Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

Metro

Submitted by Accounting Department
Josephine V. Nicasio, Controller
Terry Matsumoto, Executive Officer -
Finance and Treasurer

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

TABLE OF CONTENTS

STATISTICAL SECTION

INTRODUCTORY SECTION

Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952
213.922.2000 Tel
metro.net

Metro

December 11, 2006

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, 2006, 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 of Financial Services, 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, 2005, Metro's management organization chart, a list of Board of Directors, and a list of Board appointed officials and Chief Executive Officers;

- The Financial Section includes the independent accountant's report on the basic financial statements, the 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 is to provide reasonable assurance that Metro's financial statements for the fiscal year ended June 30, 2006, are free of material misstatement.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal control. Because the cost of internal control should not exceed anticipated benefits, the objective of the controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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.

Profile of the Government

Metro was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. Metro is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest and most populous county. More than 10 million people, nearly one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

As one of the largest provider of public transportation in the United States, Metro's coordinated systems have more than 483 million bus and rail boardings a year.

Metro's financial reports include the activities of the Public Transportation Service Corporation (PTSC), the Exposition Metro Line Construction Authority (EXPO), the Service Authority for Freeway Emergencies (SAFE), and the LACMTA Leasing Authority. Although they are legally separated entities, their activities are reported as blended component units in Metro's financial statements.

Balancing The FY07 Budget Metro began this process after adoption of the FY06 budget. The first step in the process was to incorporate the assumptions in the Short Range Transportation Plan (SRTP) into the Ten-Year Forecast. The Ten-Year Forecast included revenue and expense forecasts for all funds and major programs. The Ten-Year Forecast identified potential deficits. Once these potential shortfalls became more evident, management began the process of reprioritizing programs, and revising the assumptions in the SRTP. The FY07 budget was balanced through a combination of expense reductions and a revenue infusion of sales tax funds.

The adopted $3.012 billion budget includes increased funding for local transportation projects to the 88 cities and county of Los Angeles, increased bus and rail service, and increased capital improvements for major construction projects.

Budgetary Controls Metro's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved and this provides life-of-project budgetary control. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. Metro maintains an encumbrance accounting system as another tool of budgetary control.

Metro's Board of Directors approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation. The budget includes operating, capital, regional funding and other components necessary to implement the policy directions contained in previously Board adopted long-term plans such as Long Range Transportation Plan (LRTP), Short Range Transportation Plan, and Short Range Transit Plan (SRTP).

Local Economy

Los Angeles County covers 4,752 square miles, and has a January 1, 2006 estimated population of 10,246,000, an increase of 1,413,000 persons since 1990.

Economy – The gross product of Los Angeles County in 2005 was $424.1 billion which would make it the 17th largest national economy in the world if the County was a country. Los Angeles is the largest major manufacturing center in the U.S., with 470,400 workers in that activity in 2005. International transportation service in Los Angeles County includes the ports, LAX and 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 (heavy & light rail). Rail freight service is provided by Burlington Northern Santa Fe and the Union Pacific.

Outlook – According to the July 2006 LA County Economic Forecast, positive trends will remain in evidence in key industry sectors, including business and professional services, commercial aerospace, international trade, technology and tourism. The County's unemployment rate is expected to decline to 4.9% in 2006, and then increase to 5.1% in 2007. Total personal income in the County in 2006 should increase by 5.7%, just slightly ahead of the 5.6% inflation rate. Taxable retail sales is expected to increase by 5.8%. Major construction projects will continue to provide support for the County's economy into 2007. Work is underway on the Gold Line Extension to East Los Angeles, and construction has started on the Exposition Boulevard light rail line. More projects will get underway at "LA Live" project in downtown Los Angeles. Work is also expected to get started on the Grand Avenue project in early 2007. At last count, the permit value of all major projects in the County totaled about $30 billion.

Furthermore, the November 2006 voter-approved state infrastructure bond has earmarked $1.1 billion for transportation projects in Los Angeles County.

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 five to seven 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 two years and is also adopted by Metro's 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 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 to establish future business targets for management to achieve.

Major Initiatives

Metro will increase bus service by 96,000 operating hours in FY07 for a total of 7.8 million Metro Bus and Metro Orange Line revenue service hours. The transit agency will receive and put into service an additional 94 high-capacity articulated buses that are 60-feet long compared to standard 40-foot buses. These buses will be deployed on Van Nuys Boulevard Metro Rapid Line and other busy bus lines. Seven new Metro Rapid Lines will debut – Long Beach Boulevard and Pacific Avenue, Reseda Boulevard, San Fernando Road and Lankershim Boulevard, Santa Monica Boulevard, Central Avenue between downtown Los Angeles and the Metro Blue and Green rail lines, Pico Boulevard, and Atlantic and Fair Oaks Boulevards – bringing the Metro Rapid total to 22 lines with six more scheduled for operation in FY08.

Metro will continue to improve security for all transit riders by installing cameras at all bus yards and at the Gateway Transit Center.

In FY07 Metro will increase rail service by 36,000 hours and will receive and deploy 19 new light rail train cars.

Metro will continue to fund a variety of highway and other regional transportation programs such as construction of freeway carpool lanes, freeway sound walls, street widening, better traffic signal coordination, grade separation at railroad crossings, bikeways, ride-sharing incentives, shuttles, and Metro Freeway Service Patrol to help stranded motorists.

In FY07 construction will get underway on Interstate 405/US 101 interchange connector gap closure (northbound 405 to eastbound 101), Interstate 405 northbound carpool lane Ventura Boulevard to Burbank Boulevard, Interstate 5 Carmenita interchange improvements, Interstate 5 carpool lane from Route 118 to 170 and from Route 170 to 134, Route 14 carpool lanes in both directions from Pearblossom to Avenue P-8, Interstate 5 carpool lanes in both directions from Route 14 to Route 118, Interstate 5 carpool lanes from Route 90 to Interstate 10. Interstate 405 southbound carpool auxiliary lane from Waterford Street to Interstate 10, US 101 realign freeway and ramps at Center Street, and Route 60 carpool lanes both directions from interstate 605 to Brea Canyon Road.

Named America's Best

In a first for Los Angeles County, Metro has won a prestigious award for Outstanding Public Transportation System of 2006, beating out 50 of the largest transit properties across North America for the honor to be named #1.

The award, given by Washington, D.C.-based American Public Transportation Association (APTA), is given to U.S. and Canadian public transportation systems that have demonstrated achievement in efficiency, effectiveness and innovation in public transit. The award was presented on October 12, 2006 by APTA officials at the historic Metro Bus Division 1, the original transit yard in downtown Los Angeles that has been in continuous operation for more than 100 years.

The award is considered the Pulitzer Prize of the transit industry, with only the best-run organizations presented with the designation each year. Metro is the winner of APTA's largest category – 30 million or more trips made on an annual basis.

The agency is concluding one of its most productive years in its history. Ridership growth is two times the national average, discretionary riders have grown by 40 percent, customer satisfaction is at an all-time high and complaints are at an all-time low. Revenues are up, and Metro has kept costs below inflation.

Awards

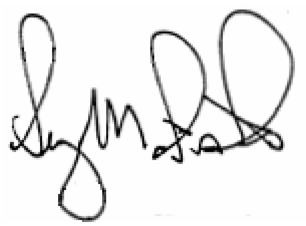
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Los Angeles County Metropolitan Transportation Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the seventh 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.

The Certificate of Achievement is valid for a period of one year. We believe that our current report, to be submitted to GFOA, conforms to the Certificate of Achievement program requirements.

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,



Terry Matsumoto
Chief of Financial Services

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, 2005

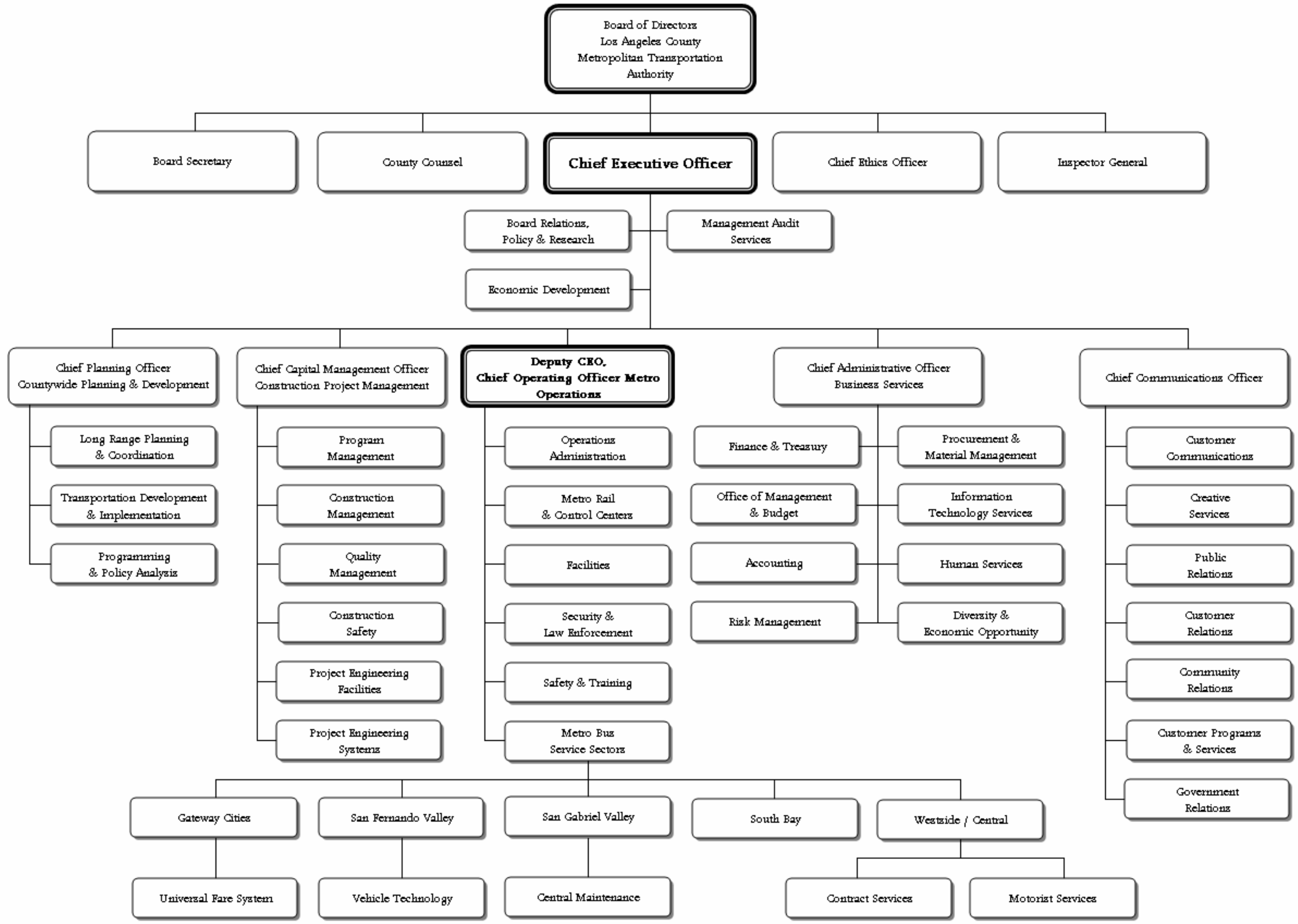
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

