)	8,680	2,170
Lease revenue bonds	14,282	-	(2,696)	11,586	2,784
Lease/leaseback to service obligation	868,005	41,013 *	(21,364)	887,654	110,674
Commercial paper notes	347,862	115,405	(64,227)	399,040	-
Business-type Activity Long-term Liabilities	4,457,744	529,813	(394,343)	4,593,214	220,555
Governmental Activities					
Redevelopment and housing bonds	29,436	-	(864)	28,572	779
Total Long-Term Liabilities	$ 4,487,180	$ 529,813	$ (395,207)	$ 4,621,786	$ 221,334

*Represents leaseback loan accretion

General Revenue Bonds

On September 22, 2004, Metro issued $197,050 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004. These bonds defeased the outstanding balance of $185,735 of the General Revenue Refunding Bonds (Union Station Gateway Project), Series 1996. U.S. treasury securities, inclusive of interest earned, were deposited and will be sufficient to pay the principal, interest and call premium due on July 1, 2006. This will redeem the 1996 bonds at 101% of par value.

Metro issued the 2004 bonds to lower its interest cost by paying variable interest rates and entering into an interest swap agreement. The cost savings from the transaction were estimated to be $29,838, on a present value basis.

Metro has hedged its exposure to the variable interest rates of the 2004 bonds by entering into a fixed payer interest rate swap agreement. Metro will pay the swap provider, the Bank of Montreal, a fixed rate of 3.501% per annum, payable semi-annually on each January 1 and July 1. In exchange, the swap provider will pay Metro a floating rate on the first business day of each month, calculated based upon an index of 64% of one-month London Interbank Offered Rate ("LIBOR") plus 21 basis points.

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

Purpose	Interest Rates	Amount
Business-type Activities	1.29% - 3.501%	$ 269,435

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2006	$ 13,205	$ 9,336
2007	15,840	8,900
2008	16,430	8,392
2009	17,190	7,795
2010	18,050	7,113
2011-2015	44,270	28,423
2016-2020	42,750	21,736
2021-2025	58,050	12,960
2026-2028	43,650	2,348
Total	$ 269,435	$ 107,003

Certificates of Participation

The CTFC Certificates of Participation, Series 1992-C and CTFC Certificates of Participation, Series 2002, issued respectively on December 1, 1992 and November 15, 2002, each reached their final maturity on July 1, 2004 and are no longer outstanding.

Sales Tax Revenue and Refunding Bonds

On October 27, 2004, the Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2004-A were issued in the amount of $176,345 representing new money to finance the acquisition and construction of improvements to the Metro Orange Line and other portions of Metro's transit system. Metro allocated $3.8 million of the proceeds to the City of Covina to finance a portion of a commuter parking garage at a Metrolink station in the city. To collateralize repayment of its obligation, the City agreed to assign to Metro through July 1, 2014, the City's share of Proposition C local return program sales tax revenues.

Metro has outstanding sales tax revenue and sales tax revenue refunding bonds, each collateralized by either Metro's Proposition A or C sales tax. Proceeds from sales tax revenue bonds provide funds for the acquisition and construction of major capital facilities. Proceeds from sales tax revenue refunding bonds are used to provide funds to retire previously issued sales tax revenue bonds. Refunding bonds are generally issued to reduce Metro's debt service costs when more favorable interest rates are available.

Sales tax revenue bonds currently outstanding have interest rates varying from 2 to 9 percent, amounting to $2,995,880.

	Business-type Activities	
Year Ending June 30	Principal	Interest
2006	$ 88,415	$ 142,821
2007	95,340	138,022
2008	100,185	132,800
2009	106,890	127,284
2010	112,310	121,649
2011-2015	652,340	515,422
2016-2020	833,895	337,001
2021-2025	703,890	139,348
2026-2030	238,095	39,063
2031-2035	64,520	6,780
Total	$ 2,995,880	$ 1,700,190

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 secured by a pledge of the City's share of the Proposition C local return program sales tax revenues. Each month, sales tax revenues are received from the State Board of Equalization by the bond trustee, who withholds an amount of the City's local return revenues sufficient to meet current debt service requirements.

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

Purpose	Interest Rates	Amount
Business-type Activities	4.00% - 4.30%	$ 8,680

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2006	$ 2,170	$ 320
2007	2,170	230
2008	2,170	139
2009	2,170	47
Total	$ 8,680	$ 736

Lease Revenue Bonds

Lease revenue bonds were issued as part of a sale/leaseback of light rail vehicles used on the Los Angeles-Long Beach Metro Blue Line Light Rail System. The Blue Line commenced in operation in July 1990. Terms of the Lease Agreement required that the purchase price be funded 80 percent in U.S. dollars and 20 percent in Japanese yen. The Lease Agreement has an end-of-term purchase option payment of $3,300.

Lease revenue bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.94% - 7.375%	$ 11,586

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2006	$ 2,784	$ 479
2007	8,802	164
Total	$ 11,586	$ 643

Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, Metro entered into a number of leveraged lease agreements including the “lease/leaseback” agreements for 72 heavy rail vehicles, 1,142 buses, 65 light rail vehicles, and various real property operating facilities. Under these agreements, Metro enters into a head-lease as lessor with an investor and simultaneously enters into a sublease agreement as lessee to lease the assets back. Metro receives upfront rent prepayments which it invests in fixed income deposits in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. Metro has realized $64.7 million in net benefit after funding of defeasance investments and payment of $13.2 million of transaction expenses.

For the above transactions, Metro is obligated to maintain the facilities, buses and rail cars and provide insurance. The lease agreements provide for Metro’s right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. Metro has agreed to indemnify the investor against increased costs, and any new or increased taxes or fees imposed on the leased assets, cash flows or income of the lease, other than changes to the income tax rate.

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 scheduled payments have been placed with fiscal agents.

The lease obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.50% - 5.85%	$ 28,572

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2006	$ 110,674	$ 26,146
2007	27,028	41,808
2008	35,295	43,206
2009	4,400	43,143
2010	37,678	53,404
2011-2015	399,075	213,337
2016-2020	20,647	154,520
2021-2025	119,267	381,187
2026-2030	72,650	138,624
2031-2032	60,940	24,334
Total	$ 887,654	$ 1,119,709

Commercial Paper Notes

Commercial paper notes (CPN), taxable and tax-exempt, are issued by Metro with maturity dates ranging from one to 270 days at various interest rates. Under the terms of the programs, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of Metro to pay the accrued interest and 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 bonds.

The taxable and tax-exempt commercial paper programs are supported by direct-pay, irrevocable letters of credit. The letters of credit are issued by a single bank for the taxable CPN program and a team of two banks for the tax-exempt CPN program. Each bank is required to have a credit rating of at least “AA-”. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal that has been advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from Metro. Interest is reimbursed to the banks on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or Metro is unable to repay interest or principal, the banks will incur an unreimbursed draw on the letters 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 semi-annual principal payments. Interest is charged at rates specified in the applicable Reimbursement Agreement. The letters of credit supporting the taxable commercial paper program expires in May 2010, while the letter of credit supporting the tax-exempt commercial paper program expires in July 2010.

As of June 30, 2005, $399,040 of commercial paper is outstanding, tax-exempt and taxable commercial papers are $321,431 and $77,609, respectively.

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 by the CRA.

The housing bonds were issued in 1993 to fund the development in a historic central location in downtown Los Angeles served by and accessible to the Metro Red Line.

The redevelopment bonds, which were refunded in 2002, were issued to assist in the financing of the CRA'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 traffic 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%	$28,572

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

	Governmental Activities	
Year Ending June 30	Principal	Interest
2006	$ 779	$ 1,505
2007	811	1,472
2008	844	1,436
2009	884	1,398
2010	926	1,356
2011-2015	5,353	6,049
2016-2020	6,933	4,480
2021-2025	9,025	2,380
2026-2027	3,017	216
Total	$ 28,572	$ 20,292

Interest Rate Swap Agreements

Metro has entered into various interest swap agreements in conjunction with the issuance of variable rate bonds. In these transactions, Metro makes a fixed rate payment to the counterparty and receives a variable rate payment in order to achieve a synthetic fixed rate for the bonds and hedge exposure to variable interest rates. Metro has entered into these swap agreements at a cost anticipated to be less than what Metro would have paid to issue fixed-rate debt. At June 30, 2005, Metro had five outstanding interest rate swaps.

Metro's Board annually adopts an Interest Rate Swap Policy that governs the use and management of interest rate swaps as they are used in conjunction with debt issues. The policy establishes guidelines to be used when considering the use of swaps, as well as in the ongoing management of existing swaps. Guidance is provided specifying appropriate uses; selection of acceptable swap products, swap providers and swap advisors; negotiation of favorable terms and conditions; and, stipulating annual surveillance of the swaps and the providers.

Metro's Interest Rate Swap Policy specifies that interest rate swaps may be used to lock-in a fixed rate or to create additional variable rate exposure. Interest rate swaps may be used to produce interest rate savings, limit or hedge variable rate payments, alter the pattern of debt service payments, or for asset/liability matching purposes.

In each of the swap agreements, Metro pays a counterparty an amount based on a fixed rate and receives an amount based on a variable rate that is equal to either the rate on the hedged variable rate bonds (i.e., a "cost of funds" swap) or a percentage of the LIBOR.

Below is the list of Metro's outstanding interest rate swap agreements at June 30, 2005.

Bond Series	Notional Amount	Fixed Rate Paid	Variable Rate Received	Fair Values	Effective Date	Swap Termination Dated	Counterparty
Sales Tax Series-1992-A	$98,700	5.860%	Actual bond rate	**($9,576)**	6/17/1992	7/1/2012	AIG Financial Products Corp
Prop C Series 1993-A	$197,835	5.155%	Actual bond rate	**($45,306)**	6/30/1993	7/1/2020	AIG Financial Products Corp
Prop C Series 2003-B	$168,425	3.444%	68% of USD - LIBOR	**($2,927)**	10/9/2003	7/1/2023	Wachovia Bank
Prop C Series 2003-C	$216,825	3.382%	68% of USD- LIBOR	**($2,645)**	10/9/2003	7/1/2025	Goldman Sachs Mitsui Marine Derivative Products, L.P.
Gateway Series 2004	$193,350	3.501%	64% of USD - LIBOR+0.21%	**($2,901)**	9/22/2004	7/1/2027	Bank of Montreal
TOTAL	**$875,135**			**($63,355)**			

Metro neither received nor paid any upfront amount when these swaps were initiated.

Relevant market interest rates on the valuation date, June 30, 2005, of the swaps reflected in the chart above were lower than market interest rates on the effective date of the swaps. Consequently, as of the valuation date the swaps had negative fair values.

The fair value represents the theoretical cost to terminate the swap at the date indicated, assuming that a termination event occurred on that date. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon bond due on the date of each future net settlement on the swap. As of June 30, 2005, Metro is not aware of any event that has occurred that would lead to a termination event with respect to any of its existing swaps.

As of June 30, 2005, debt service requirements of the variable-rate debts and net swap payments for the Proposition C Series 2003-B, Proposition C Series 2003-C and Gateway Series 2004 bonds, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable-Rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2006	$ 1,600	$ 12,876	$ 7,690	$ 22,166
2007	5,725	12,742	7,605	26,072
2008	6,100	12,615	7,525	26,240
2009	6,600	12,478	7,439	26,517
2010	14,450	12,238	7,300	33,988
2011-2015	97,400	55,489	33,295	186,184
2016-2020	181,750	39,493	23,835	245,078
2021-2025	205,025	17,375	10,557	232,957
2026-2028	59,950	1,553	1,033	62,536
Total	$ 578,600	$ 176,859	$ 106,279	$ 861,738

The variable interest rate paid by the counterparty under the swap agreements for the Proposition A Series 1992-A and Proposition C Series 1993-A swaps and the variable interest rate paid by Metro on the associated bonds are equal. The debt service requirements and net swap payments for those two issues are not shown in the above table. The debt service requirements, including net swap payments, are reflected in the table of sales tax revenue bond debt service requirements to maturity found on page 66.

Counterparty Ratings

The current ratings of the counterparties on Metro's existing swaps at June 30, 2005 were as follows:

		Long Term Ratings	
Counterparty	Bond Issue	Moody's	S&P
AIG Financial Products	Proposition A Series 1992-A	Aa1	AA+
AIG Financial Products	Proposition C Series 1993-A	Aa1	AA+
Wachovia Bank	Proposition C Series 2003-B	Aa2	AA-
Goldman Sachs Mitsui Marine Derivative Products	Proposition C Series 2003-C	Aaa	AA+
Bank of Montreal	Gateway Series 2004	Aa3	AA-

The following risks are generally associated with swap agreements.

Credit Risk – The counterparty could experience weakening financial condition or insolvency, which could affect its ability to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. Further ratings deterioration by either party below levels agreed to in each swap agreement could result in a termination event requiring a cash settlement. See "Termination Risk" below. To mitigate credit risk, Metro monitors the credit ratings of the counterparties on a quarterly basis. In addition, if the outstanding ratings of the counterparties fall to certain levels, the counterparties must post collateral with a third-party custodian to secure their potential termination payments above certain threshold amounts. Collateral must be cash, U.S. Government, or certain federal agency securities.

Basis Risk – The variable interest rate paid by the counterparty under the swap agreement and the variable interest rate paid by Metro on the associated bonds may not be equal. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement would not fully reimburse Metro for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there would be a net benefit to Metro. Prior to entering into an interest rate swap, Metro and its swap advisor review the historical trading differentials between Metro's outstanding variable rate bonds and the proposed index. This allows Metro to structure its interest rate swaps to minimize basis risk. In addition, Metro monitors the basis differential for its existing swaps on a monthly basis.