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

President

Executive Director

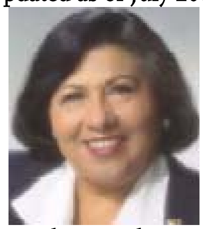
MANAGEMENT ORGANIZATION CHART



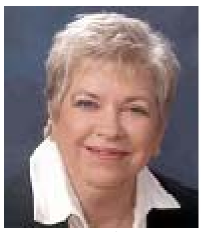
Los Angeles County Metropolitan Transportation Authority

BOARD OF DIRECTORS

(Updated as of July 2006)



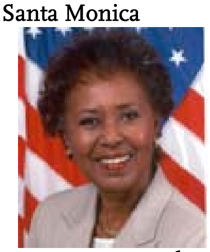
Gloria Molina
Chairman of the Board
LA County Supervisor
1st Supervisorial District



Pam O'Connor
1st Vice Chair
Mayor
City of Santa Monica

Antonio R. Villaraigosa
2nd Vice Chair
Mayor
City of Los Angeles

Michael D. Antonovich
LA County Supervisor
5th Supervisorial District



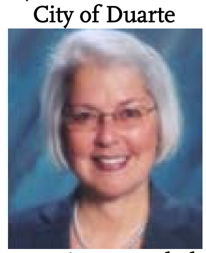
Yvonne B. Burke
LA County Supervisor
2nd Supervisorial District

John Fasana
City Council Member
City of Duarte

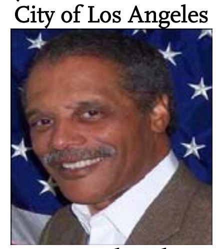
David Fleming
Lawyer, Latham & Watkins
City of Los Angeles

Richard Katz
Former Member
California State Assembly

Don Knabe
LA County Supervisor
4th Supervisorial District

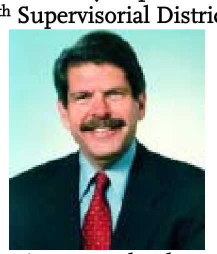


Bonnie Lowenthal
City Council Member
City of Long Beach



Bernard Parks
City Council Member
City of Los Angeles

Ara Najarian
City Council Member
City of Glendale



Zev Yaroslavsky
LA County Supervisor
3rd Supervisorial District

Douglas R. Failing
Ex-officio Member
Appointed by Governor

Board Appointed Officials and Chief Executive Officers

Roger Snoble
Chief Executive Officer

Charles Safer
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

William Waters
Inspector General

Chief Executive Staff

John B. Catoe
Deputy Chief Executive Officer

Vacant
Chief Administrative Officer

Carol Inge
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, 2006, 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 87 and budgetary comparison information on pages 88 through 91 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 accompanying supplementary information such as the combining and individual fund financial statements and schedules on pages 93 through 101 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section on pages 1 through 10 and statistical data on pages 103 through 127 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 8, 2006 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 8, 2006

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, 2006, by $5,796,673. Of this amount, $1,380,134 is reported as unrestricted net assets and may be used for system expansion, acquisition, and general and special revenue obligations.

- Total net assets increased by $432,836 (8 percent) this year over last year. Business-type net assets increased by $266,864 (7.2 percent) and governmental net assets increased by $165,972 (10.1 percent). The increase in the business-type activities net assets is due primarily to the increase in capital contributions related to construction and system acquisition projects. Net assets in the governmental activities increased due to higher sales tax revenues collected during the year.

- At year-end, the governmental funds reported fund balances totaling $906,567. Of this amount, $475,333 is reserved for encumbrances and other commitments, and $431,234 is unreserved fund balance available for spending at Metro's discretion.

- Metro's total liabilities increased by $84,774 (1.5 percent) during the year. The increase in liabilities is primarily related to borrowings to finance the construction of the Metro Gold Line Eastside Extension project 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 Service Authority for Freeway Emergencies (SAFE), the LACMTA Leasing Authority and Exposition Metro Line Construction Authority (EXPO).

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. 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. Reconciliation statements on pages 31 and 34 are shown to facilitate the comparison between the government funds and the government-wide financials.

Metro maintains eight 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 93-94.

Metro adopts a spending plan each year. Budgetary comparison schedules are provided for general fund and for each major special revenue fund on pages 88-91, and for each nonmajor funds on pages 95-97 and aggregate remaining special revenue funds on page 98.

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 41-86.

Other Information

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 87 and additional supplementary and statistical information beginning on page 103.

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 $5,796,673 at the end of the fiscal year, an 8.1 percent increase over the previous year. The increase is primarily due to donated capital related to capital and debt service projects. Approximately 76.2 percent of Metro's net assets are investments in capital assets net of 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 as of June 30, 2006, and 2005.

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

	Business-type Activities		Governmental Activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	$ 2,361,422	$ 2,044,927	$ 1,203,585	$ 1,055,243	$ 3,565,007	$ 3,100,170
Capital assets	7,088,977	7,036,130	778,972	779,046	7,867,949	7,815,176
Total assets	9,450,399	9,081,057	1,982,557	1,834,289	11,432,956	10,915,346
Current liabilities	534,311	652,299	103,720	118,451	638,031	770,750
Noncurrent liabilities	4,932,903	4,712,437	65,349	68,322	4,998,252	4,780,759
Total liabilities	5,467,214	5,364,736	169,069	186,773	5,636,283	5,551,509
Net Assets						
Investment in capital assets net of debt	3,637,567	3,492,099	778,972	779,046	4,416,539	4,271,145
Unrestricted	345,618	224,222	1,034,516	868,470	1,380,134	1,092,692
Total net assets	$ 3,983,185	$ 3,716,321	$ 1,813,488	$ 1,647,516	$ 5,796,673	$ 5,363,837

Statement of Activities

The following table is a summary of the statement of activities for the fiscal year ended June 30, 2006, and 2005.

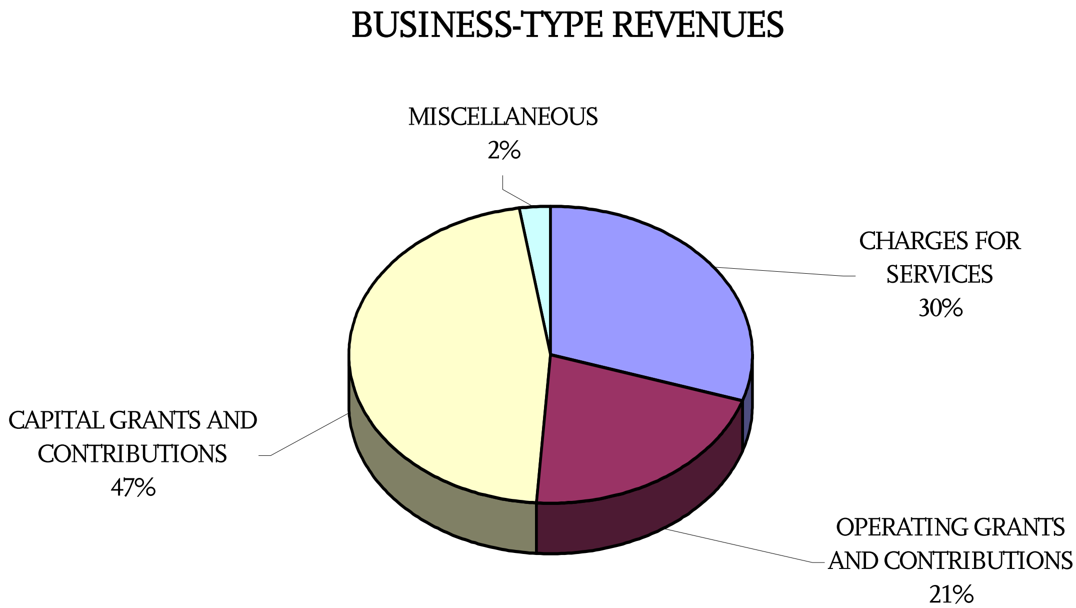
Los Angeles County Metropolitan Transportation Authority
Change in Net Assets
(Amounts expressed in thousands)

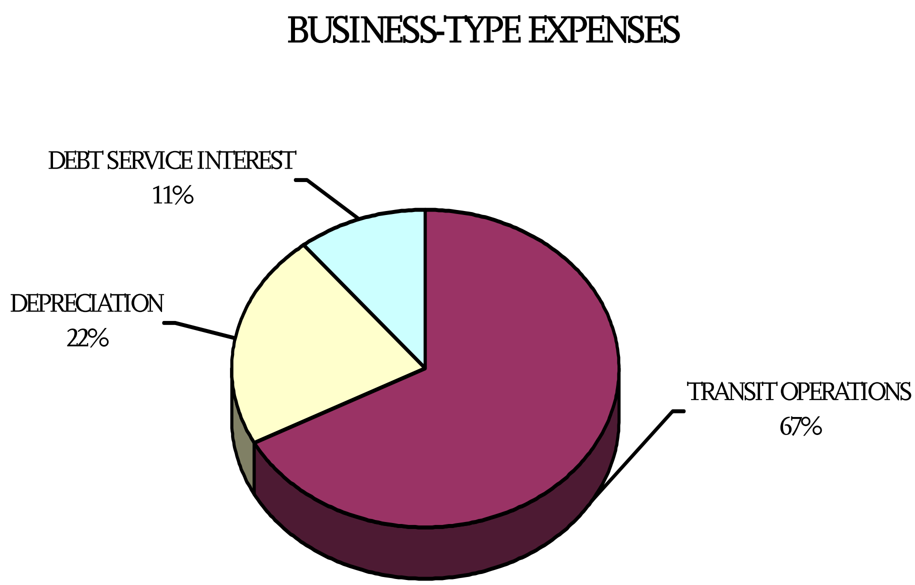
	Business-type Activities		Governmental Activities		Total	
	2006	2005	2006	2005*	2006	2005*
Revenues:						
Program revenues:						
Charges for services	$ 299,966	$ 286,040	$ 12,742	$ 10,945	$ 312,708	$ 296,985
Operating grants and contributions	207,683	217,043	30,477	20,054	238,160	237,097
Capital grants and contributions	467,665	245,860	-	-	467,665	245,860
General revenues						
Sales tax	-	-	1,738,996	1,587,517	1,738,996	1,587,517
Miscellaneous	21,800	18,627	46,248	27,733	68,048	46,360
Total revenues	997,114	767,570	1,828,463	1,646,249	2,825,577	2,413,819
Expenses:						
Transit operations						
Operations	1,053,637	987,462	-	-	1,053,637	987,462
Depreciation	345,980	335,533	-	-	345,980	335,533
Debt service interest	167,852	148,544	1,505	1,540	169,357	150,084
Transit operators programs	-	-	202,964	221,400	202,964	221,400
Local cities programs	-	-	306,532	303,969	306,532	303,969
Regional multimodal capital programs	-	-	117,483	60,619	117,483	60,619
Paratransit programs	-	-	11,397	35,010	11,397	35,010
Other transportation subsidies	-	-	66,234	55,471	66,234	55,471
General government	-	-	119,157	101,610	119,157	101,610
Total expenses	1,567,469	1,471,539	825,272	779,619	2,392,741	2,251,158
Increase (decrease) in net assets before transfers	(570,355)	(703,969)	1,003,191	866,630	432,836	162,661
Transfers	837,219	862,574	(837,219)	(862,574)	-	-
Increase in net assets	266,864	158,605	165,972	4,056	432,836	162,661
Net assets – beginning of year	3,716,321	3,557,716	1,647,516	1,643,460	5,363,837	5,201,176
Net assets – end of year	$ 3,983,185	$ 3,716,321	$ 1,813,488	$ 1,647,516	$ 5,796,673	$ 5,363,837

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

Transit operations recovered 28.3 percent of total operations expenses from operating revenue, excluding depreciation and debt service interest, compared to 28.8 percent of the prior year. 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.



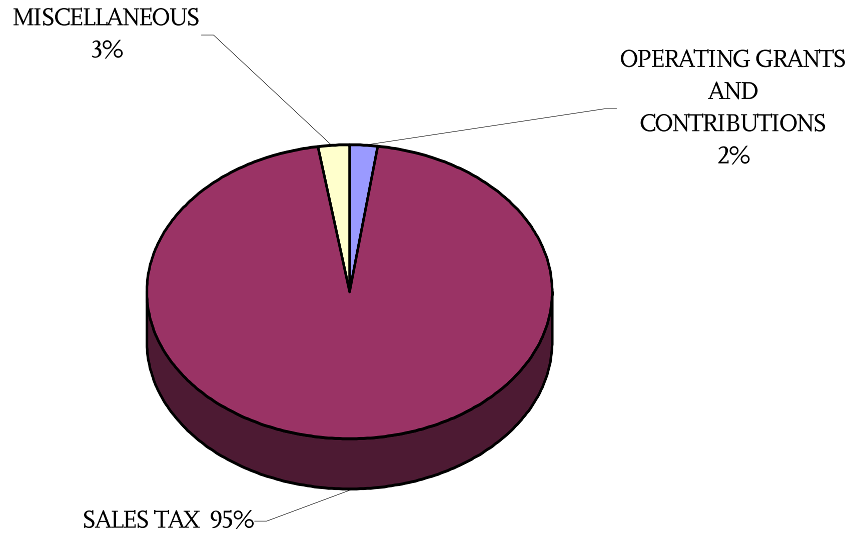


Governmental activities increased Metro's net assets by $165,972.

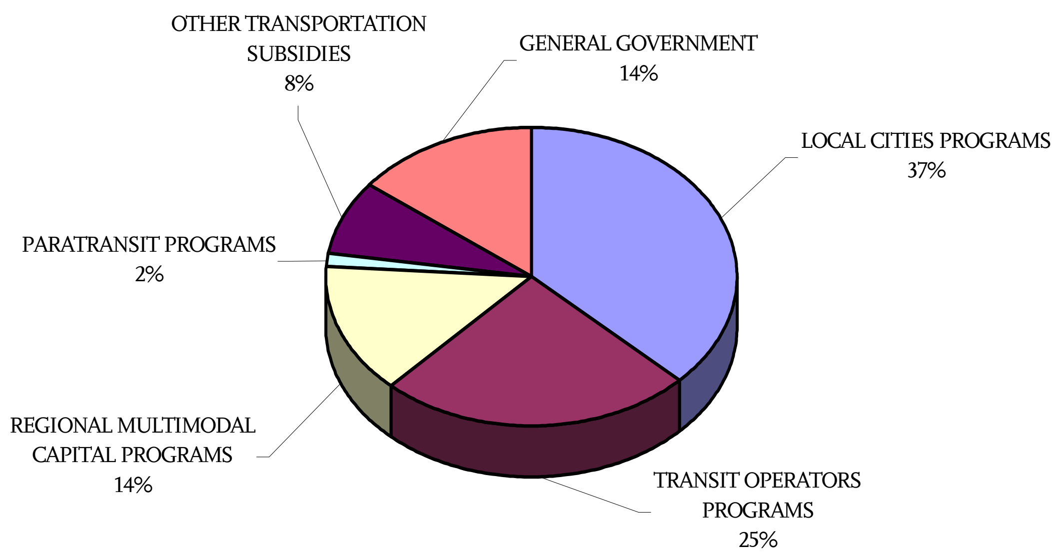
Most of the governmental activities expenditures are subsidies related to countywide transportation planning and development programs. These programs are funded mostly by local sales taxes. Subsidies totaling $704,610 to other agencies represented the largest governmental expense, and consisted of the 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.

GOVERNMENTAL REVENUES



GOVERNMENTAL EXPENSES



Financial Analysis of Metro's Funds

Proprietary Funds

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

Net assets increased by $266,864 substantially due to grants and contributions received for the construction of 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 FY06 and FY05.

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

	Bus		Rail	
	Cost Per Revenue Service Hours*			
	2006	2005	2006	2005
Budget	$ 110.23	$ 104.18	$ 363.82	$ 340.27
Actual	109.09	102.80	355.51	337.24
Variance	1.14	1.38	8.31	3.03
	Subsidy per Passenger Boarding			
Budget	$ 1.61	$ 1.40	$ 2.55	$ 2.28
Actual	1.46	1.52	2.03	2.32
Variance	0.15	(0.12)	0.52	(0.04)

* Refer to the attached schedules beginning on page 124.

The FY06 bus costs per revenue service hour (RSH) are under budget due to lower than planned expenditures and revenue service hours exceed target by 0.74 percent. These two measures indicate that we are providing nearly all the planned service at less cost than budgeted cost. The FY06 cost per RSH compared with the FY05 shows an increase of 6.12 percent, which is due to the increase of gas prices, labor cost and other factors.

Rail expenses are under budget by nearly $11.2 million due mainly to service hour reductions implemented as part of the FY06 budget reduction program and other management actions to reduce cost. Since a substantial percentage of rail costs are fixed, the cost per hour did not decline as much as service hours.

Governmental Funds

As previously noted, governmental funds present information about current financial (consumable) 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 $906,567 in total fund balances. Approximately 52.4 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

The general fund balance increased by $19,843 to $116,158 due to a reimbursement of a Board approved change in funding source from previous year expenditure. During the fiscal year, $6.1 million in property management professional services and administration was authorized and incurred. Also, $2.7 million was spent in administering the Rideshare Services program.

Proposition A fund balance increased by $29,648, mainly due to higher than expected sales tax collection. Of the $166,588 fund balance, $36,160 is reserved for future programs.

Proposition C fund balance increased by $70,770 primarily due to higher than expected sales tax collection and growth-over-inflation funds transferred from Proposition A Discretionary fund consistent with Board approved guidelines. Of the $358,111 fund balance, $272,287 is reserved for future programs.

TDA fund balance increased by $28,459 mainly due to higher collection of sales tax and lower reimbursement requests from transit operators. Approximately 67.9 percent of the $166,856 fund balance has been reserved for future projects.

General Fund Budgetary Highlights

The general fund includes activities associated with government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 1.3 percent of Metro's total governmental funds revenue and 1.6 percent of total governmental funds expenditure.

Revenue

The primary sources are rental income from properties along right-of-way rail corridors, Federal, State, and Local grants, High Occupancy Vehicles (HOV) lane fines, and interest revenue.

Expenditure

The general fund provides resources to pay for property management expenditures, administration of Metro's rideshare services, the freeway service patrol programs, and other general expenditures.

During the year, the original expenditure budget was increased from $12,909 to $13,944. The primary components of the increase were $450 for relocating Metro property that was funded by rental income funds, and $565 in professional security services funded with a Homeland Security state grant.

Investment income experienced $4,136 increase from budgeted levels due to a larger investment pool and higher interest rates.

Transfers in from other funds were significantly higher than programmed levels due to reimbursement of Board approved change in funding source from previous year expenditure as noted on page 21.

Transfers out to other funds were considerably lower than programmed levels as a result of lower capital expenditures and operating expenses financed with General funds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2006, Metro had $7,867,949 (net of accumulated depreciation) invested in capital assets, as shown below, a 0.7 percent increase compared to the previous fiscal year.

Los Angeles County Metropolitan Transportation Authority
Capital Assets (net of Depreciation)
(Amounts expressed in thousands)

	Business-type Activities		Governmental Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 615,247	$ 612,373	$ 778,779	$ 778,779	$ 1,394,026	$ 1,391,152
Building	4,439,668	4,363,204	-	-	4,439,668	4,363,204
Equipments	144,854	164,406	-	-	144,854	164,406
Vehicles	945,261	919,911	193	267	945,454	920,178
Constructions in Progress	943,947	976,236	-	-	943,947	976,236
Total Capital Assets	$ 7,088,977	$ 7,036,130	$ 778,972	$ 779,046	$ 7,867,949	$ 7,815,176

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

Metro Orange Line, a $313 million (net of the $16.5 million budget for the Canoga Station/Park-and-Ride) 14-mile busway project, with 13 new stations, was officially dedicated on October 28, 2005. Revenue Operations commenced on October 31, 2005. It originates at the North Hollywood Metro Red Line Subway Station and extends to the planned Warner Center Transit Hub. Sixty-foot articulated CNG vehicles are operating in an exclusive 26 feet wide lane consisting of one 13-foot travel lane in each direction.

Metro Gold Line Eastside Extension, an $898 million 6-mile, dual track light rail system project, with 8 new stations and one station modification, is forecasted for revenue operation on July 15, 2009. It originates at Union Station in downtown Los Angeles, where it connects with the Pasadena Gold Line. It travels generally east to Pomona and Atlantic Boulevards.

Mid-City/ Exposition Light Rail Project is a $640 million project. The project is planned for approximately 8.6 miles long, extending from Downtown Los Angeles to Culver City. It will operate in a dual track configuration in Flower Street and the Exposition Boulevard right-of-way corridor. It will have 10 stations consisting of two existing stations and eight new stations. Two of the new stations will be aerial. The Project is electrically powered from overhead power lines within the street or the Exposition Right-of-Way. This project has a cost of $38 million as of June 30, 2006.

The Universal Fare System (UFS) is a $94 million project designed to improve Metro's fare collection systems on all rolling stock is progressing as planned. UFS fareboxes and ticket vending machines on Metro bus and rail system were installed. Installation of UFS compatible equipment for other transit operators has begun. Other transit operators will operate on the UFS system when the regional system is implemented. Formulation of the regional system continues with the roll out of the Transit Access Pass ("TAP"), a smart card system.

Additional information on capital assets can be found in Note III. E on page 58.