Termination Risk – Under certain conditions, the swap agreement could be terminated and depending on current market interest rates, either Metro or the counterparty could be required to make a termination payment. Metro's swap agreements only permit the counterparty to terminate if an Event of Default or a Termination Event has occurred. Events of Default include non-payment, false or misleading representations, or the bankruptcy of Metro or the counterparty. Termination Events include: a downgrade of Metro's rating to below "BBB," an event of taxability, a liquidity facility put, or conversion of bonds to fixed rate. As of June 30, 2005, Metro is not aware of any event that has occurred that would lead to a termination event with respect to any of its existing swaps. In addition, Metro calculates its termination exposure for all existing and proposed swaps at market value quarterly. A contingency plan is periodically updated specifying to finance a termination payment and/or replace the hedge.

Rollover Risk – When the notional amount under the swap agreement terminates prior to the final maturity of the hedged bonds, Metro could be exposed to then current short-term bond interest rates, as well as to current swap pricing in order to continue the benefit of the synthetic fixed rate for the duration of the bond issue. As of June 30, 2005, Metro does not have any swap agreements that terminate prior to the final maturity of the hedged bonds.

Liquidity Risk – At some point in the future, Metro could be unable to obtain liquidity support for variable rate bonds that are currently hedged with interest rate swaps. This situation could result in Metro incurring additional costs to convert the bonds to a different variable rate product that does not require liquidity support or to refund the bonds to a fixed rate mode, which would require the swaps to be either canceled or terminated. Metro periodically evaluates the expected availability of liquidity support for hedged and unhedged variable rate debt. As of June 30, 2005, Metro has no difficulties in obtaining liquidity support.

Summary of Significant Changes to Long-term Bond and Note Obligations

During the fiscal year 2005, $115,405 in tax-exempt commercial paper notes were issued to cover various capital expenditures, $176,345 of the Proposition C 2004-A bonds were issued to finance the construction of the Metro Orange Line and other portions of the transit system, and the General Revenue 1996-A Refunding Bonds were defeased following issuance of the General Revenue 2004 Refunding Bonds resulting in net cash flow savings summarized in the table below:

Refunding Debt	Prior Cash Flow	Refunded Cash Flow	Net Cash Flow Savings	Present Value of Net Cash Flow Savings
General Revenue Refunding Bonds (Union Station) Gateway Project Series 2004 A to C	$ 354,269	$ 303,911	$ 50,358	$ 29,838

J. 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 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 3,100 participants was $17,049 for the year ended June 30, 2005, and Metro contributions are funded on a pay-as-you-go-basis. The outstanding liability for the post-employment benefits as of June 30, 2005, is $121,721.

K. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

At year-end, Metro's commitments to vendors for capital projects which are in various phases of development are as follows:

Project	Contract Commitments Total	Contract Commitments Remaining
Rail Projects	$ 229,555	$ 73,774
Bus Rapid Transit-ways	174,819	32,319
Bus Acquisition & Others	141,828	35,805
Total	$ 546,202	$ 141,898

Through the Call For Projects, Metro has entered into various memoranda of understanding (MOU) to fund local transportation projects. For this purpose, Metro has reserved Proposition A and C, Transportation Development Act (TDA), and State Transit Assistance (STA) funds totaling $516,606 as of June 30, 2005.

L. Pensions

Metro provides pension benefits that cover substantially all full-time employees through six defined benefit pension plans. Four of the plans are restricted to specific union members and two are restricted to Non-Represented employees and Teamsters.

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, CA 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, 2005, the contribution rate of covered payroll was 13.829 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, 2005, 2004, and 2003 were $14,538, $13,529, and $11,468, 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, 2005, 2004, and 2003, were $7,359, $7,782, and $7,086, respectively. At June 30, 2005, 2004, and 2003, there were no net pension obligations (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.

Metro-administered Plans

Metro has a single-employer public employees retirement system that includes five defined benefit pension plans (Plans) covering substantially all employees, providing retirement, disability, and death benefits. Generally, employees' rights to retirement benefits vest after five (5) years for non-represented, Teamster, and AFSCME employees, and ten (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.

AFSCME participants spun-off from the Non-Contract Plan into the AFSCME Plan effective January 1, 2004.

The annual required contributions (ARC), for Metro and employees, by plan, for the years ended June 30, 2005, 2004, and 2003, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2005						
Employer	$ 14,085	$ 2,536	$ 13,155	$ 1,851	$ 1,495	$ 33,122
Employee	11,907	920	2,382	-	-	15,209
Total	$ 25,992	$ 3,456	$ 15,537	$ 1,851	$ 1,495	$ 48,331
2004						
Employer	$ 15,623	$ 2,517	$ 13,256	$ 3,201	$ -	$ 34,597
Employee	11,544	1,160	2,548	-	-	15,252
Total	$ 27,167	$ 3,677	$ 15,804	$ 3,201	$ -	$ 49,849
2003						
Employer	$ 13,478	$ 1,859	$ 11,801	$ 1,555	$ -	$ 28,693
Employee	11,615	1,144	1,339	-	-	14,098
Total	$ 25,093	$ 3,003	$ 13,140	$ 1,555	$ -	$ 42,791

Metro's contributions to the Plans for the year ended June 30, 2005, were made in accordance with the actuarially determined requirements computed as of December 31, 2003. 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, 2005, 2004, and 2003, was $33,399, $34,597, and $28,693, respectively. As of June 30, 2005, Metro recorded a Net Pension Obligation of $2,055 for the UTU Plan. There was no NPO at June 30, 2005, 2004 or 2003, for the ATU, TCU, or NC Plans. The required contribution rate by employees for years ended June 30, 2005, 2004, and 2003, was between 0 and 7.00 percent, 0 and 7.49 percent, 0 and 7.23 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.

M. 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 $14,000 (not in thousands) or 100 percent of their earnings in calendar year 2005. A special provision in the law allows an additional $4,000 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2005), and employees eligible for retirement within 3 years can avail of the "catch up provision", totaling $28,000 (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, 2005, the deferred compensation plans had assets (at fair value) totaling $166,446.

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, 2005, the 401(k) savings plan had assets (at fair value) totaling $172,336.

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 $36,000 (not in thousands), or $46,000 (not in thousands) if one falls within the catch up provision.

N. Fiduciary Fund Type

Included in the fiduciary fund type are accounts related to the Benefit Assessment Districts (BAD). The BAD has 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, $95,295 and $5,115, 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.

O. 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, 2005.

Metro provided the majority of the system's operating costs for the year ending June 30, 2005. Summary audited financial information for the SCRRA for the year ended June 30, 2004 (most recent data available) is as follows:

Current Assets	$	74,595
Capital Assets, net		651,464
Other Assets		29,155
Total Assets	$	755,214
Total Liabilities		85,388
Net Assets	$	669,826
Total Revenues		167,688
Total Expenses		(137,405)
Increase in Net Assets	$	30,283

Additional detailed financial information is available from, Office of the Finance Director, 700 South Flower Street, 26th Floor, Southern California Regional Rail Authority, Los Angeles, CA 90017.

P. 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.

Q. 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.

R. Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In March 2003, GASB issued Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.*" This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk and is effective for fiscal periods beginning after June 15, 2004. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also should be disclosed. Metro has implemented the new reporting requirements for the fiscal year 2005 financial statements.

In November 2003, GASB issued Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*" This statement establishes accounting and financial reporting standards for impairment of capital assets and is effective for fiscal periods beginning after June 30, 2005. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. Metro intends to implement the new reporting requirements for the fiscal year 2006 financial statements.

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans.*" This statement establishes uniform financial reporting standards for other post-employment benefits (OPEB) plans and is effective for fiscal periods beginning after June 30, 2006. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. Metro intends to implement the new reporting requirements for the fiscal year 2007 financial statements.

In May 2004, GASB issued Statement No. 44, "*Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.*" This statement amends the portions of NCGA (National Council on Governmental Accounting) Statement 1, *Governmental Accounting and Financial Reporting Principles*, which guide the preparation of the statistical section and is effective for fiscal periods beginning after June 30, 2005. These amendments add new information that financial statement users have identified as important and eliminates certain previous requirements. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, to assess the economic condition of a government. Metro plans to implement the new reporting requirements for fiscal year 2006 financial statements.

In June 2004, GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*." This statement addresses how state and local governments should account for and report costs and obligations related to post-employment healthcare and other non-pension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Metro plans to implement the new reporting requirements for fiscal year 2008 financial statements.

In May 2004, GASB issued Technical Bulletin No. 2004-1, "*Tobacco Settlement Recognition and Financial Reporting Entity Issues.*" This Technical Bulletin addresses accounting by state and local governments in connection with settlements made by U.S. tobacco companies. The Technical Bulletin clarifies accounting guidance on whether a Tobacco Settlement Authority (TSA) that is created to obtain the rights to all or a portion of future tobacco settlement resources is a component unit of the government that created it. In addition, the Technical Bulletin clarifies recognition guidance for these transactions and for payments made to settling governments pursuant to the Master Settlement Agreement. Metro currently is not affected by this technical bulletin.

In December 2004, GASB issued Statement No. 46 *"Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34".* This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. The legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005. Metro will implement the new reporting requirements for fiscal year 2006 financial statements.

S. Subsequent Events

Long-Term Debts

On July 13, 2005, Metro issued $242,795 Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2005-A and $43,655 of the Proposition A First Tier Sales Tax Revenue Refunding Bonds Series 2005-B. The proceeds of the Series 2005-A Bonds were used to (a) current refund $211,483 aggregate principal amount of the Second Subordinate Proposition A Sales Tax Revenue Commercial Paper Notes, Series A; (b) finance certain capital projects including the Metro Gold Line Eastside Extension; (c) fund the Debt Service Reserve Fund; and (d) pay the bond issuance costs. The proceeds of the Series 2005-B Bonds were used to (a) advance refund and defease $5,350 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Bonds Series 1996-A; $7,740 aggregate principal amount of the Proposition A Second Tier Sales Tax Revenue Refunding Bonds Series 1996; $33,300 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1997-A; and (b) pay the of bond issuance costs. The interest rates for the Series 2005-A Bonds are fixed from 4.000% to 5.000% and for the Series 2005-B Bonds is 5.000%.

On July 26, 2005, Metro issued $264,885 Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project), Series 2005A, Series 2005B-1 and Series 2005B-2. The Bonds were issued to provide funds to finance a portion of the design and construction costs of a light rail transit line from Union Station in downtown Los Angeles to certain East Los Angeles communities, known as the Gold Line Eastside Extension Project; to fund a Debt

Service Reserve Fund; to fund capitalized interest on the Bonds and to pay the bond issuance costs. The Bonds are limited obligations of Metro payable solely from and secured solely by Grant Receipts, amounts on deposit in the funds and accounts established under the Indenture (except the Rebate Fund), and investment earnings thereon. The interest rates for the 2005 Series A Bonds are fixed from 3.125% to 5.000%. The Series 2005B-1 and Series 2005B-2 Bonds are variable rate auction rate securities.

On August 23, 2005, Metro issued $265,825 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2005-C1, Series 2005-C2, Series 2005-C3 and Series 2005-C4 (collectively, the Series 2005-C Bonds). The proceeds of the Series 2005-C Bonds were used to (a) advance refund and defease $3,940 aggregate principal amount of Proposition A Second Tier Sales Tax Revenue Refunding Bonds Series 1996; $131,365 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1997-A; $80,755 aggregate principal amount of the Proposition A First Tier Sales Tax Revenue Bonds Series 1999-B; $35,205 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2001-A; and (b) pay the bond issuance costs. The 2005-C Bonds are variable rate auction rate securities. To hedge the exposure to the variable interest costs, Metro entered into interest rate swap agreements with Bank of Montreal and Deutsche Bank. For the Series 2005-C1 and Series 2005-C2 Bonds, Metro pays Bank of Montreal the interest rate of 3.359% and in exchange Bank of Montreal pays Metro a floating amount, the rate for which is equal to 63% of one month LIBOR plus 14 basis points. For the Series 2005-C3 and Series 2005-C4 Bonds, Metro pays Deutsche Bank the interest rate of 3.358% and in exchange Deutsche Bank pays Metro a floating amount, the rate for which is equal to 63% of one month LIBOR plus 14 basis points.

Metro Orange Line

The Metro Orange Line opened to the public on October 29, 2005. This new 14-mile San Fernando Valley transitway has terminal stations located near the Hollywood Metro Red Line Subway Station and the planned Warner Center Transit Hub. Reduced travel times between the thirteen (13) stations is expected with the Metro Liners (low floor CNG-powered articulated vehicles) given signal priority at grade and at cross streets. The Metro Orange Line project includes eight (8) miles of new bikeway and pedestrian path and California native landscaping.