Long-term Debt

At the end of the current fiscal year Metro had total long-term liabilities outstanding of $5,200,529, of which $3,160,135 represented bonds secured by sales tax revenue, and $811,097 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 Transprotation Authority
Long-term Liabilities*
(Amounts expressed in thousands)

	Business-type Activities		Governmental Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Claims payable	$ 269,861	$ 288,575	$ -	$ -	$ 269,861	$ 288,575
Compensated absences	67,807	67,269	-	-	67,807	67,269
Long term debt						
Sales tax revenue bonds and refunding bonds	3,160,135	2,995,880	-	-	3,160,135	2,995,880
Lease/leaseback to service obligation	811,097	887,654	-	-	811,097	887,654
Capital grant receipts revenue bonds	264,885	-	-	-	264,885	-
General revenue bonds	252,455	269,435	-	-	252,455	269,435
Commercial paper notes	187,673	399,040	-	-	187,673	399,040
Other debts	32,451	41,205	27,792	28,572	60,243	69,777
Total long term debt	4,708,696	4,593,214	27,792	28,572	4,736,488	4,621,786
Post-employment benefits	126,373	121,721	-	-	126,373	121,721
Total long-term liabilities	**$ 5,172,737**	**$ 5,070,779**	**$ 27,792**	**$ 28,572**	**$ 5,200,529**	**$ 5,099,351**

* including current portion

During the current fiscal year, Metro refinanced $297,655 Proposition A bonds to take advantage of favorable interest rates and paid $211,483 of commercial paper notes. Metro issued $264,885 in new capital grant receipts revenue bonds to finance the construction of the Metro Gold Line Eastside Extension Project.

Additional information on Metro's long-term liabilities can be found on pages 63-76.

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 FY07 assumes positive trends will remain in evidence in key industry sectors for the Los Angeles region as discussed in page 3. Local sales tax comprises the single largest revenue sources for Metro, and represents 61 percent of Metro's total FY07 estimated revenues. It is expected that sales tax revenues will continue to grow at the 20-year historical rate, which is currently 3.8 percent. 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 of Financial Services, One Gateway Plaza, Mail Stop 99-21-5, Los Angeles, CA 90012-2952.

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
June 30, 2006
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 87,348	$ 590,119	$ 677,467
Investments	27,365	273,759	301,124
Receivables (net of allowance for uncollectibles)	170,110	157,728	327,838
Internal balances	14,685	(14,685)	-
Inventories	76,596	-	76,596
Prepaid and other current assets	7,561	-	7,561
Designated and restricted assets:			
Cash and cash equivalents - designated	13,203	-	13,203
Cash and cash equivalents - restricted	383,979	397	384,376
Investments - designated	375,704	-	375,704
Investments - restricted	36,135	-	36,135
Total current assets	1,192,686	1,007,318	2,200,004
Noncurrent assets:			
Receivables	-	3,521	3,521
Investments - restricted	1,132,546	-	1,132,546
Deferred charges	36,190	-	36,190
Investment in other agencies	-	192,746	192,746
Capital assets (net of accumulated depreciation)			
Land	615,247	778,779	1,394,026
Buildings	4,439,668	-	4,439,668
Equipment	144,854	-	144,854
Vehicles	945,261	193	945,454
Construction in progress	943,947	-	943,947
Total capital assets	7,088,977	778,972	7,867,949
Total noncurrent assets	8,257,713	975,239	9,232,952
Total assets	9,450,399	1,982,557	11,432,956
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	136,379	99,778	236,157
Accrued interest payable	77,424	-	77,424
Claims payable - current	66,380	-	66,380
Compensated absences payable - current	52,150	-	52,150
Bonds and notes payable - current	160,941	811	161,752
Post- employment benefits payable - current	17,000	-	17,000
Net pension obligation	1,010	-	1,010
Deferred revenue and credits	19,807	2,158	21,965
Other current liabilities	3,220	973	4,193
Total current liabilities	534,311	103,720	638,031
Noncurrent liabilities:			
Claims payable	203,481	-	203,481
Compensated absences payable	15,657	-	15,657
Bonds and notes payable	4,547,755	26,981	4,574,736
Post-employment benefits payable	109,373	-	109,373
Deferred revenue and credits	56,637	38,368	95,005
Total noncurrent liabilities	4,932,903	65,349	4,998,252
Total liabilities	5,467,214	169,069	5,636,283
NET ASSETS			
Invested in capital assets, net of related debt	3,637,567	778,972	4,416,539
Unrestricted	345,618	1,034,516	1,380,134
Total net assets	$ 3,983,185	$ 1,813,488	$ 5,796,673

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, 2006
(Amounts expressed in thousands)

		Program	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Business-type activities:			
Transit operations			
Operations	$ 1,567,469	$ 299,966	$ 207,683
Governmental activities:			
Transit operators programs	202,964	-	-
Local cities programs	306,532	-	-
Regional multimodal capital programs	117,483	-	-
Paratransit programs	11,397	-	-
Other transportation subsidies	66,234	-	9,807
General government	120,662	12,742	20,670
Total governmental activities	825,272	12,742	30,477
Total	$ 2,392,741	$ 312,708	$ 238,160
General revenues:			
Sales taxes			
Investment income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in Net Assets			
Net assets - beginning			
Net assets - ending			

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

Revenues	Net (Expense) Revenue and Changes in Net Assets		
Capital Grants and Contributions	Business-type Activities	Governmental Activities	Total
$ 467,665	$ (592,155)	$ -	$ (592,155)
-	-	(202,964)	(202,964)
-	-	(306,532)	(306,532)
-	-	(117,483)	(117,483)
-	-	(11,397)	(11,397)
-	-	(56,427)	(56,427)
-	-	(87,250)	(87,250)
-	-	(782,053)	(782,053)
$ 467,665	(592,155)	(782,053)	(1,374,208)
	-	1,738,996	1,738,996
	17,418	32,764	50,182
	4,382	13,484	17,866
	837,219	(837,219)	-
	859,019	948,025	1,807,044
	266,864	165,972	432,836
	3,716,321	1,647,516	5,363,837
	$ 3,983,185	$ 1,813,488	$ 5,796,673

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2006
(Amounts expressed in thousands)

	General Fund	Special Proposition A
ASSETS		
Cash and cash equivalents	$ 65,027	$ 76,484
Investments	50,583	59,260
Receivables		
Accounts	956	-
Interest	395	678
Intergovernmental	121	-
Sales tax	-	48,837
Restricted assets:		
Cash and cash equivalents	-	-
TOTAL ASSETS	$ 117,082	$ 185,259
LIABILITIES		
Accounts payable and accrued liabilities	$ 628	$ 18,671
Other liabilities - current	296	-
Due to other funds	-	-
TOTAL LIABILITIES	924	18,671
FUND BALANCES		
Reserved for:		
Memoranda of understanding	-	32,936
Encumbrances	2,320	3,224
Unreserved, reported in:		
General fund	113,838	-
Special revenue funds	-	130,428
TOTAL FUND BALANCES	116,158	166,588
TOTAL LIABILITIES AND FUND BALANCES	$ 117,082	$ 185,259

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

Revenue Funds				
Proposition C	TDA	Other Governmental Funds	Total Governmental Funds
$ 192,229	$ 175,598	$ 80,781	$ 590,119
148,871	-	15,045	273,759
153	-	144	1,253
1,865	669	617	4,224
10,837	-	2,903	13,861
48,835	24,090	16,628	138,390
397	-	-	397
$ 403,187	$ 200,357	$ 116,118	$ 1,022,003
$ 45,076	$ 30,000	$ 5,403	$ 99,778
-	-	677	973
-	3,501	11,184	14,685
45,076	33,501	17,264	115,436
272,287	113,277	32,856	451,356
-	-	18,433	23,977
-	-	-	113,838
85,824	53,579	47,565	317,396
358,111	166,856	98,854	906,567
$ 403,187	$ 200,357	$ 116,118	$ 1,022,003

THIS PAGE INTENTIONALLY LEFT BLANK

Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Activities
June 30, 2006
(Amounts expressed in thousands)

Fund Balance - total governmental funds (page 29)	$ 906,567
Capital assets are not financial resources, and therefore, are not reported in the funds.	
Government capital assets	778,972
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.	(27,792)
Long-term receivables accrued in the Balance Sheet but not reported in the Statement of Net Assets - governmental activities. These receivables are not due and collectible in the current period and therefore not reported in the funds.	3,521
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.	(40,526)
Net Assets of governmental activities (page 25)	$ 1,813,488

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, 2006
(Amounts expressed in thousands)

		Special
	General Fund	Proposition A
REVENUES		
Sales tax	$ -	$ 668,984
Intergovernmental	863	-
Investment income	7,398	4,760
Lease and rental	12,741	-
Licenses and fines	494	-
Other	2,668	-
TOTAL REVENUES	24,164	673,744
EXPENDITURES		
Current:		
Administration and other	10,448	-
Transportation subsidies	221	248,343
Debt and interest expenditures:		
Interest and fiscal charges	2,283	-
TOTAL EXPENDITURES	12,952	248,343
EXCESS OF REVENUES OVER EXPENDITURES	11,212	425,401
OTHER FINANCING SOURCES (USES)		
Transfers in	32,985	-
Transfers out	(24,354)	(395,753)
TOTAL OTHER FINANCING SOURCES (USES)	8,631	(395,753)
NET CHANGE IN FUND BALANCES	19,843	29,648
Fund balances - beginning	96,315	136,940
FUND BALANCES - ENDING	$ 116,158	$ 166,588

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

Revenue Funds			
Proposition C	TDA	Other Governmental Funds	Total Governmental Funds
$ 669,025	$ 338,742	$ 62,245	$ 1,738,996
16,546	-	9,546	26,955
11,513	5,644	3,449	32,764
-	-	-	12,741
-	-	7,663	8,157
497	-	5	3,170
697,581	344,386	82,908	1,822,783
33,768	-	49,696	93,912
364,014	97,654	19,548	729,780
-	-	-	2,283
397,782	97,654	69,244	825,975
299,799	246,732	13,664	996,808
42,673	-	44,850	120,508
(271,702)	(218,273)	(47,647)	(957,729)
(229,029)	(218,273)	(2,797)	(837,221)
70,770	28,459	10,867	159,587
287,341	138,397	87,987	746,980
$ 358,111	$ 166,856	$ 98,854	$ 906,567

Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006
(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)	$	159,587
Government funds accounts for principal payments as expenditures. The payment of principal of long term debts consumes current financial resources but has no effect on net assets. Principal payments included in the fund statements.		780
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds (e.g.amortization of lease / leaseback proceeds).		2,158
Revenues accrued in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds.		3,521
Government funds do not account for depreciation of capital assets use. Depreciation expense is accounted for in the government-wide financial statement.		(74)
Change in net assets of governmental activities (page 27)	$	165,972

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Proprietary Fund - Enterprise Fund
June 30, 2006
(Amounts expressed in thousands)