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REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Schedule of Funding Progress - Pension Funds
For Fiscal Year Ended June 30, 2005
(Amounts expressed in thousands)

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)
PTSC *						
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%
06/30/04	159,314	156,984	2,330	98.54%	111,191	2.10%
Metro **						
UTU						
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%
12/31/04	353,906	259,397	94,509	73.30%	172,981	54.64%
TCU						
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%
12/31/04	55,997	46,020	9,977	82.18%	28,089	35.52%
ATU						
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%
12/31/04	216,228	150,155	66,073	69.44%	99,330	66.52%
Non-Contract						
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%
***12/31/04	107,616	100,064	7,552	92.98%	10,110	74.70%
AFSCME						
***12/31/04	42,407	40,344	2,063	95.14%	12,012	17.17%
Total						
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%
12/31/04	$ 776,154	$ 595,980	$ 180,174	76.79%	$ 322,522	55.86%

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

*** Effective January 1, 2004, the Non-Contract plan spun-off AFSCME participants into the AFSCME Plan

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2005
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive/(Negative)
REVENUES				
Intergovernmental	$ 209	$ 209	$ 127	$ (82)
Investment earnings	3,875	3,875	4,034	159
Lease and rental	10,500	10,500	10,945	445
Licenses and fines	500	500	511	11
Other	1,834	1,834	2,604	770
TOTAL REVENUES	16,918	16,918	18,221	1,303
EXPENDITURES				
Current:				
Administration and other	54,326	54,577	55,777	(1,200)
Transportation subsidies	150	150	336	(186)
Debt and interest expenditures				
Interest and fiscal charges	-	-	2,283	(2,283)
TOTAL EXPENDITURES	54,476	54,727	58,396	(3,669)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,558)	(37,809)	(40,175)	(2,366)
OTHER FINANCING SOURCES (USES)				
Transfers in	44,423	44,423	46,559	2,136
Transfers out	(30,905)	(71,476)	(59,726)	11,750
TOTAL OTHER FINANCING SOURCES AND USES	13,518	(27,053)	(13,167)	13,886
NET CHANGE IN FUND BALANCES	(24,040)	(64,862)	(53,342)	11,520
Fund balances - beginning	146,695	146,695	146,695	-
FUND BALANCES - ENDING	$ 122,655	$ 81,833	$ 93,353	$ 11,520

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Proposition A Fund
For the year ended June 30, 2005
(Amounts expressed in thousands)

	Budgeted Amounts*			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive/(Negative)
REVENUES				
Sales tax	$ 594,955	$ 594,955	$ 619,497	$ 24,542
Investment earnings	1,600	1,600	1,545	(55)
TOTAL REVENUES	596,555	596,555	621,042	24,487
EXPENDITURES				
Current:				
Transportation subsidies	228,145	228,145	237,036	(8,891)
TOTAL EXPENDITURES	228,145	228,145	237,036	(8,891)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	368,410	368,410	384,006	15,596
OTHER FINANCING SOURCES (USES)				
Transfers out	(375,175)	(382,230)	(359,587)	22,643
TOTAL OTHER FINANCING USES	(375,175)	(382,230)	(359,587)	22,643
NET CHANGE IN FUND BALANCES	(6,765)	(13,820)	24,419	38,239
Fund balances - beginning	112,521	112,521	112,521	-
FUND BALANCES - ENDING	$ 105,756	$ 98,701	$ 136,940	$ 38,239

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Proposition C Fund
For the Year Ended June 30, 2005
(Amounts expressed in thousands)

	Budgeted Amounts*			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive/(Negative
REVENUES				
Sales tax	$ 594,928	$ 594,928	$ 619,575	$ 24,647
Intergovernmental	54,994	54,994	16,462	(38,532)
Investment earnings	8,000	8,000	4,537	(3,463)
Other	-	-	3	3
TOTAL REVENUES	657,922	657,922	640,577	(17,345)
EXPENDITURES				
Current:				
Administration and other	48,963	48,963	30,042	18,921
Transportation subsidies	439,268	439,268	307,303	131,965
TOTAL EXPENDITURES	488,231	488,231	337,345	150,886
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	169,691	169,691	303,232	133,541
OTHER FINANCING SOURCES (USES)				
Transfers in	6,062	6,062	1,647	(4,415)
Transfers out	(257,207)	(257,259)	(276,388)	(19,129)
TOTAL OTHER FINANCING SOURCES AND USES	(251,145)	(251,197)	(274,741)	(23,544)
NET CHANGE IN FUND BALANCES	(81,454)	(81,506)	28,491	109,997
Fund balances - beginning	258,850	258,850	258,850	-
FUND BALANCES - ENDING	$ 177,396	$ 177,344	$ 287,341	$ 109,997

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Transportation Development Act Fund
For the Year Ended June 30, 2005
(Amounts expressed in thousands)

	Budgeted Amounts*			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive/(Negative)
REVENUES				
Sales tax	$ 302,446	$ 302,446	$ 314,457	$ 12,011
Investment earnings	2,200	2,200	2,934	734
TOTAL REVENUES	304,646	304,646	317,391	12,745
EXPENDITURES				
Current:				
Transportation subsidies	99,333	129,333	134,229	(4,896)
TOTAL EXPENDITURES	99,333	129,333	134,229	(4,896)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	205,313	175,313	183,162	7,849
OTHER FINANCING SOURCES (USES)				
Transfers out	(219,074)	(218,457)	(187,799)	30,658
TOTAL OTHER FINANCING USES	(219,074)	(218,457)	(187,799)	30,658
NET CHANGE IN FUND BALANCES	(13,761)	(43,144)	(4,637)	38,507
Fund balances - beginning	143,034	143,034	143,034	-
FUND BALANCES - ENDING	$ 129,273	$ 99,890	$ 138,397	$ 38,507

* Budget prepared in accordance with GAAP.

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SUPPLEMENTARY INFORMATION

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Amounts expressed in thousands)

	Special Revenue			
	Service Authority For Fwy Emergency	STA	Other	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 17,296	$ 64,418	$ 14	$ 81,728
Investments	12,949	-	10	12,959
Receivables				
Interest	173	187	1	361
Intergovernmental	-	-	1,320	1,320
Sales tax	-	8,154	-	8,154
TOTAL ASSETS	$ 30,418	$ 72,759	$ 1,345	$ 104,522
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,436	$ 254	$ 1,304	$ 2,994
Due to other funds	-	10,372	199	10,571
Other liabilities	-	-	6	6
TOTAL LIABILITIES	1,436	10,626	1,509	13,571
FUND BALANCES				
Reserved for:				
Memoranda of understanding	-	46,045	-	46,045
Encumbrances	979	-	17,860	18,839
Unreserved, reported in:				
Special revenue funds	28,003	16,088	(18,024)	26,067
TOTAL FUND BALANCES	28,982	62,133	(164)	90,951
TOTAL LIABILITIES AND FUND BALANCES	$ 30,418	$ 72,759	$ 1,345	$ 104,522

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005
(Amounts expressed in thousands)

	Special Revenue			
	Service Authority For Fwy Emergency	STA	Other	Total Nonmajor Governmental Funds
REVENUES				
Sales tax	$ -	$ 33,988	$ -	$ 33,988
Intergovernmental	-	-	3,465	3,465
Investment earnings	568	1,263	5	1,836
Licenses and fines	7,577	-	-	7,577
Other	1	-	-	1
TOTAL REVENUES	8,146	35,251	3,470	46,867
EXPENDITURES				
Current:				
Administration and other	5,738	-	385	6,123
Transportation subsidies	-	4,237	2,929	7,166
TOTAL EXPENDITURES	5,738	4,237	3,314	13,289
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,408	31,014	156	33,578
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	49	49
Transfers out	-	(27,318)	(11)	(27,329)
TOTAL OTHER FINANCING SOURCES AND USES	-	(27,318)	38	(27,280)
NET CHANGE IN FUND BALANCES	2,408	3,696	194	6,298
Fund balances - beginning	26,574	58,437	(358)	84,653
FUND BALANCES - ENDING	$ 28,982	$ 62,133	$ (164)	$ 90,951

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Service Authority for Freeway Emergency Fund
For the Year Ended June 30, 2005
(Amounts expressed in thousands)

	Original & Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget - Positive/(Negative)
REVENUES			
Investment earnings	$ 900	$ 568	$ (332)
Licenses and fines	7,000	7,577	577
Other	-	1	1
TOTAL REVENUES	7,900	8,146	246
EXPENDITURES			
Current:			
Administration and other	9,086	5,738	3,348
TOTAL EXPENDITURES	9,086	5,738	3,348
NET CHANGE IN FUND BALANCES	(1,186)	2,408	3,594
Fund balances - beginning	26,574	26,574	-
FUND BALANCES - ENDING	$ 25,388	$ 28,982	$ 3,594

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
State Transit Assistance Fund
For the year ended June 30, 2005
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive/(Negative)
REVENUES				
Sales tax	$ 29,485	$ 29,485	$ 33,988	$ 4,503
Investment earnings	500	500	1,263	763
TOTAL REVENUES	29,985	29,985	35,251	5,266
EXPENDITURES				
Current:				
Transportation subsidies	4,368	4,368	4,237	131
TOTAL EXPENDITURES	4,368	4,368	4,237	131
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,617	25,617	31,014	5,397
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,802)	(24,747)	(27,318)	(2,571)
TOTAL OTHER FINANCING SOURCES AND USES	(24,802)	(24,747)	(27,318)	(2,571)
NET CHANGE IN FUND BALANCES	815	870	3,696	2,826
Fund balances - beginning	58,437	58,437	58,437	-
FUND BALANCES - ENDING	$ 59,252	$ 59,307	$ 62,133	$ 2,826

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Other Special Revenue
For the year ended June 30, 2005
(Amounts expressed in thousands)

	Budgeted Amounts*			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive/(Negative)
REVENUES				
Intergovernmental	$ 33,768	$ 34,768	$ 3,465	$ (31,303)
Investment earnings	-	-	5	5
TOTAL REVENUES	33,768	34,768	3,470	(31,298)
EXPENDITURES				
Current:				
Administration and other	1,502	1,502	385	1,117
Transportation subsidies	12,585	13,585	2,929	10,656
TOTAL EXPENDITURES	14,087	15,087	3,314	11,773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,681	19,681	156	(19,525)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	49	49
Transfers out	-	-	(11)	(11)
TOTAL OTHER FINANCING SOURCES AND USES	-	-	38	38
NET CHANGE IN FUND BALANCES	19,681	19,681	194	(19,487)
Fund balances - beginning	(358)	(358)	(358)	-
FUND BALANCES - ENDING	$ 19,323	$ 19,323	$ (164)	$ (19,487)

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005
(Amounts expressed in thousands)

	Employee Retirement Funds					
	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	American Federation of State, County and Municipal Employees Plan	Non-Contract Employees Plan	Total
ASSETS						
Cash and cash equivalents	$ 5,335	$ 928	$ 3,103	$ 733	$ 2,036	$ 12,135
Investments	306,072	53,235	178,070	42,035	116,868	696,280
Receivables:						
Interest	927	161	539	127	354	2,108
Leases and other	203	39	80	-	132	454
Prepaid items and other assets	35	6	21	5	14	81
TOTAL ASSETS	$ 312,572	$ 54,369	$ 181,813	$ 42,900	$ 119,404	$ 711,058
LIABILITIES						
Accounts payable	3,242	162	379	127	257	4,167
Liablilities for retirement income plan	23,662	4,116	13,767	3,249	9,035	53,829
TOTAL LIABILITIES	26,904	4,278	14,146	3,376	9,292	57,996
NET ASSETS						
Held in trust for pension benefits and other purposes	285,668	50,091	167,667	39,524	110,112	653,062
TOTAL NET ASSETS	$ 285,668	$ 50,091	$ 167,667	$ 39,524	$ 110,112	$ 653,062

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2005
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	American Federation of State, County and Municipal Employees Plan	Non-Contract Employees Plan	Total
ADDITIONS						
Contributions						
Employer	$ 13,949	$ 2,536	$ 13,567	$ 249	$ 3,098	$ 33,399
Member	11,910	1,428	2,322	-	-	15,660
Transfer	(919)	(301)	(171)	-	1,391	-
Total contributions	24,940	3,663	15,718	249	4,489	49,059
From Investing Activities						
Net appreciation in fair value of investments	22,428	3,988	12,986	1,359	10,824	51,585
Investment income	3,924	694	2,280	435	1,699	9,032
Investment expense	(1,355)	(118)	(501)	(289)	(366)	(2,629)
Other revenue	(176)	137	177	(154)	248	232
Total investing activity income	24,821	4,701	14,942	1,351	12,405	58,220
TOTAL ADDITIONS	49,761	8,364	30,660	1,600	16,894	107,279
DEDUCTIONS						
Retiree benefits	(27,017)	(5,468)	(16,967)	(2,790)	(13,444)	(65,686)
Administrative expense	(964)	(495)	(602)	(328)	(462)	(2,851)
TOTAL DEDUCTIONS	(27,981)	(5,963)	(17,569)	(3,118)	(13,906)	(68,537)
NET INCREASE (DECREASE)	21,780	2,401	13,091	(1,518)	2,988	38,742
Net Assets Beginning of year	263,888	47,690	154,576	41,042	107,124	614,320
NET ASSETS END OF YEAR	$ 285,668	$ 50,091	$ 167,667	$ 39,524	$ 110,112	$ 653,062

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Assets and Liabilities
Agency Funds - Benefit Assessment District
For the Year Ended June 30, 2005
(Amounts expressed in thousands)

	July 1, 2004 Balance	Additions	Deductions	June 30, 2005 Balance
ASSETS:				
Cash and investments	$ 35,670	$ 24,242	$ 23,999	$ 35,913
Interest receivable	90	211	90	211
Deferred charges	1,729	2	397	1,334
Special assessments receivable - delinquent (net)	3,511	21,095	22,828	1,778
Special assessments receivable - deferred	79,790	-	16,119	63,671
Total assets	$ 120,790	$ 45,550	$ 63,433	$ 102,907
LIABILITIES:				
Accounts payable	$ 915	$ 1,006	$ 1,645	$ 276
Bonds payable	117,210	17,835	34,635	100,410
Accrued interest payable	1,951	2,148	2,460	1,639
Deferred credits	714	2	134	582
Total liabilities	$ 120,790	$ 20,991	$ 38,874	$ 102,907

STATISTICAL SECTION

Los Angeles County Metropolitan Transportation Authority *Table 1*
Net Assets by Component
Last Two Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year	
	2004	2005
Governmental activities:		
Invested in capital assets, net of related debt	$ 779,120	$ 779,046
Restricted	-	-
Unrestricted	864,340	868,470
Total government activities net assets	1,643,460	1,647,516
Business-type activities:		
Invested in capital assets, net of related debt	3,505,058	3,492,098
Restricted	-	-
Unrestricted	52,658	224,223
Total business-type activities net assets	3,557,716	3,716,321
Primary government:		
Invested in capital assets, net of related debt	4,284,178	4,271,144
Restricted	-	-
Unrestricted	916,998	1,092,693
Total primary government net assets	$ 5,201,176	$ 5,363,837