	Business-type Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 87,348
Investments	27,365
Receivables (net of allowance for uncollectibles)	170,110
Inventories	76,596
Due from other funds	14,685
Prepaid and other current assets	7,561
Designated and restricted assets:	
Cash and cash equivalents - designated	13,203
Cash and cash equivalents - restricted	383,979
Investments - designated	375,704
Investments - restricted	36,135
Total current assets	1,192,686
Noncurrent assets:	
Investments - restricted	1,132,546
Deferred charges	36,190
Capital assets (net of accumulated depreciation)	
Land	615,247
Buildings	4,439,668
Equipment	144,854
Vehicles	945,261
Construction in progress	943,947
Total capital assets	7,088,977
Total noncurrent assets	8,257,713
Total assets	9,450,399
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	136,379
Accrued interest payable	77,424
Claims payable - current	66,380
Compensated absences payable - current	52,150
Bonds and notes payable - current	160,941
Post employment benefits payable - current	17,000
Net pension obligation	1,010
Deferred revenue and credits	19,807
Other current liabilities	3,220
Total current liabilities	534,311
Noncurrent liabilities:	
Claims payable	203,481
Compensated absences payable	15,657
Bonds and notes payable	4,547,755
Post employment benefits payable	109,373
Deferred revenue and credits	56,637
Total noncurrent liabilities	4,932,903
Total liabilities	5,467,214
NET ASSETS	
Invested in capital assets, net of related debt	3,637,567
Unrestricted	345,618
Total net assets	$ 3,983,185

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, 2006
(Amounts expressed in thousands)

	Business-type Activities
OPERATING REVENUES:	
Passenger fares	$ 280,572
Route subsidies	481
Auxiliary transportation	17,200
TOTAL OPERATING REVENUES	298,253
OPERATING EXPENSES:	
Transportation	582,576
Maintenance	295,005
General and administrative	175,696
TOTAL OPERATING EXPENSES, excluding depreciation	1,053,277
OPERATING LOSS BEFORE DEPRECIATION	755,024
Depreciation	345,980
OPERATING LOSS	1,101,004
NON-OPERATING REVENUES (EXPENSES):	
Local grants	592
Federal grants	207,091
Investment income	17,418
Interest expense	(167,852)
Loss on disposition of capital assets	(360)
Other revenue	6,096
TOTAL NON-OPERATING REVENUES (EXPENSES)	62,985
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	1,038,019
CAPITAL GRANTS AND CONTRIBUTIONS:	
Local grants	1,774
State grants	201,797
Federal grants	264,091
Governmental funds	292,118
TOTAL CAPITAL GRANTS AND CONTRIBUTIONS	759,780
TRANSFERS	545,103
CHANGE IN NET ASSETS	266,864
Net assets - beginning	3,716,321
NET ASSETS - ENDING	$ 3,983,185

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, 2006
(Amount expressed in thousands)

	Business-type Activities
Cash flows from operating activities	
Collections from customers/grantors	$ 322,361
Payments to suppliers	(440,271)
Payments to employees	(682,293)
Net cash flows from operating activities	**(800,203)**
Cash flows from non-capital financing activities	
Proceeds from operating grants	718,063
Net cash flows from non-capital financing activities	**718,063**
Cash flows from capital and related financing activities	
Proceeds from the issuance of debts	857,362
Proceeds from capital grants	776,513
Payments for matured bonds and notes payable	(741,880)
Acquisition and construction of capital assets	(405,209)
Interest paid	(155,351)
Net cash flows from capital and related financing activities	**331,435**
Cash flows from investing activities	
Proceed from sales and maturity of investments	10,292,826
Purchase of investments	(10,384,246)
Investment earnings	14,007
Net cash flows from investing activities	**(77,413)**
Net increase in cash and cash equivalents	**171,882**
Cash and cash equivalents, beginning of year	**312,648**
Cash and cash equivalents, end of year	**$ 484,530**
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating (loss)	(1,101,004)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	345,980
Decrease in accounts receivable	299
Increase in leases and other receivables	(200)
Increase in due from other funds	(11,669)
Increase in prepaid and other assets	(19,150)
Decrease in inventories	929
Decrease in accounts payable	(31,819)
Increase in accrued liabilities	5,431
Increase in compensated absences payable	537
Decrease in claims payable	(18,713)
Increase in post employment benefit payable	4,653
Increase in net pension obligations	1,010
Decrease in other liabilities	(496)
Increase in deferred revenues and credits	24,009
Total adjustments	300,801
Net cash used for operating activities	**$ (800,203)**
Non-cash investing, capital and financing transactions	
Capital asset write off	1,075
Net decrease in fair value of investments	7,518

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, 2006
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 1,998	$ 32,762
Investments		
Bonds	248,422	-
Domestic stocks	128,636	-
Non-domestic stocks	8,191	-
Pooled investments	357,015	-
Receivables		
Member contributions	255	
Securities sold	9,253	
Receivable from sponsor	1,229	
Interest and dividends	2,475	196
Special assessments receivable	-	4,555
Special assessments receivable - deferred	-	46,072
Prepaid items and other assets	80	1,002
TOTAL ASSETS	757,554	84,587
LIABILITIES		
Accounts payable and other liabilities	954	296
Sponsor contributions paid in advance	64	
Benefits and member contribution refunds payable	973	
Accrued interest payable	-	1,307
Deferred credits	-	409
Securities purchased	44,436	-
Bonds payable	-	82,575
TOTAL LIABILITIES	46,427	84,587
NET ASSETS		
Held in trust for pension benefits and other purposes	711,127	-
TOTAL NET ASSETS	$ 711,127	$ -

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, 2006
(Amounts expressed in thousands)

		Employee Retirement Trust Funds
ADDITIONS		
Contributions		
Employer	$	33,586
Member		15,587
Total Contributions		49,173
From Investing Activities		
Net appreciation in fair value of investments		63,397
Investment income		9,804
Other income		8,162
Investment expense		(3,097)
Total investing activity income		78,266
TOTAL ADDITIONS		127,439
DEDUCTIONS		
Retiree benefits		(68,383)
Administrative expenses		(1,010)
TOTAL DEDUCTIONS		(69,393)
NET INCREASE		58,046
Net assets - beginning		653,062
Prior year adjustment of expense accruals		19
Net assets - beginning, restated		653,081
NET ASSETS - ENDING	$	711,127

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

INDEX

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 LACMTA Leasing Authority, the Service Authority for Freeway Emergencies (SAFE), and Exposition Metro Line Construction Authority (EXPO), and therefore includes these activities in the accompanying financial statements. PTSC, LACMTA Leasing Authority and EXPO provide services exclusively to Metro, and Metro shares its governing board with SAFE. These entities are presented as blended component units, with PTSC, LACMTA Leasing Authority, and EXPO 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.

Summary audited financial information for PTSC for the year ended June 30, 2006, 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.

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 62-station Metro Rail system. The first phase of the project runs 8.5 miles from Metro Rail Station at 7th and Flower Street in downtown Los Angeles to Washington and National in Culver City.

B. <u>Government-wide and Fund Financial Statements</u>

Metro's financial statements, prepared in accordance with Accounting Standard Board (GASB) No. 34, 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 included among program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

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 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.

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economics resources measurement focus, except the agency funds have no measurement focus.

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 and a valid claim is presented. 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 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. However, intra-activity billing for services provided and used are not eliminated in the process of consolidation.

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.

The 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.

Metro reports 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 collateralized 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.

Propositions A and C, TDA Administration – The fund is used strictly to account for administrative activities, including the planning, execution, use and conduct of projects and programs, funded by Propositions A and C and TDA.

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 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 of governmental funds 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 for 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. There is no liability for unpaid accumulated vacation and sick leave in the governmental fund. All vacation and sick leave pay is accrued when earned 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 60-61.

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

In the government-wide and proprietary fund type fund financial statements, deferred revenues are resources inflows that do not meet the criteria for revenue recognition. Deferred revenues 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, presale of passes and tickets, and others. When both revenue recognition criteria are met, or when Metro has a legal claim to the resources, 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.

For the year ended June 30, 2006, expenditures in the STA fund exceeded appropriations by $6.8 million. Subsidies to other agencies were higher than budget due to payment of prior-year operating and capital reserves that were partially offset by current year lower than budget subsidy payments.

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, 2006 the following are Metro's cash deposits and investment:

Cash Deposits and Investment Accounts:	Business-type Activities	Governmental Activities	Total
Cash deposits	$ 5,454	$ 463	$ 5,917
Asset-backed securities	8,052	1,092	9,144
Bankers' acceptance	13,967	91,561	105,528
Certificate of deposits	93	-	93
Commercial paper	20,383	105,873	126,256
Guaranteed investment contracts	183,018	-	183,018
Investment pools	43,998	271,506	315,504
Lease/leaseback investment agreements	811,097	-	811,097
Medium-term notes	84,519	30,192	114,711
Mortgage-backed securities	45,104	15,492	60,596
Pooled funds and mutual funds	304,030	19,478	323,508
Repurchase agreements	504	-	504
US Agency securities	421,955	256,939	678,894
US Treasury obligations	114,106	71,679	185,785
Grand total	**$ 2,056,280**	**$ 864,275**	**$ 2,920,555**

Reported in Statement of Net Assets and Balance Sheet:	Business-type Activities	Governmental Activities	Total
Cash and cash equivalents	$ 87,348	$ 590,119	$ 677,467
Investments	27,365	273,759	301,124
Cash and cash equivalents - restricted	383,979	397	384,376
Investments - designated	375,704	-	375,704
Cash and cash equivalents - designated	13,203	-	13,203
Investments - restricted	1,168,681	-	1,168,681
Grand total	**$ 2,056,280**	**$ 864,275**	**$ 2,920,555**

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 proprietary fund. The calculation of realized gain/loss is independent of the calculation of the net change in the fair value of investments.

Metro's Investment Policy, adopted by the Board of Directors on January 26, 2006, 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 Effective 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	None
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%	A
Banker's Acceptance	180 days	40%	10%	AAA/Aaa
Commercial Paper	270 days	25%	10%	A
Negotiable Certificate of Deposit	5 years	30%	10%	A
Repurchase Agreements	90 days	20%	None	None
Medium-term Notes	5 years	30%	10%	A
Pooled Funds and Mutual Funds	Not applicable	20%	10%	AAA/Aaa
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
State/County Investment Pool	Not applicable	No limit	Amount permitted by CGC	Not applicable

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, 2006, Metro's carrying amount of cash is comprised of $5,859 in checking accounts and $58 in debt service accounts for a combined total of $5,917. Metro's total bank balance was $19,195 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, 2006, 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	$ 9,144	0.007322	0.67%	AAA
Bankers' acceptance	101,754	0.014913	7.45%	A-1 to A-+1
Certificate of deposit	93	0.000001	0.01%	Not Rated
Commercial paper	117,691	0.005155	8.62%	A-1 to A-+1
Investment pools	315,504	0.000633	23.11%	Not Rated
Medium-term notes	2,357	0.002772	0.17%	BBB+
Medium-term notes	112,354	0.134923	8.23%	A to AAA
Mortgage-backed securities	60,596	0.102163	4.44%	Not Rated
Pooled funds and mutual funds	36,014	0.000293	2.64%	Not Rated to AAA
Repurchase agreements	504	0.000088	0.04%	Not Rated
US Agency securities	444,070	0.260288	32.52%	AAA
US Treasury obligations	165,349	0.201936	12.10%	AAA
Total Fair Value	**$ 1,365,430**		**100.00%**	

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

Metro's investments with the California Local Agency Investment Fund (LAIF) and the Los Angeles County Investment Pool (LACIP) amounted to $315,504 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.

Bond Proceeds and Debt Service Investments

The following table addresses the investments held by the bond trustees as of June 30, 2006 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 Investments	Ratings
Bankers' acceptance	$ 3,774	0.000342	0.51%	A-1
Commercial paper	8,565	0.000664	1.16%	A-1
Guaranteed investment contracts	183,018	1.128804	24.80%	A-1 to AAA
Pooled funds and mutual funds	287,494	0.001067	38.95%	AAA
US Agency securities	234,824	0.086418	31.81%	AAA
US Treasury obligations	20,436	0.009514	2.77%	Exempt
Total Fair Value	**$ 738,111**		**100.00%**	
Portfolio Weighted Average Maturities		**1.226809**		

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/leaseback 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, 2006 totaled $811,097.

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 percent 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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2006 there is no exposure to expose currency risk as all Metro cash deposits and investments are denominated in in U.S. 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, 2006, special revenue funds are indebted to the enterprise fund in the amount of $14,685.

Business-type Activities	Governmental Activities		
Receivable Fund	Payable Fund		Amount
Enterprise	TDA	$	3,501
Enterprise	STA		10,378
Enterprise	Others		806
Total		$	14,685

Transfers in and out by fund are as follows:

	Transfers In				
Transfers Out	Enterprise Fund	General Fund	Proposition C	Other Special Revenue Fund	Total
General Fund	$ 22,813	$ -	$ 1,521	$ 20	$ 24,354
Proposition A	326,129	2,999	36,542	30,083	395,753
Proposition C	262,292	13	-	9,397	271,702
TDA	210,961	1,962	-	5,350	218,273
STA	46,315	-	-	-	46,315
Other Special Revenue	-	-	1,332	-	1,332
Enterprise Fund	(31,289) *	28,011 *	3,278	-	-
Grand Total	$ 837,221	$ 32,985	$ 42,673	$ 44,850	$ 957,729

* Consent Decree mandated buying seventy five (75) additional buses. General Fund money was used temporarily for these acquisitions in FY05 and replaced when CMAQ funds became available in FY06.

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, 2006, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

Receivables	Business-type Activities	Governmental Activities	Total
Accounts	$ 29,342	$ 1,253	$ 30,595
Notes Receivables	728	-	728
Interest	8,884	4,224	13,108
Intergovernmental	134,452	17,382 *	151,834
Sales Tax	-	138,390	138,390
Gross Receivables	173,406	161,249	334,655
Less Allowances	(3,296)	-	(3,296)
Net Receivables	$ 170,110	$ 161,249	$ 331,359

* Including noncurrent intergovernmental receivables of $3,521.

Receivables as of June 30, 2006, 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, 2006, for government activities by individual major funds and non-major funds are as follows:

Receivables	General Fund	Proposition A	Proposition C	TDA	STA	Other Governmental Fund	Total Governmental Funds
Accounts	$ 956	$ -	$ 153	$ -	$ -	$ 144	$ 1,253
Interest	395	678	1,865	669	217	400	4,224
Intergovernmental	121	-	10,837	-	-	6,424 *	17,382
Sales tax	-	48,837	48,835	24,090	16,628	-	138,390
Total Receivables	$ 1,472	$ 49,515	$ 61,690	$ 24,759	$ 16,845	$ 6,968	$ 161,249

* Including noncurrent intergovernmental receivables of $3,521.

D. Investments in Other Agencies

As of June 30, 2006, 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 82.

E. Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 612,373	$ 3,030	$ (156)	$ 615,247
Construction in progress	976,236	299,817	(332,106)	943,947
Total capital assets, not being depreciated	**1,588,609**	**302,847**	**(332,262)**	**1,559,194**
Capital assets, being depreciated:				
Buildings	5,916,865	278,109	(593)	6,194,381
Equipment	517,769	19,254	(4,117)	532,906
Vehicles	1,634,826	131,893	(6,595)	1,760,124
Total capital assets, being depreciated	**8,069,460**	**429,256**	**(11,305)**	**8,487,411**
Less accumulated depreciation for:				
Buildings	(1,553,661)	(201,256)	204	(1,754,713)
Equipment	(353,363)	(38,516)	3,827	(388,052)
Vehicles	(714,915)	(106,208)	6,260	(814,863)
Total accumulated depreciation	**(2,621,939)**	**(345,980)**	**10,291**	**(2,957,628)**
Total capital assets, being depreciated, net	**5,447,521**	**83,276**	**(1,014)**	**5,529,783**
Business-type activities capital assets, net	**$ 7,036,130**	**$ 386,123**	**(333,276)**	**$ 7,088,977**
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 778,779	$ -	$ -	$ 778,779
Governmental activities capital assets	**778,779**	**-**	**-**	**778,779**
Capital assets, being depreciated:				
Freeway Service Patrol vehicles	368	-	-	368
Less accumulated depreciation	(101)	(74)	-	(175)
Total capital assets, being depreciated, net	**267**	**(74)**	**-**	**193**
Governmental activities capital assets, net	**$ 779,046**	**$ (74)**	**$ -**	**$ 778,972**

Depreciation expense was charged as follows:

Business-type Activities	
Bus operations	$ 112,478
Rail operations	233,502
Total business-type Activities	345,980
Governmental Activities	
General government-congestion relief	74
Total depreciation expense	$ 346,054

Metro management does not have any capital asset subject to impairment under GASB No. 42 as described in page 83.

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 a quarterly 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 currently makes provisions to avoid the risk of accidental loss from construction through a contractor controlled insurance program (CCIP). These policies provide property, liability, and workers' compensation insurance and cover many of the risks arising from the work of contractors and subcontractors on Metro construction projects. Self-insured liabilities under the prior owner controlled insurance program are now fully paid.

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 ranging from 3.0 to 4.5 percent. Metro believes that the estimated liability for self-insured claims at June 30, 2006, 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 actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by Metro employees and third party administrators.

Prior to September 1, 1998, Metro was fully self-insured for workers' compensation claims and administered by a third party administrator. Between September 1, 1998, and August 31, 2001, an outside insurance carrier insured Metro for workers' compensation claims. Effective September 1, 2001, the workers' compensation program is both self-insured and self-administered by Metro. A cash reserve of $200,117 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 of $95,500 in excess of self-insurance retentions for every policy year. Metro is self-insured for losses in excess of $95,500 for each policy year and has $63,199 set aside as of June 30, 2006.

Further, Metro has an all-risk property insurance program that covers all Metro property. The property insurance policy covers insurable values of approximately $6,000,000 with policy limits of $30,000 for earthquake (only through May 2006) and $300,000 for all other perils except flood. 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, 2006 and 2005:

	Property & Casualty		Workers' Compensation		Total	
	2006	2005	2006	2005	2006	2005
Unpaid claims and claim adjustment reserves - beginning of year	$ 104,497	$ 84,285	$ 184,078	$ 168,515	$ 288,575	$ 252,800
Provisions for insured events	37,230	48,594	49,744	45,061	86,974	93,655
Interest Income	1,426	329	4,466	4,876	5,892	5,205
Total incurred claims and claims adjustment expense	143,153	133,208	238,288	218,452	391,441	351,660
Payments attributable to insured events	(78,383)	(28,711)	(33,197)	(34,374)	(111,580)	(63,085)
Total unpaid claims and claim adjustment reserves-end of year	$ 64,770	$ 104,497	$ 205,091	$ 184,078	$ 269,861	$ 288,575

It is Metro's practice to review prior year claim payment patterns to determine the current portion of claims payable. As of June 30, 2006, $66,380 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, PTSC and EXPO 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 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.

FICA and Medicare expenses in the amount of $3,615 related to compensated absences were accrued as provided under GASB No. 16.

Accounting for termination benefits as provided under GASB No. 47 does not apply to compensated absences. Accrued leave accounts are cashed out to employees and leave accounts cease to accrue upon termination of employment in accordance with Metro policies and guidelines.

The following is a summary of the compensated absences payable as of June 30, 2006:

	Balance June 30, 2005	Earned	Usages	Balance June 30, 2006	Due Within One Year
Union					
Vacation leave	$ 23,875	$ 20,049	$ (19,756)	$ 24,168	$ 23,975
Sick leave	20,260	8,514	(8,387)	20,387	8,485
TOWP	5,158	6,089	(6,065)	5,182	5,182
Total Union	49,293	34,652	(34,208)	49,737	37,642
Non-union					
Vacation leave	616	13	(26)	603	29
Sick leave	3,132	38	(62)	3,108	120
TOWP	14,228	14,688	(14,557)	14,359	14,359
Total Non-union	17,976	14,739	(14,645)	18,070	14,508
Total	**$ 67,269**	**$ 49,391**	**$ (48,853)**	**$ 67,807**	**$ 52,150**

H. Leases

Metro has entered into various lease agreements as "lessor" to lease various parcels of land located within the vicinity of the Red Line stations. The majority of these leases will expire between 50 years to 99 years. These leases are considered operating leases for accounting purposes.

The carrying value of the land held for lease as of June 30, 2006 is $42,943 and is included under the Land caption in the Statement of Assets.

The following is a schedule by years of minimum future rentals to be received on noncancelable operating leases as of June 30, 2006:

Year Ending June 30	Amount
2007	$ 1,487
2008	1,583
2009	1,600
2010	2,123
2011	2,127
Thereafter	182,628
Total	$ 191,548

Metro is committed under various leases as "lessee" to lease for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2006, were $1,350. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2007	$ 1,207
2008	704
2009	405
2010	314
2011	54
Total	$ 2,684

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	$ 32,512	$ 35,051	$ 67,563
Less: accumulated depreciation	(10,757)	(16,865)	(27,622)
Total	$ 21,755	$ 18,186	$ 39,941

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	2.89% - 7.00%	$17,139

The lease payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ 3,929	$ 581
2008	2,682	430
2009	2,792	320
2010	2,603	209
2011	2,313	124
2012 - 2013	2,820	67
Totals	$ 17,139	$ 1,731

I. Long-term 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 method.

All bonded indebtedness, except for the taxable commercial papers, are subject to the federal arbitrage regulation.