Prior eight years' data not available due to fund restructuring
Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority *Table 2*
Changes in Net Assets
Last Two Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year	
Expenses	2004	2005
Governmental activities:		
Transit operators program	$ 169,882	$ 221,400
Local cities programs	271,007	303,969
Regional multimodal capital programs	69,393	60,619
Paratransit programs	66,913	35,010
Other transportation subsidies	49,335	55,471
Debt service interest	600	1,540
General government	95,553	101,610
Total governmental activities expenses	722,683	779,619
Business-type activities:		
Transit operations	904,920	987,462
Depreciation	347,629	335,533
Debt service interest	177,935	148,544
Total business-type activities expenses	1,430,484	1,471,539
Total primary government expenses	$ 2,153,167	$ 2,251,158
Program Revenues		
Governmental activities:		
Operating grants & contributions	15,222	19,946
Capital grants & contributions	-	-
Total governmental activities program revenues	15,222	19,946
Business-type activities		
Charges for services	233,757	284,682
Operating grants & contributions	116,201	217,043
Capital grants & contributions	-	-
Total business-type activities program revenues	349,958	501,725
Total primary government program revenues	$ 365,180	$ 521,671
Net (expense)/revenue:		
Governmental activities	(707,461)	(759,673)
Business-type activities	(1,080,526)	(969,814)
Total primary government net expense	$ (1,787,987)	$ (1,729,487)
General Revenues and Other Changes In Net Assets		
Governmental activities:		
Sales taxes	1,478,408	1,587,517
Intergovernmental	48,910	108
Interest income & investment earnings	5,352	14,886
Miscellaneous	30,251	23,792
Transfers	(885,345)	(862,574)
Total governmental activities	677,576	763,729
Business-type activities:		
Intergovernmental	470,393	245,860
Interest income & investment earnings	12,495	15,525
Miscellaneous	209	4,460
Transfers	885,345	862,574
Total business-type activities	1,368,442	1,128,419
Total primary government	$ 2,046,018	$ 1,892,148
Change in Net Assets		
Governmental activities	(29,885)	4,056
Business-type activities	287,916	158,605
Total primary government	$ 258,031	$ 162,661

Prior eight years' data not available due to fund restructuring
Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority *Table 3*

Fund Balances of Governmental Funds

Last Two Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	Fiscal Year	
	2004	2005
General Fund		
Reserved	$ 8,397	$ 6,727
Unreserved	138,295	86,626
Total General Fund	146,692	93,353
All other governmental funds:		
Reserved	509,432	535,519
Unreserved, reported in:		
Special revenue funds	89,625	118,110
Total all other governmental funds	$ 599,057	$ 653,629

Prior eight years' data not available due to fund restructuring

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority *Table 4*
Business-type Activities - Transit Operations
Operating Revenues By Source (Bus & Rail)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies	Auxiliary Transportation	Total
1996	$ 208,389	$ 27,998	$ 400,230	$ 5,927	$ 642,544
1997	214,519	28,476	457,868	5,968	706,831
1998	222,502	26,372	445,861	8,835	703,570
1999	228,854	55,845	528,956	13,422	827,077
2000	233,436	85,379	470,863	13,864	803,542
2001	213,989	60,128	482,742	12,227	769,086
2002	241,144	110,076	507,060	14,370	872,650
2003	247,426	93,606	560,410	14,102	915,544
2004	221,454	115,219	548,667	12,534	897,874
2005	269,518	216,599	480,369	15,164	981,650

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority *Table 5*
Business-type Activities - Transit Operations
Revenues and Operating Assistance
Comparison to Transit Industry Trend
Percent to total
Last Ten Fiscal Years

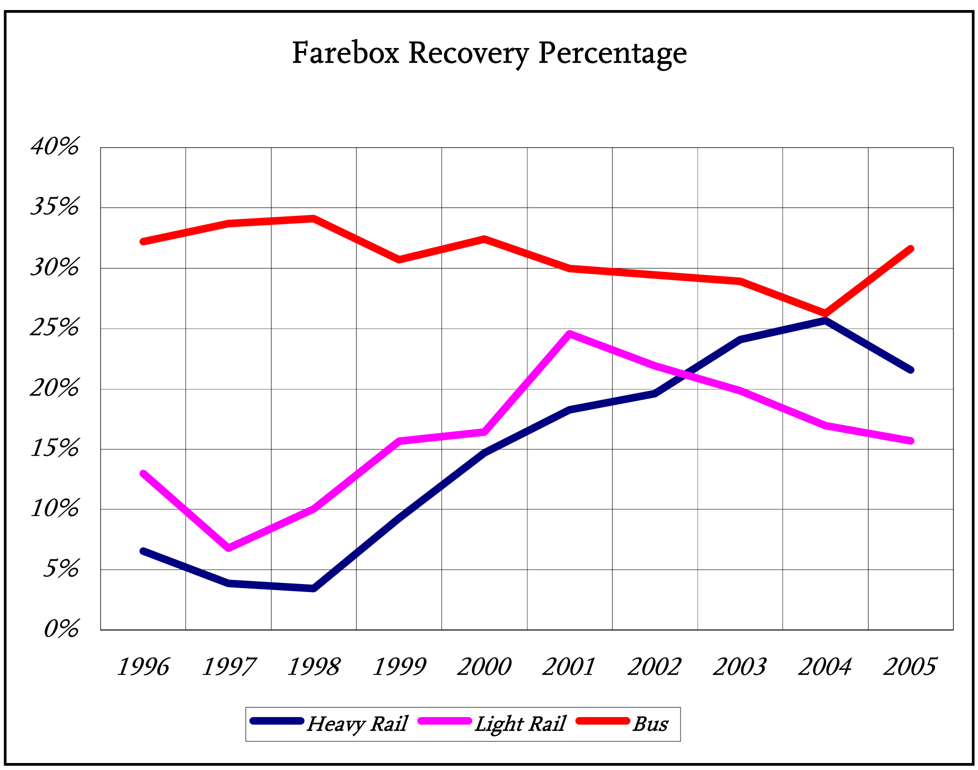
	Operations			Operating Assistance				
Fiscal Year	Passenger Fares	Other	Sub-total	Local	State	Federal	Sub-total	Total
Transportation Industry (1)								
1996	39%	15%	54%	22%	21%	3%	46%	100%
1997	39%	17%	56%	21%	20%	3%	44%	100%
1998	38%	17%	55%	21%	20%	4%	45%	100%
1999	37%	16%	53%	21%	22%	4%	47%	100%
2000	36%	17%	53%	22%	21%	4%	47%	100%
2001	35%	14%	49%	24%	23%	4%	51%	100%
2002	33%	17%	50%	20%	25%	5%	50%	100%
2003	33%	18%	51%	20%	23%	6%	49%	100%
2004	*	*	*	*	*	*	*	*
2005	*	*	*	*	*	*	*	*
Metro (2)								
1996	31%	3%	34%	55%	4%	7%	66%	100%
1997	30%	1%	31%	58%	4%	7%	69%	100%
1998	31%	2%	33%	59%	2%	6%	67%	100%
1999	28%	3%	31%	59%	3%	7%	69%	100%
2000	29%	3%	32%	55%	2%	11%	68%	100%
2001	28%	3%	31%	60%	2%	7%	69%	100%
2002	27%	3%	30%	55%	3%	12%	70%	100%
2003	27%	2%	29%	60%	1%	10%	71%	100%
2004	24%	2%	26%	61%	1%	12%	74%	100%
2005	24%	2%	26%	54%	1%	19%	74%	100%

(1) APTA 2005 Public Transportation Fact Book -Table 66
(2) National Transit Database Report
** Data not available*

Los Angeles County Metropolitan Transportation Authority
Business-type Activities - Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years

Table 6

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
1996	7%	13%	32%	29%
1997	4%	7%	34%	30%
1998	3%	10%	34%	31%
1999	9%	16%	31%	29%
2000	15%	16%	32%	30%
2001	18%	25%	30%	29%
2002	20%	22%	29%	28%
2003	24%	20%	29%	28%
2004	26%	17%	26%	25%
2005	22%	16%	32%	29%



Source: National Transit Database Report

Los Angeles County Metropolitan Transportation Authority

Table 7

Business-type Activities - Transit Operations

Operating Expenses by Function

Comparison to Transit Industry Trend

Percent to total

Last Ten Fiscal Years

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total **
Transportation Industry (1)						
1996	45%	18%	10%	15%	12%	100%
1997	45%	18%	10%	15%	12%	100%
1998	46%	18%	9%	16%	11%	100%
1999	46%	18%	9%	15%	12%	100%
2000	45%	19%	10%	15%	12%	101%
2001	44%	18%	10%	15%	13%	100%
2002	45%	18%	10%	15%	12%	100%
2003	44%	18%	9%	15%	13%	99%
2004	*	*	*	*	*	*
2005	*	*	*	*	*	*
Metro (2)						
1996	50%	23%	5%	21%	1%	100%
1997	53%	18%	5%	21%	3%	100%
1998	57%	16%	4%	19%	4%	100%
1999	55%	23%	4%	15%	3%	100%
2000	52%	23%	5%	16%	4%	100%
2001	53%	22%	5%	16%	4%	100%
2002	51%	22%	6%	18%	3%	100%
2003	51%	22%	6%	18%	3%	100%
2004	50%	20%	7%	20%	3%	100%
2005	53%	20%	7%	17%	3%	100%

(1) APTA 2005 Public Transportation Fact Book Table 61

(2) National Transit Database Report

**   Data not available*

*** Excluding depreciation expense*

Los Angeles County Metropolitan Transportation Authority

Table 8

Business-type Activities - Transit Operations
Operating Expenses By Function (Bus & Rail)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General & Administrative	Depreciation	Total
1996	$ 362,978	$ 169,747	$ 34,202	$ 152,452	$ 122,480	$ 841,859
1997	406,996	132,796	35,607	157,162	159,099	891,660
1998	442,293	113,959	26,378	141,678	158,027	882,335
1999	463,218	186,557	27,065	125,274	159,210	961,324
2000	424,346	180,547	41,158	129,905	225,762	1,001,718
2001	413,831	169,543	41,410	121,557	281,694	1,028,035
2002	461,293	190,132	55,677	157,415	299,326	1,163,843
2003	479,264	193,904	57,190	167,256	318,290	1,215,904
2004	464,017	182,178	60,616	186,231	347,629	1,240,671
2005	536,067	205,090	69,839	167,404	335,533	1,313,933

Source: National Transit Database Report

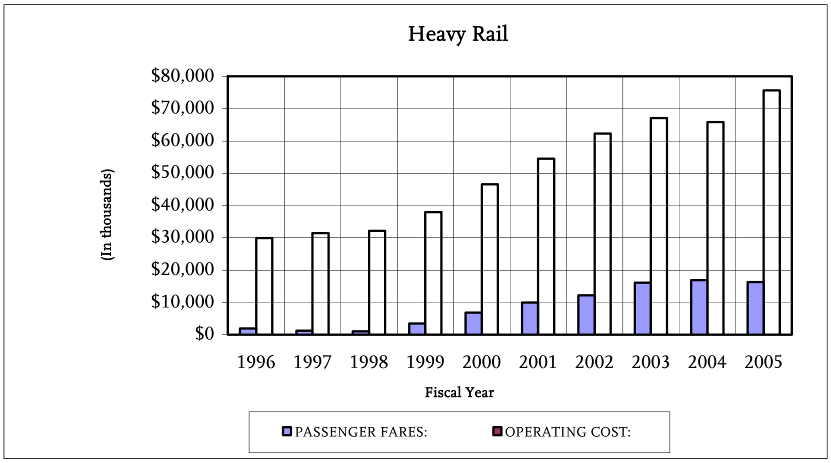
Los Angeles County Metropolitan Transportation Authority
Business-type Activities - Transit Operations
Operating Indicators by Mode
Last Ten Fiscal Years
(Amounts in thousands except Buses and Rail Cars and Stations)

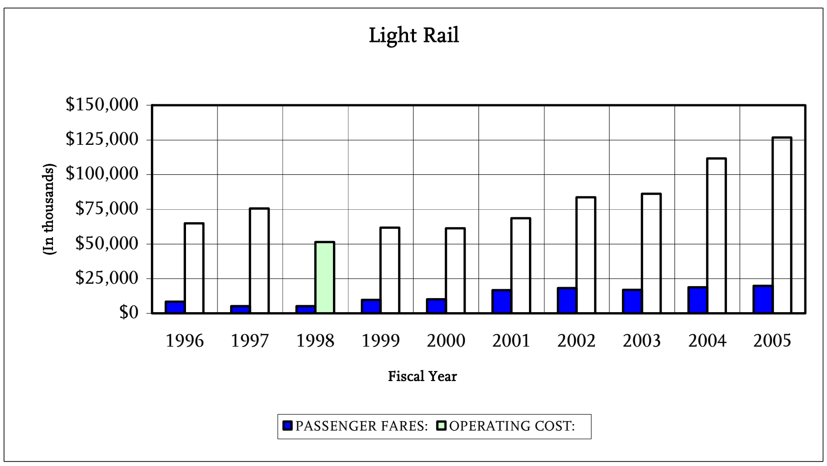
Table 9

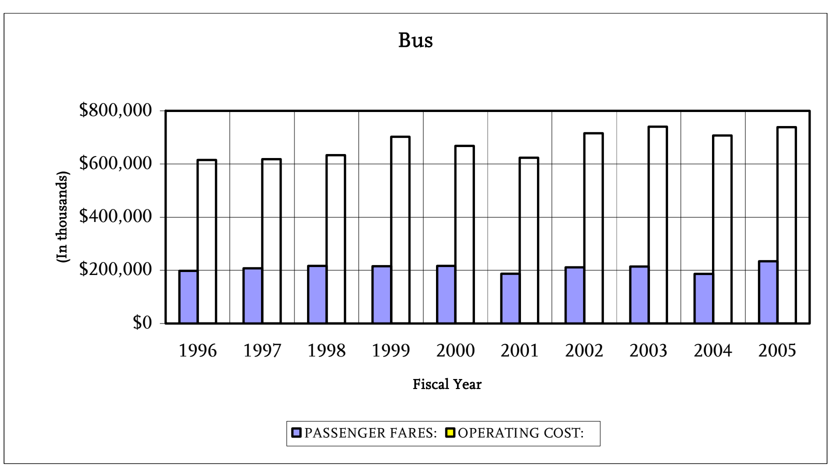
Fiscal Year	1996	1997	1998	1999	2000	(2) 2001	2002	2003	(3) 2004	2005
PASSENGER FARES:										
Heavy Rail	$ 1,953	$ 1,214	$ 1,103	$ 3,518	$ 6,835	$ 9,944	$ 12,187	$ 16,152	$ 16,895	$ 16,298
Light Rail	8,413	5,131	5,159	9,669	10,083	16,839	18,332	17,088	18,900	19,912
Bus*	198,023	208,173	216,238	215,668	216,516	186,746	210,625	214,186	185,659	233,028
OPERATING COST: *(excluding depreciation)*										
Heavy Rail	29,907	31,417	32,166	37,988	46,548	54,501	62,229	67,100	65,829	76,373
Light Rail	64,824	75,585	51,440	61,731	61,387	68,546	83,689	86,200	111,654	126,123
Bus*	615,207	617,870	633,767	702,395	668,021 (1)	623,194	715,360	740,468	707,369	748,783
PASSENGER MILES:										
Heavy Rail	11,379	22,487.36	24,118	28,718	74,729	126,461	163,931	151,901	152,629	173,935
Light Rail	154,832	169,831	170,541	176,191	208,824	213,339	228,780	225,712	241,217	268,981
Bus*	1,252,231	1,294,598	1,332,164	1,223,928	1,576,870	1,300,688	1,462,538	1,440,547	1,270,902	1,414,359
REVENUE VEHICLE MILES:										
Heavy Rail	800	1,737	1,646	1,815	3,568	5,540	5,877	5,987	5,399	5,877
Light Rail	4,150	4,436	4,532	4,500	4,658	4,401	8,114	6,783	7,704	8,114
Bus*	77,253	78,125	78,071	81,830	85,655	80,282	88,709	88,809	82,498	92,054
BUSES AND RAIL CARS: *(total fleet)*										
Heavy Rail	30	30	30	66	104	104	104	104	104	104
Light Rail	69	69	69	69	69	81	121	121	121	121
Bus*	2,339	2,548	2,783	2,799	2,426	2,913	3,012	2,774	2,714	2,856
PASSENGER STATIONS:										
Heavy Rail	5	8	8	13	16 (4)	16	16	16	16	16
Light Rail	36	36	36	36	36	36	36	36	49	49

Source: National Transit Database Report
Note
** Includes Purchase Transportation*
(1) The agency acquired 438 buses during this period
(2)There was a 35 days strike during this period thereby reducing miles and revenue fares.
(3)There was a 33 days strike during this period thereby reducing miles and revenue fares.
(4) More stations added due to opening of new segment

Graphical Presentation of Table 9
Operating Revenues and Cost by Mode







Los Angeles County Metropolitan Transportation Authority *Table 10*
Historical Debt Service Coverage Ratios - Prop A
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Net Prop A Sales Tax Revenue	Less 25% Local Allocation	Prop A Bonds Amount Available For Debt Service On Sales Tax Bonds	Prop A Bonds Aggregate Debt Service	Prop A Debt Service Coverage Ratio
1996	$ 402,981	$ 100,745	$ 302,236	$ 104,096	2.90
1997	411,529	102,882	308,647	116,197	2.66
1998	438,321	109,580	328,741	115,270	2.85
1999	449,054	112,264	336,790	118,443	2.84
2000	504,353	126,088	378,265	138,188	2.74
2001	528,299	132,075	396,224	142,427	2.78
2002	525,980	131,495	394,485	138,234	2.85
2003	548,287	137,072	411,215	138,934	2.96
2004	576,651	144,163	432,488	137,142	3.15
2005	619,497	154,874	464,623	140,075	3.32

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority

Table 11

Historical Debt Service Coverage Ratios - Prop C

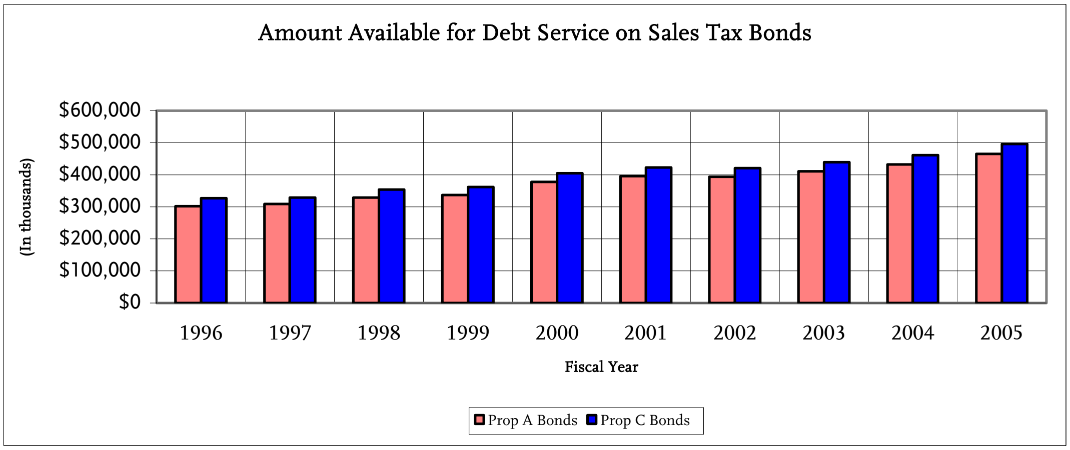
Last Ten Fiscal Years

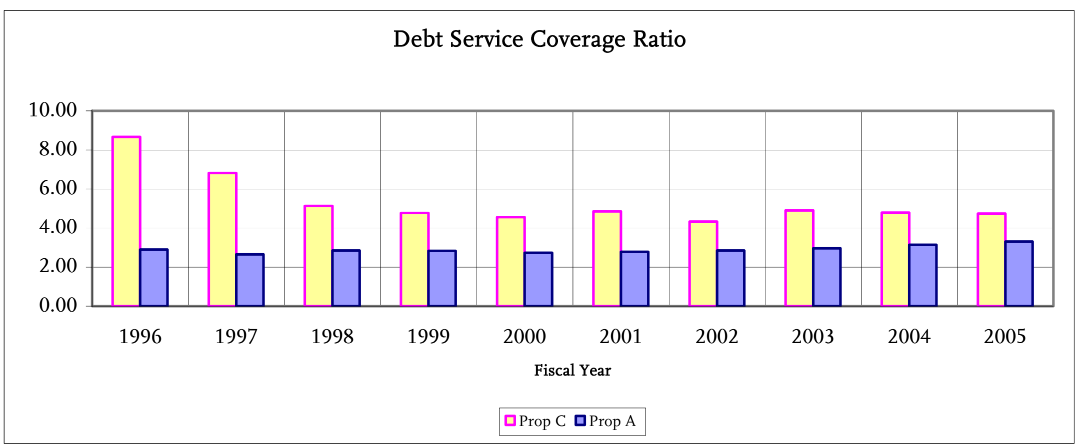
(Amounts expressed in thousands)

Fiscal Year	Net Prop C Sales Tax Revenue	Less 20% Local Allocation	Prop C Bonds Amount Available for Debt Service On Sales Tax Bonds	Prop C Bonds Aggregate Debt Service	Prop C Debt Service Coverage Ratio
1996	$ 408,491	$ 81,698	$ 326,793	$ 37,716	8.66
1997	411,224	82,245	328,979	48,202	6.83
1998	441,929	88,386	353,543	68,828	5.14
1999	452,232	90,446	361,786	75,935	4.76
2000	505,949	101,190	404,759	88,801	4.56
2001	528,432	105,686	422,746	87,108	4.85
2002	525,876	105,175	420,701	97,313	4.32
2003	548,264	109,653	438,611	89,607	4.89
2004	576,655	115,331	461,324	96,286	4.79
2005	619,575	123,915	495,660	104,444	4.75

Source: Comprehensive Annual Financial Report

Graphical Presentation of Table 10 and 11
Prop A and C Debt Service Coverage Ratio





Los Angeles County Metropolitan Transportation Authority

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

(Amounts expressed in thousands)

Table 12

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Principal	$ 32,498	$ 40,200	$ 45,025	$ 130,757	$ 66,135	$ 78,881	$ 404,181	$ 132,998	$ 355,313	$ 395,092
Interest	169,876	166,552	172,579	169,011	186,437	189,808	169,271	180,984	163,141	134,216
Total Debt Service Expenditures	202,374	206,752	217,604	299,768	252,572	268,689	573,452	313,982	518,454	529,308
Total Combined Expenditures	$ 1,508,202	$ 1,588,259	$ 1,333,136	$ 1,270,128	$ 1,345,286	$ 1,356,751	$ 1,583,776	$ 1,542,563	$ 1,657,154	$ 1,767,108
Percent of Debt Service to General Expenditures (%)	13.42%	13.02%	16.32%	23.60%	18.77%	19.80%	36.21%	20.35%	31.29%	29.95%

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority *Table 13*

Ratio of Outstanding Debt by Type

(Excluding Claims, OPEB and Compensated Absences)

Last Five Fiscal Years

(Amounts expressed in thousands except per capita amount)

	Fiscal year				
	2001	2002	2003	2004	2005
Governmental activities:					
Redevelopment & Housing bonds	$ 31	$ 30	$ 30	$ 30	$ 28
Total governmental activities	31	30	30	30	28
Business-type Activities					
Sales Tax Revenue & Refunding bonds	3,124	3,059	2,956	2,904	2,996
Sales Tax Revenue bonds-Local alloc	17	15	13	11	8
Lease Revenue bonds	22	19	17	14	12
Lease/Leaseback Obligation	164	329	750	868	888
General Revenue bonds	186	186	186	274	269
Commercial Paper	233	266	266	348	399
Certificates of Participation	163	141	107	6	-
Capitalized Lease	-	17	38	32	21
Total business-type activities	3,909	4,032	4,333	4,457	4,593
Total Primary government	$ 3,940	$ 4,062	$ 4,363	$ 4,487	$ 4,621
Percentage of Personal Income*	1.34%	1.34%	1.40%	1.40%	1.40%
Per Capita*	$ 401.35	$ 416.79	$ 448.52	$ 461.82	$ 475.75

Prior five years' data not available

Source: Comprehensive Annual Financial Report

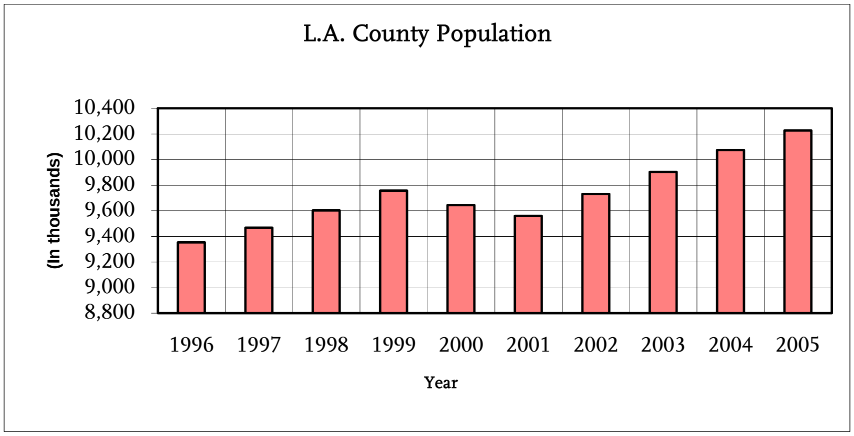
**See the Schedule of Demographic and Economic Statistics for population and personal income data*

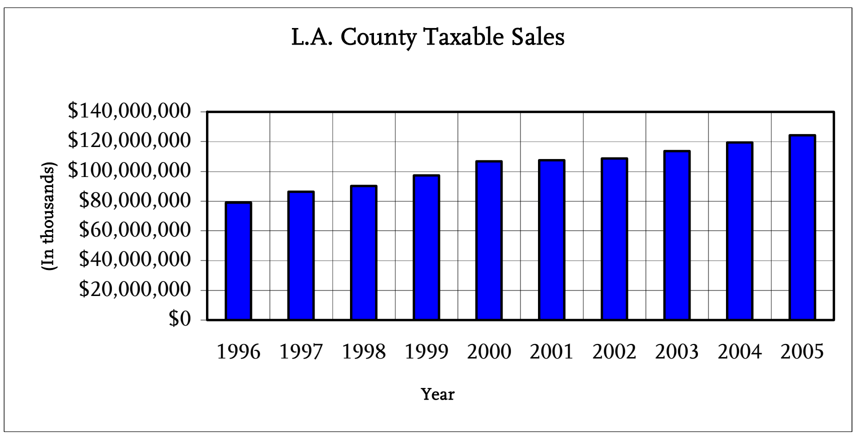
Los Angeles County Metropolitan Transportation Authority *Table 14*
Demographic and Economic Statistics
Last Ten Fiscal Years
(Amounts expressed in thousands)

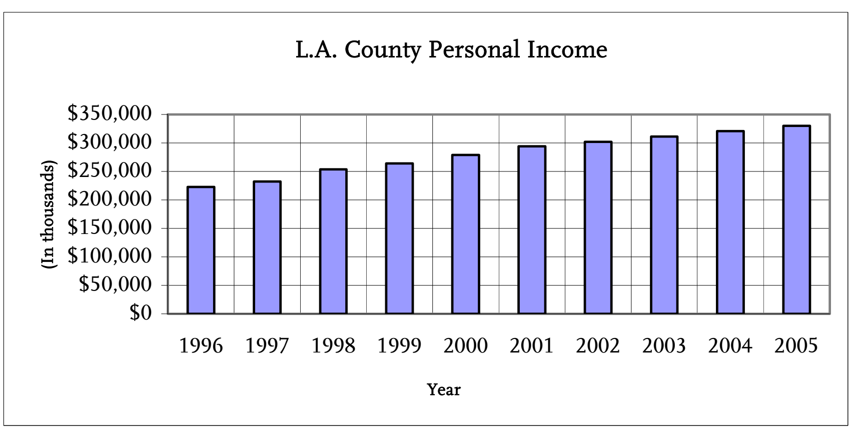
Fiscal Year	(1) Population County of Los Angeles	(2) Population State of California	(3) Taxable Sales County of Los Angeles	Personal Income County of Los Angeles	(4) Per Capita Personal Income County of Los Angeles	(5) Unemployment Rate
1996	9,352	32,063	$ 79,068,152	$ 222,773	$ 24	7.9%
1997	9,468	32,609	86,397,850	232,360	25	7.6%
1998	9,603	33,252	90,205,600	253,516	27	6.8%
1999	9,758	33,773	97,316,828	263,987	28	5.8%
2000	9,643	34,206	106,673,534	279,050	29	5.0%
2001	9,560	34,036	107,426,692	294,508	30	4.8%
2002	9,732	34,698	108,753,064	302,123	31	6.7%
2003	9,902	35,301	113,685,422	311,285	32	6.8%
2004	10,075	35,915	119,372,636 *	320,624	33 *	6.5%
2005	10,226	36,810	124,147,541 *	330,242	34 *	5.7%

Data sources
(1) California Department of Finance
(2) U.S. Census Bureau
(3) State Board of Equalization
(4) U.S. Department of Commerce, Bureau of Economic Statistics
(5) State Department of Employment Development for the County of Los Angeles - unadjusted average
* Data not available, estimates only

Graphical Presentation of Table 14
Demographics







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

Year	Federal				Local						Project Costs				
					Seg. 1	Seg. 2	Seg. 3			Total	Seg. 1	Seg. 2	Seg. 3*		Total
	Seg. 1	Seg. 2	Seg. 3	Total			**LA**	Sub-Total	**SFV**				LA	SFV	
1986	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1987	167,364	-		167,364	138,543	-	-	138,543	-	138,543	305,907	-	-	-	305,907
1988	71,209	-		71,209	69,429	-	-	69,429	-	69,429	140,638	-	-	-	140,638
1989	128,067	-		128,067	64,781	7,898	-	72,679	-	72,679	192,848	7,898	-	-	200,746
1990	145,631	-		145,631	100,505	16,069	-	116,574	-	116,574	246,137	16,069	-	-	262,206
1991	86,837	10,132		96,969	53,620	59,886	-	113,506	-	113,506	140,457	70,018	-	-	210,475
1992	53,151	78,453		131,604	90,573	89,947	904	181,424	2,325	183,749	143,724	168,399	904	2,325	315,352
1993	10,855	130,432	18,200	159,487	9,266	85,066	3,664	97,996	9,421	107,417	20,121	215,498	8,760	22,525	266,904
1994	33,379	154,956	35,696	224,031	195,974	85,479	3,926	285,379	10,095	295,474	229,353	240,435	13,921	35,796	519,505
1995	(610)	164,555	83,795	247,740	10,940	80,144	17,657	108,741	45,404	154,145	10,330	244,699	41,120	105,737	401,886
1996	-	118,574	112,081	230,655	5,296	76,460	7,745	89,501	19,916	109,417	5,296	195,034	39,128	100,615	340,073
1997	-	61,998	233,032	295,030	(731)	46,159	3,510	48,938	9,027	57,965	(731)	108,157	68,759	176,810	352,995
1998	-	-	124,352	124,352	3,539	208,306	21,842	233,687	56,166	289,853	3,539	208,306	56,661	145,699	414,205
1999	-	-	58,774	58,774	(247)	97,484	31,142	128,379	80,080	208,459	(247)	120,484	47,599	122,397	290,233
2000	-	-	109,874	109,874	277	59,871	5,507	65,655	14,159	79,814	277	98,519	30,779	98,761	228,336
2001	-	-	99,148	99,148	-	37,949	8,777	46,726	22,571	69,297	-	50,674	19,389	49,858	119,921
2002	-	-	17,872	17,872	-	-	19,134	19,134	35,242	54,376	-	-	15,725	56,523	72,248
2003	-	-	44	44	-	-	53	53	186	239	-	-	68	215	283
2004	-	-	11,505	11,505	-	-	(5,695)	(5,695)	(20,191)	(25,886)	-	-	(3,164)	(11,217)	(14,381)
2005							6,273	6,273	14,174	20,447			6,273	14,174	20,447
Total	**695,883**	**719,100**	**904,373**	**2,319,356**	**741,765**	**950,718**	**124,439**	**1,816,922**	**298,575**	**2,115,497**	**1,437,649**	**1,744,190**	**345,922**	**920,218**	**4,447,979**

Expenditure Requirement (15% * $1,810,649)	$271,597
Interest Earned	33,488
Total Required Expenditures	$305,085
Actual Expenditures	$920,218

* 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, 2005
(Amount expressed in thousands)

			Revenues				
Project	**Task Description**	**Expenditures**	**Prop A Admin**	**Prop C Admin**	**TDA Admin**	**Other Sources**	**Total Revenues**
Beginning Fund Balance			$ 3,915	$ -	$ -	$ 142,780	$ 146,695
Revenues for the year - Actual			32,038	9,184	5,335	18,223	64,780
Available Funds			**35,953**	**9,184**	**5,335**	**161,003**	**211,475**
100002	**Governmental and Oversight Activities**						
	General Non-allocable	$ 16,322	16,322	-	-	-	16,322
	Legal - Operations Overhead	670	-	-	-	670	670
	Legal - Bus Operations	32	-	-	-	32	32
	Legal - Empl Cases Operations	864	-	-	-	864	864
	Legal - Blue Line Operations	1	-	-	-	1	1
	Employee Severance Pay	879	-	-	-	879	879
	Investment & Cash Management	85	85	-	-	-	85
	Debt Management	123	123	-	-	-	123
100002 Total		**18,976**	**16,530**	**-**	**-**	**2,446**	**18,976**
100011	**Employee Activities**						
	Employee Recreation Expense	184	-	-	-	184	184
	Employee Center Expense	297	-	-	-	297	297
100011 Total		**481**	**-**	**-**	**-**	**481**	**481**
100012	**Prop A & C Audit**						
	Prop A Audit	92	46	46	-	-	92
	Prop C Audit	34	17	17	-	-	34
100012 Total		**126**	**63**	**63**	**-**	**-**	**126**
100050	**Administration - Special Revenue Planning**						
	Administration	2,964	2,964	-	-	-	2,964
	General Support	53	43	-	-	10	53
	A/P Support	213	154	-	-	59	213
	A/R Support	8	8	-	-	-	8
	G/L Support	133	133	-	-	-	133
	P/A Support	10	10	-	-	-	10
	Payroll Support	28	28	-	-	-	28
	Systems Support	44	44	-	-	-	44
	Budget Development	45	45	-	-	-	45
	Revenue/Forecasting	64	64	-	-	-	64
	Reporting & Analysis	82	82	-	-	-	82
	Procurement	54	54	-	-	-	54
100050 Total		**3,698**	**3,629**	**-**	**-**	**69**	**3,698**
100060	**Administration - General Planning**						
	Administration	3,448	3,448	-	-	-	3,448
	A/P Support	189	189	-	-	-	189
	A/R Support	6	6	-	-	-	6
	G/L Support	106	106	-	-	-	106
	P/A Support	81	81	-	-	-	81
	Payroll Support	40	40	-	-	-	40
	Systems Support	44	44	-	-	-	44
	Building Services	394	394	-	-	-	394
	Mail Support	154	154	-	-	-	154
	Records Management	62	62	-	-	-	62
	Class. & Compensation	34	34	-	-	-	34
	Leave of Absence	18	18	-	-	-	18
	Recruitment	94	94	-	-	-	94
	HRIS/Records	62	62	-	-	-	62
	Drug/Alcohol & Violence	61	61	-	-	-	61
	General Support	598	598	-	-	-	598
	Grievance Processing	2	2	-	-	-	2
	Budget Development	22	22	-	-	-	22
	Revenue/Forecasting	95	95	-	-	-	95
	Reporting & Analysis	72	72	-	-	-	72
	Procurement	369	369	-	-	-	369
100060 Total		**5,951**	**5,951**	**-**	**-**	**-**	**5,951**

Los Angeles County Metropolitan Transportation Authority
Schedule of Sources and Uses of General Funds
For the Fiscal Year Ending June 30, 2005
(Amount expressed in thousands)

			Revenues				
Project	Task Description	Expenditures	Prop A Admin	Prop C Admin	TDA Admin	Other Sources	Total Revenues
330500	**Industry Assistance**						
	Filming Marketing	194	-	-	-	194	194
330500 Total		**194**	**-**	**-**	**-**	**194**	**194**
400225	**Pedestrians/Bikeway Enhancement**						
	Public Outreach	38	-	-	-	38	38
	Bike Station Plan	28	-	-	-	28	28
	LA County Bicycle	58	-	-	-	58	58
	MTA Support	34	-	-	-	34	34
	LA Brea Commuter Link	58	-	-	-	58	58
	System Preservation	168	-	-	-	168	168
400225 Total		**384**	**-**	**-**	**-**	**384**	**384**
401002	**Santa Fe MGL Joint Development**						
	Santa Fe Station Joint Development	9	-	9	-	-	9
401002 Total		**9**	**-**	**9**	**-**	**-**	**9**
405510	**Other P&P Planning**						
	Call/MOU Technical Support	42	-	-	29	13	42
	Consolidated Audit	398	119	118	111	50	398
	Triennial Audit	421	126	177	118	-	421
	HOV Administration	3	-	3	-	-	3
	General Bikeways	1	-	1	-	-	1
	Prop A/C Administration	315	158	157	-	-	315
	Grants Administration	482	-	-	482	-	482
	Grant Funds Administration	573	-	-	573	-	573
	TDA Article 3 & 8	74	-	-	74	-	74
	TIP Administration	771	-	-	771	-	771
	STIP PPM - FY05	2,126	638	893	595	-	2,126
	Sta. Monica Freeway Smart Corridor	14	-	14	-	-	14
	Interdepartmental Coordinator	339	102	142	95	-	339
	Fuel Cell Buyers Consortium	3	3	-	-	-	3
	Bus System Improvement Plan	58	-	58	-	-	58
	Station Planning/Joint Development	618	-	618	-	-	618
	H/V Negotiations	19	-	-	19	-	19
	Non-Motorized	16	-	16	-	-	16
	Art Program	131	66	65	-	-	131
	Public Outreach	42	21	21	-	-	42
	General Planning	902	451	451	-	-	902
	General Commuter Program	4	2	2	-	-	4
	Measurement	2,164	649	801	433	281	2,164
	Non-represented Labor	9	4	5	-	-	9
	Non-represented LAUSD	10	5	5	-	-	10
405510 Total		**9,535**	**2,344**	**3,547**	**3,300**	**344**	**9,535**
405511	**Transit Planning**						
	Chinatown Plaza	303	-	-	-	303	303
	Long Range Plan Update	1,339	402	495	268	174	1,339
	Municipal Funding & Coordination	191	58	80	53	-	191
	Admin NTD Report for Sampling	224	67	83	45	29	224
	Westlake Station Study	(8)	-	-	-	(8)	(8)
	Good Neighbor Program	21	-	-	-	21	21
	SRTP Service Development	70	21	29	20	-	70
	Restructuring Study	171	51	72	48	-	171
	Consent Decree	5,352	1,606	1,980	1,070	696	5,352
	Implement Metro Rapid Bus Program	394	119	165	110	-	394
	Transit Service Expansion	4	1	2	1	-	4
	Transit Planning	382	379	-	-	3	382
	SB Traffic Signal	17	5	7	5	-	17
	BRT Research/TVL	3	1	1	1	-	3
	Eastside Extension Pedestrian Corridor Impro	63	19	26	18	-	63
	ADA Compliance	63	18	27	18	-	63
	Research & Development	374	112	158	104	-	374
405511 Total		**8,963**	**2,859**	**3,125**	**1,761**	**1,218**	**8,963**

Los Angeles County Metropolitan Transportation Authority
Schedule of Sources and Uses of General Funds
For the Fiscal Year Ending June 30, 2005
(Amount expressed in thousands)

			Revenues				
Project	Task Description	Expenditures	Prop A Admin	Prop C Admin	TDA Admin	Other Sources	Total Revenues
405512	**Crenshaw Corridor**						
	Short-term Transportation Enhancement	1	-	1	-	-	1
405512	**Total**	**1**	**-**	**1**	**-**	**-**	**1**
405547	**SCAG Employer Rideshare Service Project**						
	Core Rideshare Services	710	-	-	-	710	710
	Rideshare Services	492	-	-	-	492	492
	Rideshare STIP FY00	6	-	-	-	6	6
	Employer Rideshare Services	518	-	-	-	518	518
	Rideshare 2000 & Club Metro	10	-	-	-	10	10
405547	**Total**	**1,736**	**-**	**-**	**-**	**1,736**	**1,736**
609911	**Transportation Academies/TOP/FTA**						
	TOP	83	83	-	-	-	83
609911	**Total**	**83**	**83**	**-**	**-**	**-**	**83**
609922	**Homeland Security Programs**						
	Comp Tra Grant - Travel	4	-	4	-	-	4
609922	**Total**	**4**	**-**	**4**	**-**	**-**	**4**
610041	**Property Management**						
	General ROW Overhead	2,618	-	-	-	2,618	2,618
	West Santa Ana	4	-	-	-	4	4
	SANBAG	81	-	-	-	81	81
610041	**Total**	**2,703**	**-**	**-**	**-**	**2,703**	**2,703**
610051	**Pasadena Blue Line Property Management**						
	Pasadena Blue Line	54	-	-	-	54	54
610051	**Total**	**54**	**-**	**-**	**-**	**54**	**54**
610061	**Owned Property**						
	Property Acquisition	57	-	-	-	57	57
	Administration	2,738	-	-	-	2,738	2,738
	Risk Management Insurance Premium	414	-	-	-	414	414
610061	**Total**	**3,209**	**-**	**-**	**-**	**3,209**	**3,209**
610301	**Debt Service - Prop A (CRA)**						
	1993-A CRA Housing	729	729	-	-	-	729
	2002-A CRA Redevelopment Refunding	1,560	1,560	-	-	-	1,560
610301	**Total**	**2,289**	**2,289**	**-**	**-**	**-**	**2,289**
Sub-Total		**58,396**	**33,748**	**6,749**	**5,061**	**12,838**	**58,396**
Fund Transfer To:							
	Prop C	1,149	-	1,149	-	-	1,149
	Enterprise Fund	19,533	2,791	1,286	274	15,182	19,533
	Capital Projects Fund	10,100	2,378	-	-	7,722	10,100
	Other Capital Projects	28,395	-	-	-	28,395	28,395
	Special Revenue Fund	545	-	-	-	545	545
	Offsets within General Fund	4	-	-	-	4	4
Fund Transfer to Total		**59,726**	**5,169**	**2,435**	**274**	**51,848**	**59,726**
Total Expeditures, Allocations and Transfers		**118,122**	**38,917**	**9,184**	**5,335**	**64,686**	**118,122**
Remaining balance at June 30, 2005			**$ (2,964)**	**$ -**	**$ -**	**$ 96,317**	**$ 93,353**

Los Angeles County Metropolitan Transportation Authority
Activity Based Costing
BUS
For The Year Ended June 30, 2005
Amounts in Thousands except for RSH

#	Activity	Current Year Actual CRSH	Current Year Actual Total	Current Year Budget CRSH	Current Year Budget Total	$/RSH Variance Actual to Budget Over/(Under)		Prior Year Actual CRSH	Prior Year Actual Total	$/RSH Variance CY Actual vs PY Actual Over/(Under)		#
1	**TRANSPORTATION**											1
2	Labor and Benefits	$ 41.05	$ 288,592	$ 41.33	$ 291,575	$ (0.28)	-0.7%	$ 41.72	$ 256,694	$ (0.67)	-1.6%	2
3	Other	0.04	258	0.05	379	(0.01)	-20.0%	0.05	316	(0.01)	-20.0%	3
4	Training	0.65	4,539	0.67	4,693	(0.02)	-3.0%	0.84	5,143	(0.19)	-22.6%	4
5	Control Center	0.90	6,330	0.91	6,407	(0.01)	-1.1%	0.97	5,951	(0.07)	-7.2%	5
6	Scheduling and Planning	0.29	2,038	0.34	2,405	(0.05)	-14.7%	0.87	5,378	(0.58)	-66.7%	6
7	**Subtotal Transportation**	**42.93**	**301,757**	**43.30**	**305,459**	**(0.37)**	**-0.9%**	**44.45**	**273,482**	**(1.52)**	**-3.4%**	7
8												8
	MAINTENANCE											
9	**Division Maintenance**											9
10	Labor and Benefits	14.00	98,410	13.95	98,402	0.05	0.4%	14.81	91,126	(0.81)	-5.5%	10
11	Fuel	6.00	42,186	5.84	41,175	0.16	2.7%	5.24	32,207	0.76	14.5%	11
12	Materials & Supplies	5.13	36,091	5.37	37,871	(0.24)	-4.5%	5.51	33,895	(0.38)	-6.9%	12
13	Other	(0.23)	(1,604)	(0.08)	(554)	(0.15)	187.5%	(0.23)	(1,406)	-	0.0%	13
14	Preventative Maintenance	0.01	104	-	-	0.01	0.0%	0.01	65	-	0.0%	14
15	**Subtotal**	**24.91**	**175,187**	**25.08**	**176,894**	**(0.17)**	**-0.7%**	**25.34**	**155,887**	**(0.43)**	**-1.7%**	15
16												16
17	**RRC Maintenance**											17
18	Labor and Benefits	0.82	5,741	0.61	4,270	0.21	34.4%	1.18	7,247	(0.36)	-30.5%	18
19	Materials & Supplies	0.22	1,521	0.33	2,320	(0.11)	-33.3%	0.40	2,476	(0.18)	-45.0%	19
20	Other	0.11	765	0.11	758	-	0.0%	0.16	966	(0.05)	-31.3%	20
24	Power Plant Assembly	0.66	4,628	1.03	7,285	(0.37)	-35.9%	1.13	6,923	(0.47)	-41.6%	24
25	Accident Repair	0.06	454	0.26	1,844	(0.20)	-76.9%	0.10	609	(0.04)	-40.0%	25
26	Ethanol Conversion	-	-	-	-	-	0.0%	-	-	-	0.0%	26
27	Contractor	-	-	-	-	-	0.0%	-	-	-	0.0%	27
28	Wheelchair Lifts	-	-	0.03	230	(0.03)	-100.0%	-	9	-	0.0%	28
29	Painting	0.12	848	0.13	947	(0.01)	-7.7%	0.35	2,149	(0.23)	-65.7%	29
30	Windows	-	-	-	18	-	0.0%	0.03	185	(0.03)	-100.0%	30
31	RRC Mgt & Admin	0.10	676	0.11	779	(0.01)	-9.1%	0.15	896	(0.05)	-33.3%	31
32	**Subtotal**	**2.09**	**14,633**	**2.61**	**18,451**	**(0.52)**	**-19.9%**	**3.50**	**21,460**	**(1.41)**	**-40.3%**	32
33												33
34	**Other Maintainance Costs**											34
35	Maintenance Support	2.16	15,212	2.16	15,255	-	0.0%	2.06	12,672	0.10	4.9%	35
36	Non-Revenue Vehicles	0.58	4,099	0.58	4,063	-	0.0%	0.62	3,797	(0.04)	-6.5%	36
37	Facilities Maintenance	3.72	26,176	3.94	27,801	(0.22)	-5.6%	3.18	19,567	0.54	17.0%	37
38	Training	0.20	1,440	0.21	1,464	(0.01)	-4.8%	0.21	1,265	(0.01)	-4.8%	38
39	**Subtotal**	**6.66**	**46,927**	**6.89**	**48,583**	**(0.23)**	**-3.3%**	**6.07**	**37,301**	**0.59**	**9.7%**	39
40												40
41	**Subtotal Maintenance**	**33.66**	**236,747**	**34.58**	**243,928**	**(0.92)**	**-2.7%**	**34.91**	**214,648**	**(1.25)**	**-3.6%**	41
42												42
43	**OTHER OPERATING COSTS**											43
44	Transit Security	2.38	16,707	2.56	18,065	(0.18)	-7.0%	2.20	13,532	0.18	8.2%	44
45	General Managers	2.97	20,863	2.72	19,199	0.25	9.2%	2.62	16,099	0.35	13.4%	45
46	Transit Operating Costs	0.68	4,785	0.24	1,705	0.44	183.3%	0.43	2,651	0.25	58.1%	46
48	Revenue Services and Collectio	1.01	7,070	1.18	8,303	(0.17)	-14.4%	0.97	5,952	0.04	4.1%	48
49	Service Development	0.43	3,042	0.50	3,525	(0.07)	-14.0%	0.12	739	0.31	258.3%	49
50	Safety	0.19	1,330	0.26	1,823	(0.07)	-26.9%	0.11	680	0.08	72.7%	50
51	Casualty & Liability	5.92	41,606	5.38	37,956	0.54	10.0%	6.48	39,875	(0.56)	-8.6%	51
52	Workers Comp	6.87	48,310	7.38	52,068	(0.51)	-6.9%	7.75	47,684	(0.88)	-11.4%	52
53	Transitional Duty Program	0.35	2,452	0.28	2,001	0.07	25.0%	0.28	1,731	0.07	25.0%	53
54	USG Building Costs	0.88	6,167	1.31	9,269	(0.43)	-32.8%	2.26	13,883	(1.38)	-61.1%	54
55	Copy Services	-	-	-	-	-	0.0%	0.35	2,126	(0.35)	-100.0%	55
56	Employee Subsidies	-	-	-	-	-	0.0%	0.15	902	(0.15)	-100.0%	56
47	Other	0.02	115	-	19	0.02	0.0%	(0.23)	(1,392)	0.25	-108.7%	47
57	**Subtotal Other Operating Costs**	**21.70**	**152,447**	**21.81**	**153,933**	**(0.11)**	**-0.5%**	**23.49**	**144,462**	**(1.79)**	**-7.6%**	57
58												58
59	**SUPPORT DEPARTMENT COSTS**											59
60	Board Oversight	0.11	761	0.09	600	0.02	22.2%	0.08	469	0.03	37.5%	60
61	Human Resources	0.61	4,298	0.46	3,258	0.15	32.6%	0.70	4,319	(0.09)	-12.9%	61
62	General Services	1.04	7,342	1.18	8,329	(0.14)	-11.9%	0.60	3,708	0.44	73.3%	62
63	Other Chief of Staff	0.63	4,403	0.60	4,265	0.03	5.0%	1.47	9,052	(0.84)	-57.1%	63
64	Construction Project Managem	-	24	-	-	-	0.0%	0.02	130	(0.02)	-100.0%	64
65	Countywide Planning & Develo	-	3	-	-	-	0.0%	0.01	71	(0.01)	-100.0%	65
66	Communications	0.45	3,154	0.47	3,284	(0.02)	-4.3%	0.79	4,835	(0.34)	-43.0%	66
67	MASD	0.03	181	0.03	200	-	0.0%	0.08	507	(0.05)	-62.5%	67
68	Finance	1.49	10,476	1.65	11,657	(0.16)	-9.7%	2.12	13,057	(0.63)	-29.7%	68
69	ITS	1.67	11,754	1.53	10,772	0.14	9.2%	1.43	8,813	0.24	16.8%	69
70	Other Support Services	2.07	14,522	1.83	12,898	0.24	13.1%	2.91	17,906	(0.84)	-28.9%	70
71	**Subtotal Support Department C**	**8.10**	**56,918**	**7.84**	**55,263**	**0.26**	**3.3%**	**10.21**	**62,867**	**(2.11)**	**-20.7%**	71
72												72
73												73
74	**MTA Operated**	**106.39**	**747,869**	**107.53**	**758,583**	**(1.14)**	**-1.1%**	**113.06**	**695,459**	**(6.67)**	**-5.9%**	74
75												75
76	**Purchased Transportation**											76
77	Contracted Service	50.24	26,707	51.59	26,422	(1.35)	-2.6%	57.90	27,057	(7.66)	-13.2%	77
78	Security	2.38	1,263	2.56	1,311	(0.18)	-7.0%	2.33	1,090	0.05	2.1%	78
79	Administration	2.15	1,145	3.07	1,572	(0.92)	-30.0%	0.83	386	1.32	159.0%	79
80												80
81	**Purchased Transportation**	**54.77**	**29,115**	**57.22**	**29,305**	**(2.45)**	**-4.3%**	**61.06**	**28,533**	**(6.29)**	**-10.3%**	81
82												82

Los Angeles County Metropolitan Transportation Authority
Activity Based Costing
BUS
For The Year Ended June 30, 2005

Amounts in Thousands except for RSH

Activity	Current Year				$/RSH Variance Actual to Budget Over/(Under)		Prior Year Actual		$/RSH Variance CY Actual vs PY Actual Over/(Under)	
	Actual		Budget							
	CRSH	Total	CRSH	Total			CRSH	Total		
Enterprise Fund Debt										
Interest (610309) (Note 1)	-	15	-	14	-	0.0%	0.02	159	(0.02)	-100.0%
Administration (300076)	0.04	309	0.06	467	(0.02)	-33.3%	0.05	304	(0.01)	-20.0%
Sub-total	**0.04**	**324**	**0.06**	**481**	**(0.02)**	**-33.3%**	**0.07**	**463**	**(0.03)**	**-42.9%**
All Bus Operating Expenses	**$ 102.80**	**$ 777,308**	**$ 104.18**	**$ 788,369**	**$ (1.38)**	**-1.3%**	**$ 109.44**	**$ 724,455**	**$ (6.64)**	**-6.1%**
Revenue Service Hours (MTA only)	**7,029,913**		**7,054,943**		**(25,030)**	**-0.4%**	**6,152,157**		**877,756**	
RSH Contract Services	**531,536**		**512,175**		**19,361**	**3.8%**	**467,301**		**64,235**	
Total Revenue Service Hours	**7,561,449**		**7,567,118**		**(5,669)**	**-0.1%**	**6,619,458**		**941,991**	

Note 1 - Excluding interest for Workers' Comp. COP of $2,774 as of FY 05; $6,715 as of FY 04.

Los Angeles County Metropolitan Transportation Authority
Activity Based Costing
HEAVY RAIL
For The Year Ended June 30, 2005
Amounts in Thousands except for RSH

Activity	Current Year				$/RSH Variance Actual to Budget Over/(Under)		Prior Year Actual		$/RSH Variance CY Actual vs PY Actual Over/(Under)	
	Actual		Budget							
	CRSH	Total	CRSH	Total			CRSH	Total		
TRANSPORTATION										
Labor and Benefits	$ 28.98	$ 7,558	$ 26.97	$ 7,215	$ 2.01	7.5%	$ 29.75	$ 7,094	$ (0.77)	-2.6%
Other	0.13	33	0.33	88	(0.20)	-60.6%	0.43	102	(0.30)	-69.8%
Control Center	-	-	-	-	-	0.0%	(0.23)	(55)	0.23	-100.0%
Scheduling and Planning	0.02	5	0.04	11	(0.02)	-50.0%	-	-	0.02	0.0%
Subtotal Transportation	**29.13**	**7,596**	**27.34**	**7,314**	**1.79**	**6.5%**	**29.95**	**7,141**	**(0.82)**	**-2.7%**
MAINTENANCE										
Division Maintenance										
Labor and Benefits	38.59	10,065	35.93	9,611	2.66	7.4%	35.33	8,423	3.26	9.2%
Materials & Supplies	14.11	3,681	12.25	3,278	1.86	15.2%	7.79	1,858	6.32	81.1%
Other	2.46	642	2.85	762	(0.39)	-13.7%	0.23	56	2.23	969.6%
Preventative Maintenance	1.41	369	5.06	1,354	(3.65)	-72.1%	0.87	207	0.54	62.1%
Subtotal	**56.57**	**14,757**	**56.09**	**15,005**	**0.48**	**0.9%**	**44.22**	**10,544**	**12.35**	**27.9%**
Maintenance of Way										
Labor and Benefits	42.91	11,191	27.96	7,480	14.95	53.5%	41.24	9,832	1.67	4.0%
Materials & Supplies	2.19	570	0.05	12	2.14	4280.0%	5.77	1,375	(3.58)	-62.0%
Propulsion Power	30.29	7,901	28.28	7,566	2.01	7.1%	26.54	6,327	3.75	14.1%
Other	0.20	53	-	1	0.20	0.0%	3.40	810	(3.20)	-94.1%
Subtotal	**75.59**	**19,715**	**56.29**	**15,059**	**19.30**	**34.3%**	**76.95**	**18,344**	**(1.36)**	**-1.8%**
Other Maintainance Costs										
Maintenance Support	0.09	23	0.16	42	(0.07)	-43.8%	-	1	0.09	0.0%
Non-Revenue Vehicles	1.04	271	1.35	360	(0.31)	-23.0%	0.18	43	0.86	477.8%
Facilities Maintenance	11.68	3,045	11.67	3,122	0.01	0.1%	11.14	2,656	0.54	4.8%
Subtotal	**12.81**	**3,339**	**13.18**	**3,524**	**(0.37)**	**-2.8%**	**11.32**	**2,700**	**1.49**	**13.2%**
Subtotal Maintenance	**144.97**	**37,811**	**125.56**	**33,588**	**19.41**	**15.5%**	**132.49**	**31,588**	**12.48**	**9.4%**
OTHER OPERATING COSTS										
Transit Security	60.27	15,719	66.40	17,762	(6.13)	-9.2%	54.42	12,974	5.85	10.7%
General Managers	1.84	479	2.70	722	(0.86)	-31.9%	0.01	3	1.83	18300.0%
Transit Operating Costs	3.18	831	3.86	1,033	(0.68)	-17.6%	8.12	1,937	(4.94)	-60.8%
Other (Bus)	0.15	39	0.06	15	0.09	150.0%	0.05	12	0.10	200.0%
Revenue Services and Collection	3.24	844	4.93	1,317	(1.69)	-34.3%	3.46	824	(0.22)	-6.4%
Service Development	0.62	161	0.64	170	(0.02)	-3.1%	0.25	60	0.37	148.0%
Safety	0.97	253	1.10	293	(0.13)	-11.8%	0.66	158	0.31	47.0%
Casualty & Liability	12.31	3,210	11.98	3,205	0.33	2.8%	13.59	3,239	(1.28)	-9.4%
Workers Comp	10.75	2,804	7.92	2,119	2.83	35.7%	7.63	1,820	3.12	40.9%
USG Building Costs	1.09	285	2.86	766	(1.77)	-61.9%	3.93	936	(2.84)	-72.3%
Copy Services	-	-	-	-	-	0.0%	0.60	143	(0.60)	-100.0%
Employee Subsidies	-	-	-	-	-	0.0%	0.24	58	(0.24)	-100.0%
Subtotal Other Operating Costs	**94.42**	**24,625**	**102.45**	**27,402**	**(8.03)**	**-7.8%**	**92.96**	**22,164**	**1.46**	**1.6%**
SUPPORT DEPARTMENT COSTS										
Board Oversight	0.26	69	0.21	55	0.05	23.8%	0.10	24	0.16	160.0%
Human Resources	0.94	245	0.93	250	0.01	1.1%	1.12	267	(0.18)	-16.1%
General Services	0.75	195	0.69	186	0.06	8.7%	1.25	298	(0.50)	-40.0%
Other Chief of Staff	2.92	761	3.16	846	(0.24)	-7.6%	3.24	773	(0.32)	-9.9%
Construction Project Management	0.53	138	0.04	10	0.49	1225.0%	0.37	88	0.16	43.2%
Countywide Planning & Developme	-	1	-	-	-	0.0%	-	-	-	0.0%
Communications	2.59	676	2.52	675	0.07	2.8%	3.05	728	(0.46)	-15.1%
MASD	0.05	12	0.10	27	(0.05)	-50.0%	0.26	63	(0.21)	-80.8%
Finance	4.14	1,079	4.37	1,170	(0.23)	-5.3%	3.34	797	0.80	24.0%
ITS	2.58	674	2.89	774	(0.31)	-10.7%	1.85	440	0.73	39.5%
Other Support Services	6.63	1,731	5.88	1,581	0.75	12.8%	7.71	1,839	(1.08)	-14.0%
Subtotal Support Department Cost	**21.39**	**5,581**	**20.79**	**5,574**	**0.60**	**2.9%**	**22.29**	**5,317**	**(0.90)**	**-4.0%**
MTA Operated	**$ 289.91**	**$ 75,613**	**$ 276.14**	**$ 73,878**	**$ 13.77**	**5.0%**	**$ 277.69**	**$ 66,210**	**$ 12.22**	**4.4%**
Revenue Service Hours (MTA only)	**260,810**		**267,499**		**-6,689**	**-2.5%**	**238,422**		**22,388**	**9.4%**

Los Angeles County Metropolitan Transportation Authority
Activity Based Costing
LIGHT RAIL
For The Year Ended June 30, 2005
Amounts in Thousands except for RSH

	Activity	Current Year				$/RSH Variance Actual to Budget Over/(Under)		Prior Year Actual		$/RSH Variance CY Actual vs PY Actual Over/(Under)		
		Actual		Budget								
		CRSH	Total	CRSH	Total			CRSH	Total			
1	**TRANSPORTATION**											1
2	Labor and Benefits	$ 56.04	$ 19,821	$ 59.09	$ 21,863	$ (3.05)	-5.2%	$ 52.95	$ 17,830	$ 3.09	5.8%	2
3	Materials & Supplies	0.18	65	0.52	191	(0.34)	-65.4%	0.44	148	(0.26)	-59.1%	3
4	Other	0.01	4	0.16	58	(0.15)	-93.8%	0.05	16	(0.04)	-80.0%	4
5	Control Center	-	-	-	-	-	0.0%	(0.17)	(57)	0.17	-100.0%	5
6	Scheduling and Planning	0.04	13	0.07	27	(0.03)	-42.9%	-	-	0.04	0.0%	6
7	**Subtotal Transportation**	**56.27**	**19,903**	**59.84**	**22,139**	**(3.57)**	**-6.0%**	**53.27**	**17,937**	**3.00**	**5.6%**	7
8	**MAINTENANCE**											8
9	**Division Maintenance**											9
10	Labor and Benefits	52.47	18,558	48.56	17,966	3.91	8.1%	47.22	15,901	5.25	11.1%	10
11	Materials & Supplies	24.00	8,487	19.85	7,346	4.15	20.9%	15.76	5,306	8.24	52.3%	11
12	Other	1.11	392	2.06	762	(0.95)	-46.1%	0.32	107	0.79	246.9%	12
13	Preventative Maintenance	1.80	636	5.83	2,156	(4.03)	-69.1%	-	-	1.80	0.0%	13
14	**Subtotal**	**79.38**	**28,073**	**76.30**	**28,230**	**3.08**	**4.0%**	**63.30**	**21,314**	**16.08**	**25.4%**	14
15												15
16	**Maintenance of Way**											16
17	Labor and Benefits	42.55	15,049	53.44	19,775	(10.89)	-20.4%	37.78	12,724	4.77	12.6%	17
18	Materials & Supplies	1.32	468	0.23	84	1.09	473.9%	4.49	1,513	(3.17)	-70.6%	18
19	Propulsion Power	27.24	9,634	34.37	12,716	(7.13)	-20.7%	27.65	9,311	(0.41)	-1.5%	19
20	Other	0.32	114	0.01	2	0.31	3100.0%	1.44	486	(1.12)	-77.8%	20
21	**Subtotal**	**71.43**	**25,265**	**88.05**	**32,577**	**(16.62)**	**-18.9%**	**71.36**	**24,034**	**0.07**	**0.1%**	21
22												22
23	**Other Maintainance Costs**											23
24	Maintenance Support	0.18	64	0.31	116	(0.13)	-41.9%	0.03	10	0.15	500.0%	24
25	Non-Revenue Vehicles	2.73	965	2.92	1,080	(0.19)	-6.5%	1.26	425	1.47	116.7%	25
26	Facilities Maintenance	8.13	2,876	9.58	3,544	(1.45)	-15.1%	7.64	2,573	0.49	6.4%	26
27	**Subtotal**	**11.04**	**3,905**	**12.81**	**4,740**	**(1.77)**	**-13.8%**	**8.93**	**3,008**	**2.11**	**23.6%**	27
28												28
29	**Subtotal Maintenance**	**161.85**	**57,243**	**177.16**	**65,547**	**(15.31)**	**-8.6%**	**143.59**	**48,356**	**18.26**	**12.7%**	29
30												30
31	**OTHER OPERATING COSTS**											31
32	Transit Security	69.91	24,725	68.68	25,413	1.23	1.8%	57.93	19,509	11.98	20.7%	32
33	General Manager	3.50	1,239	4.71	1,741	(1.21)	-25.7%	0.01	5	3.49	34900.0%	33
34	Transit Operating Costs	3.68	1,302	4.50	1,665	(0.82)	-18.2%	9.30	3,132	(5.62)	-60.4%	34
35	Other (Bus)	4.32	1,529	-	0	4.32	0.0%	0.73	246	3.59	491.8%	35
36	Revenue Services and Collection	4.64	1,643	6.02	2,226	(1.38)	-22.9%	5.04	1,697	(0.40)	-7.9%	36
37	Service Development	1.20	425	1.25	464	(0.05)	-4.0%	0.53	179	0.67	126.4%	37
38	Safety	3.93	1,391	4.03	1,492	(0.10)	-2.5%	2.83	953	1.10	38.9%	38
39	Casualty & Liability	6.64	2,348	5.97	2,210	0.67	11.2%	8.80	2,963	(2.16)	-24.5%	39
40	Workers Comp	18.38	6,501	12.03	4,452	6.35	52.8%	11.33	3,817	7.05	62.2%	40
41	USG Building Costs	1.90	672	5.03	1,862	(3.13)	-62.2%	5.16	1,736	(3.26)	-63.2%	41
42	Copy Service	-	-	-	-	-	0.0%	0.79	266	(0.79)	-100.0%	42
43	Employee Subsidies	-	-	-	-	-	0.0%	0.34	113	(0.34)	-100.0%	43
44	**Subtotal Other Operating Costs**	**118.10**	**41,775**	**112.22**	**41,525**	**5.88**	**5.2%**	**102.79**	**34,616**	**15.31**	**14.9%**	44
45												45
46	**SUPPORT DEPARTMENT COSTS**											46
48	Board Oversight	1.55	548	0.84	309	0.71	84.5%	0.13	44	1.42	1092.3%	48
49	Human Resources	1.62	574	1.63	603	(0.01)	-0.6%	1.48	498	0.14	9.5%	49
50	General Services	1.79	632	1.43	531	0.36	25.2%	1.82	613	(0.03)	-1.6%	50
51	Chief of Staff	4.68	1,656	5.52	2,042	(0.84)	-15.2%	5.63	1,896	(0.95)	-16.9%	51
52	Construction Project Management	0.03	9	0.07	25	(0.04)	-57.1%	0.20	66	(0.17)	-85.0%	52
53	Countywide Planning & Development	-	1	-	-	-	0.0%	0.01	3	(0.01)	-100.0%	53
54	Communications	5.29	1,871	5.70	2,111	(0.41)	-7.2%	6.37	2,144	(1.08)	-17.0%	54
55	MASD	0.07	25	0.18	66	(0.11)	-61.1%	0.35	119	(0.28)	-80.0%	55
56	Finance	5.51	1,948	6.29	2,327	(0.78)	-12.4%	4.25	1,431	1.26	29.6%	56
57	ITS	4.54	1,606	5.01	1,853	(0.47)	-9.4%	2.43	818	2.11	86.8%	57
58	Support Services	10.83	3,830	10.72	3,965	0.11	1.0%	11.40	3,839	(0.57)	-5.0%	58
59	**Subtotal Support Department Costs**	**35.91**	**12,700**	**37.38**	**13,832**	**(1.48)**	**-4.0%**	**34.06**	**11,471**	**1.84**	**5.4%**	59
60												60
61												61
62	**MTA Operated**	**$ 372.13**	**$ 131,621**	**$ 386.60**	**$ 143,043**	**$ (14.47)**	**-3.7%**	**$ 333.71**	**$ 112,380**	**$ 38.42**	**11.5%**	62
63												63
64												64
65	**Revenue Service Hours (MTA only)**	**353,678**		**370,006**		**(16,328)**	**-4.4%**	**336,756**		**16,922**	**5.0%**	65

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