As of June 30, 2006, Metro's bond and note obligations related to its business-type and governmental activities are as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Business-type Activities					
General revenue bonds	$ 269,435	$ -	$ (16,980)	$ 252,455	$ 12,065
Capital grant receipts revenue bonds	-	264,885	-	264,885	-
Capitalized lease	20,939	-	(3,800)	17,139	3,929
Sales tax revenue bonds and refunding bonds	2,995,880	552,275	(388,020)	3,160,135	97,840
Sales tax revenue bonds - local allocation	8,680	-	(2,170)	6,510	2,170
Lease revenue bonds	11,586	-	(2,784)	8,802	8,802
Lease/leaseback to service obligation	887,654	40,086 *	(116,643)	811,097	36,135
Commercial paper notes	399,040	116	(211,483)	187,673	-
Business-type Activitiy Long-term Liabilities	4,593,214	857,362	(741,880)	4,708,696	160,941
Governmental Activities					
Redevelopment and housing bonds	28,572	-	(780)	27,792	811
Total Long-term Liabilities	$ 4,621,786	$ 857,362	$ (742,660)	$ 4,736,488	$ 161,752

* Represents leaseback accretion

General Revenue Bonds

Metro has two general revenue bond issues outstanding. These are General Revenue Refunding Bonds (Workers' Compensation Funding Program) Series 2003 which were issued to prepay the Certificates of Participation (Workers' Compensation Funding Program) and the General Revenue Refunding Bonds Series 2004 (Union Station Gateway Project) which defeased the General Revenue Refunding Bonds (Union Station Gateway Project) Series 1996 A.

General revenue bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	1.29% - 4.56%	$ 252,455

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ 12,065	$ 8,900
2008	16,430	8,392
2009	17,190	7,795
2010	18,050	7,113
2011	19,020	6,347
2012-2016	32,725	27,002
2017-2021	45,550	20,190
2022-2026	61,525	10,867
2027-2028	29,900	1,061
Total	$ 252,455	$ 97,667

Capital Grant Receipts Revenue Bonds

On July 26, 2005 Metro issued $264,885 Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005A Fixed Rate Bonds from 3.125 to 5.00 percent, Series 2005B-1 and Series 2005B-2 Auction Rate Securities. The Bonds were issued to provide funds to finance a portion of the design and construction costs of the light rail transit line from Union Station in downtown Los Angeles to certain East Los Angeles communities; to fund 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.

Capital Grant Receipt Revenue bonds outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	3.125% - 5.000%	$ 264,885

Annual Debt Service Requirements to Maturity for the Capital Grant Receipts Revenue Bonds are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ -	$ 10,637
2008	25,175	10,196
2009	23,025	9,353
2010	42,325	8,209
2011	65,605	6,224
2012-2013	108,755	4,378
Total	$ 264,885	$ 48,997

Sales Tax Revenue and Refunding Bonds

On July 13, 2005 Metro issued $242,795 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2005-A and $43,655 Proposition A First Tier Sales Tax Revenue Refunding Bonds Series2005-B. The proceeds of the Series 2005-A Bonds were used to (a) refund $211,483 aggregate principal amount of the Second Subordinated 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 Reserve Fund; and (d) to pay the bond issuance costs. The proceeds of the Series 2005-B Bonds were used to 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; and $33,300 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Refunding bonds Series 1997-A.

On August 23, 2005 Metro issued $265,825 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C1, 2005-C2, 2005-C3, 2005-C4 (collectively, the Series 2005-C Bonds). The proceeds of the 2005-C Bonds were used to advance refund and defease $3,940 aggregate principal amount of Proposition A Second Tier Sales 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 Senior Sales Tax Revenue Bonds Series 1999-B; and $35,205 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2001-A. 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 the Bank of Montreal and Deutsche Bank. For the Series 2005-C1 and 2005-C2 Bonds, Metro pays Bank of Montreal a fixed interest rate of 3.359 percent and in exchange Bank of Montreal pays Metro a floating amount, the rate for which is equal to 63 percent of one month LIBOR plus 14 basis points. For the Series 2005-C3 and

2005-C4 Bonds, Metro pays Deutsche Bank a fixed interest rate of 3.358 percent and in exchange Deutsche Bank pays Metro a floating amount, the rate for which is equal to 63 percent of one month LIBOR plus 14 basis points.

Metro has outstanding sales tax revenue and sales tax revenue refunding bonds, each secured 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 and commercial paper notes. Refunding bonds are generally issued to reduce Metro's debt service costs when more favorable interest rates are available.

Sales tax revenue and refunding bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	3.00% - 9.00%	$ 3,160,135

The annual debt service requirements to maturity for the sales tax revenue and refunding bonds are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ 97,840	$ 142,750
2008	106,770	140,281
2009	113,040	134,493
2010	118,675	128,592
2011	124,585	122,403
2012-2016	724,465	511,283
2017-2021	922,185	319,033
2022-2026	623,580	129,141
2027-2031	228,775	45,820
2032-2036	100,220	48,932
Total	$ 3,160,135	$ 1,722,728

Sales Tax Revenue Bonds – Local Allocation

These bonds were issued by Metro at the request of the City of Los Angeles to pay for the acquisition of certain buses for the City's local public transit operations. The bonds are collateralized by 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%	$ 6,510

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ 2,170	$ 230
2008	2,170	139
2009	2,170	47
Total	$ 6,510	$ 416

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 a purchase option of $3,300 equal to 10 percent of the original purchase price payable at the end of the lease agreement in December 2006.

Lease revenue bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.940% - 7.375%	$ 8,802

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ 8,802	$ 164

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 heavy rail vehicles, buses, 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 insure and maintain the facilities, buses and rail cars. 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
Business-type Activities	1.85% - 7.38%	$ 811,097

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2007	$ 36,135	$ 5,816
2008	15,560	36,316
2009	4,400	16,638
2010	49,265	34,031
2011	71,992	18,829
2012-2016	369,128	207,866
2017-2021	17,852	83,137
2022-2026	118,233	348,338
2027-2031	67,235	237,509
2032	61,297	75,049
Total	$ 811,097	$ 1,063,529

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.

On July 13, 2005, Metro issued Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2005-A to refund $211,483 aggregate principal amount of the Second Subordinate Proposition A Sales Tax Revenue Commercial Paper Notes.

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 letter 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, 2006, $187,673 of commercial paper was outstanding, tax-exempt and taxable commercial paper notes are $109,948 and $77,725, 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%	$ 27,792

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

Year Ending June 30	Principal	Interest
2007	$ 811	$ 1,472
2008	844	1,436
2009	884	1,398
2010	926	1,356
2011	967	1,312
2012-2016	5,632	5,775
2017-2021	7,305	4,106
2022-2026	9,522	1,883
2027	901	50
Total	$ 27,792	$ 18,788

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, 2006, Metro had seven 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.

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, 2006, 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 identifying alternatives 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 the 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, 2006, 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 its variable rate bonds that require liquidity and 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, 2006, Metro has no difficulties in obtaining liquidity support.

Below is the list of Metro's outstanding interest rate swap agreements at June 30, 2006.

Bond Series	Notional Amount	Fixed Rate Received	Variable Rate Received	Fair Values June 30, 2006	Effective Date	Termination Date	Counter Party
Sales Tax Sereies-1992-A	$82,500	5.86%	BMA/60% of USD-LIBOR	(5,735)	6/17/1992	7/1/2012	AIG Financial Products Corp
Prop C Series 1993-A	$196,775	5.16%	BMA/60% of USD-LIBOR	(29,361)	6/30/1993	7/1/2020	AIG Financial Products Corp
Prop C Series 2003-B	$168,425	3.44%	68% of USD -LIBOR	6,549	10/9/2003	7/1/2023	Wachovia Bank
Prop C Series 2003-C	$216,450	3.38%	68% of USD-LIBOR	8,289	10/9/2003	7/1/2025	Golman Sachs Mitsui Marine Derivative Products, L.P.
Gateway Series 2004	$192,125	3.50%	64% LIBOR+0.21%	5,924	9/22/2004	7/1/2027	Bank of Montreal
Prop A Series 2005-C1/C2	$132,900	3.36%	63% LIBOR+0.14%	5,291	8/23/2005	7/1/2031	Bank of Montreal
Prop A Series 2005-C3/C4	$132,925	3.36%	63% LIBOR+0.14%	5,313	8/23/2005	7/1/2031	Deutsche Bank AG
TOTAL	**$1,122,100**			**($3,730)**			

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

Relevant market interest rates on the valuation date, June 30, 2006, of the swaps reflected in the chart above were lower than market interest rates on the effective date of the swaps for the Proposition A Sales Tax Revenue Bonds Series 1992-A and Proposition C Sales Tax Revenue Bonds Series 1993-A. Consequently, at valuation date, those 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 L 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, 2006, 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, 2006, debt service requirements of the variable-rate obligations and net swap payments for the Proposition C Series 2003-B, Proposition C Series 2003-C, Gateway Series 2004 and Proposition A Series 2005-C 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
2007	$ -	$ 30,154	$ 182	$ 30,336
2008	7,450	29,886	175	37,511
2009	8,000	29,597	166	37,763
2010	15,900	29,017	164	45,081
2011	16,675	28,409	160	45,244
2012-2016	137,225	129,626	745	267,596
2017-2021	268,000	88,739	660	357,399
2022-2026	293,100	35,831	477	329,408
2027-2031	89,025	2,779	35	91,839
2032	1,725	-	-	1,725
Total	$ 837,100	$ 404,038	$ 2,764	$ 1,243,902

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 68.

Counterparty Ratings

The current ratings of the counterparties on Metro's existing swaps at June 30, 2006 were as follows:

Counter Party	Bond Issue	Long Term Ratings	
		Moodys	S&P
AIG Financial Products	Proposition A Series 1992-A	Aa2	AA+
AIG Financial Products	Proposition C Series 1993-A	Aa2	AA+
Wachovia bank	Proposition C Series 2003-B	Aa2	AA-
Goldman Sachs Mitsui Marine Derivative Products	Proposition C Series 2003-c	Aaa	AAA
Bank of Montreal	Gateway Series 2004	Aa3	AA-
Bank of Montreal	Proposition A Series 2005 C1 & C2	Aa3	AA-
Deutsche Bank AG - New York Branch	Proposition A Series 2005 C3 & C4	Aa3	AA-

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

During FY06, Metro issued four new bond issues.

On July 13, 2005, Metro issued $242,795 Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2005-A and $43,655 Proposition A First Tier Sales Tax Revenue Refunding Bonds Series 2005-B. The 2005-A Bonds were issued to refund $211,483 aggregate principal amount of the Second Subordinate Proposition A Sales Tax Revenue Commercial Paper Notes, Series A and finance certain capital projects. The 2005-B Bonds were issued to 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; and $33,300 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1997-A.

On July 26, 2005, Metro issued $264,885 Capital Grant Receipts Revenue Bonds Series 2005-A and 2005-B to provide funds to finance a portion of the costs of the design and construction of the Gold Line Eastside Extension Project.

On August 23, 2005, Metro issued $265,825 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2005-C to 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; and $35,205 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2001-A.

The net cash flow savings that resulted from the 2006 bond refundings are as follows:

Refunding Debt	Prior Cash Flow	Refunded Cash Flow	Net Cash Flow Savings	Present Value of Net Cash Flow Savings
Proposition A 2005-A and 2005-B Refunding Bonds	$ 58,192	$ 54,096	$ 4,096	$ 3,427
Proposition A 2005-C Refunding Bonds	468,877	422,516	46,361	31,058
Total	$ 527,069	$ 476,612	$ 50,457	$ 34,485

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. A substantial number of Metro employees 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 $18,393 for the year ended June 30, 2006, and Metro contributions are funded on a pay-as-you-go-basis. The outstanding liability for the post-employment benefits as of June 30, 2006, is $126,373.

K. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

At the end of the year, 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	$ 561,827	$ 193,494
Bus Rapid Transit-ways	163,598	16,724
Bus Acquisition and Others	217,893	38,697
Total	$ 943,318	$ 248,915

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 Propositions A and C, TDA, and STA funds totaling $451,356 as of June 30, 2006.

L. Pensions

Metro provides pension benefits that cover substantially all full-time employees through five self-administered defined benefit pension plans and the California Public Employees' Retirement System (PERS). Four of the self-administered plans are restricted to specific union members, while the fifth provides benefits to Non-Represented employees and Teamsters.

California Public Employees' Retirement System (PERS)

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 five years of credited service. Normal retirement is at age 60 with five years of credited service. The form of the normal benefit is a modified straight-line annuity equal to two 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 five 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, 2006, the contribution rate of covered payroll was 15.112 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, 2006, 2005, and 2004 were $17,299, $14,538, and $13,529, 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, 2006, 2005, and 2004, were $8,013, $7,359, and $7,782, respectively. At June 30, 2006, 2005, and 2004, there were no net pension obligations (NPO) for this fund.

The valuation date was June 30, 2003, 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, which was set at 110 percent of market value for the purpose of determining 2005/2006 employer contribution rates. The level percentage of payroll closed is the amortization method used for initial unfunded liabilities with subsequent plan amendments amortized as a level percentage of pay over a closed 20-year period. The actuarial assumptions are 7.75 percent investment rate of return; an inflation rate of 3.0 percent; and 0.5percent reduction in salary growth.

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 were 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, 2006, 2005, and 2004, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2006						
Employer	$ 13,113	$ 2,397	$ 13,159	$ 1,742	$ 1,105	$ 31,516
Employee	12,202	935	2,233	-	-	15,370
Total	$ 25,315	$ 3,332	$ 15,392	$ 1,742	$ 1,105	$ 46,886
2005						
Employer	$ 14,085	$ 2,536	$ 13,155	$ 1,851	$ 1,495	$ 33,122
Employee	11,908	920	2,382	-	-	15,210
Total	$ 25,993	$ 3,456	$ 15,537	$ 1,851	$ 1,495	$ 48,332
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

The annual pension cost, annual amount contributed and net pension obligation for the years ended June 30, 2006, 2005, and 2004 are as follows:

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2006						
Annual Pension Cost	$ 13,040	$ 2,397	$ 13,159	$ 1,742	$ 1,105	$ 31,443
Annual Amount Contributed	14,085	2,397	13,274	1,742	1,105	32,603
Net Pension Obligation	1,010	-	-	-	-	1,010
2005						
Annual Pension Cost	14,010	2,536	13,155	1,851	1,495	33,047
Annual Amount Contributed	13,949	2,536	13,567	1,851	1,495	33,398
Net Pension Obligation	2,056	-	-	-	-	2,056
2004						
Annual Pension Cost	15,623	2,517	13,256	3,201	-	34,597
Annual Amount Contributed	13,477	2,517	13,391	3,201	-	32,586
Net Pension Obligation	2,131	-	-	-	-	2,131

Metro's contributions to the Plans for the year ended June 30, 2006, were made in accordance with the actuarially determined requirements computed as of December 31, 2004. Actuarially computed costs are determined using the projected unit credit cost method. The total ARC for all plans for the years ended June 30, 2006, 2005, and 2004, was $31,516, $33,122, and $34,597, respectively. Annual pension cost which is equivalent to ARC plus interest on Net Pension Obligation (NPO) less amortization of NPO amounted to $31,443, $33,047 and $34,597 for years ended June 30, 2006, 2005 and 2004 respectively. The net pension obligations for the UTU Plan for prior years ending June 30, 2005 and 2004 were $2,056 and $2,131, respectively. As of June 30, 2006, Metro recorded a Net Pension Obligation of $1,010 for the UTU Plan. There was no NPO at June 30, 2006, 2005 or 2004, for the ATU, TCU, AFSCME or NC Plans. The required contribution rate by employees for years ended June 30, 2006, 2005, and 2004, was between 0 and 7.06 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 $15,000 (not in thousands) or 100 percent of their earnings in calendar year 2006. A special provision in the law allows an additional $5,000 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2006), and employees eligible for retirement within three years can avail of the "catch up provision", totaling $30,000 (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, 2006, the deferred compensation plans had assets (at fair value) totaling $177,322.

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, 2006, the 401(k) savings plan had assets (at fair value) totaling $199,155.

Employees may participate in both the 401(k) savings plan and the deferred compensation plans. The maximum annual combined contribution per calendar year using both plans is $40,000 (not in thousands), or $50,000 (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) Downtown - A1 and Alvarado - A2. The BAD has issued revenue bonds as described below.

The Special Benefit Assessment District A1 Revenue Bonds, Series 1992-A (A1 Bonds), partly redeemed by Special Benefit Assessment District A1 Revenue Refunding Bonds Series 2001-A (A1 Bonds) were issued to assist in financing the private sector portion of four stations in District A1 (Union Station, Civic Center, Pershing Square and 7th Street Metro) of the Metro Red Line.

Special Benefit Assessment District A2 Revenue Refunding Bonds Series 2001-A (A2 Bonds) which refinanced Special Benefit Assessment District A1 Revenue Bonds, Series 1992-A (A2 Bonds), were issued to assist in financing the private sector portion of one station in District A2 (Westlake/MacArthur Park) of the Metro Red Line.

The A1 Bonds with balances of $36,680 and $41,735 and A2 Bonds with a balance of $4,160 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, 2006.

Metro provided funding for the majority of the system's operating and capital costs for the year ended June 30, 2006. Summary audited financial information for the SCRRA for the year ended June 30, 2005 (most recent data available) is as follows:

Current Assets	$ 86,376
Capital Assets, net	659,348
Other Assets	34,086
Total Assets	779,810
Total Liabilities	91,029
Net Assets	$ 688,781
Total Revenues	$ 176,903
Total Expenses	(157,948)
Increase in Net Assets	$ 18,955

Additional detailed financial information is available from, Office of Finance and Administration, SCRRA, 700 South Flower Street, 26th Floor, 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. Termination Benefits

Metro has developed a formal policy that is followed in the event of a reduction in force (RIF). The policy outlines the roles, responsibilities, and specific benefit entitlements owed employees during a RIF action. As required under GASB Statement No. 47 *"Accounting for Termination Benefits"* Metro accrues the entire severance costs including certain benefits in the period in which Metro becomes obligated to provide benefits to affected staff. The actual RIF costs for severance and related benefits for the year ended June 30, 2006 was $341. All costs accrued are disbursed over a period not to exceed six months from the effective day of layoff.

S. Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the 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. After the review of capital assets, Metro management did not find any capital asset subject to impairment for fiscal year ended June 30, 2006.

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. If a separate trust is to be established, Metro intends to implement the new reporting requirements for the FY07 financial statements. Currently, Metro is still evaluating the impact.

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 implemented the new reporting requirements beginning the FY05 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 the FY08 financial statements and is currently evaluating the impact.

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 implemented the new reporting requirements for the FY06 financial statements and the Statement had no financial impact.

In June 2005, GASB issued Statement No. 47 "*Accounting for Termination Benefits*". This Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntary terminated. This Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. Benefits provided for involuntary terminations should be accounted for in the period in which the government becomes obligated to provide benefits to terminated employees, which is not necessarily the same period in which the benefits are actually provided. Regarding benefits provided to employees that voluntarily terminate employment, the Statement requires governments to recognize that cost of all such benefits when the termination offer is accepted. The requirement of this Statement is effective for periods beginning after June 15, 2005. Metro implemented the new reporting requirements for the FY06 financial statements as discussed on page 83.

In September 2006, GASB issued Statement No. 48 *"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"*. This Statement establishes criteria that government will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be use to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this Statement are effective for periods beginning after December 15, 2006. Historically, Metro had not engaged in similar transactions as described under GASB No. 48. Metro plans to implement the new reporting requirements for the FY08 financial statements, when applicable.

T. Subsequent Events

Long-Term Debts

In August 2006, Metro redeemed $12,600 of the Capital Grant Receipts Revenue Bonds Series 2005B-1 and $ 12,575 Series 2005B-2 for a total amount of $25,175. A mandatory redemption of $25,175 would have been required on October 1, 2007; however Metro redeemed the bonds a year early in order to reduce its debt service requirements in FY07 and FY08.

In September 2006, Metro issued $129,385 Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2006-A. The proceeds of the Series 2006-A bonds were used to (a) advance refund and defease $123,270 aggregate principal amount of the outstanding Proposition C Sales Tax Revenue Bonds Series 2000-A, (b) finance the debt service reserve fund requirement for the Series 2006-A Bonds and (c) pay the bond issuance costs. The interest rates for Series 2006-A bonds are fixed from 4 to 5 percent.

In October 2006, Metro priced $46,635 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2007-A. Upon delivery of the bonds in April 2007, the proceeds will be used to (a) defease and current refund $49,405 aggregate principal amount of Metro's Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1997-A, and (b) pay the bond issuance costs. Metro has entered into a forward delivery bond purchase agreement for the Bonds with UBS Securities LLC. Subject to the terms of the Bond Purchase Agreement, Metro expects to issue and deliver the Series 2007-A Bonds on or about April 3, 2007.

Excise Tax on Lease/Leaseback Transactions

On May 17, 2006, President Bush signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (the "2005 Tax Act"). Pursuant to the 2005 Tax Act, a new Section 4965 was added to the Internal Revenue Code of 1986, as amended. Section 4965 imposes a federal excise tax (the "New Excise Tax") on the net income or proceeds of certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions, such as the Metro. Some of Metro's leasing transactions could be subject to the New Excise Tax. The U.S. Treasury Department and the IRS are in the process of drafting regulations that will further clarify which transactions are subject to the New Excise Tax and the calculation of the New Excise Tax. Metro is evaluating the New Excise Tax and is awaiting these regulations. At this time, the magnitude of Metro's liability under the New Excise Tax is unclear. Accordingly, the MTA is unable to determine at this time whether the imposition of the New Excise Tax will have a material adverse effect on its financial results or condition.

Consent Decree

The consent decree to settle a civil rights lawsuit with bus riders was ended by a federal judge and officially expired October 2006.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
For Fiscal Year Ended June 30, 2006
(Amounts expressed in thousands)

Schedule of Funding Progress - Pension Funds

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 *						
06/30/03	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%
06/30/05	187,830	184,569	3,261	98.26%	108,409	3.01%
MTA **						
UTU						
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%
12/31/05	411,570	271,771	139,799	66.03%	174,990	79.89%
TCU						
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%
12/31/05	66,898	46,440	20,458	69.42%	26,682	76.67%
ATU						
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%
12/31/05	243,389	156,040	87,349	64.11%	97,789	89.32%
Non-Contract						
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%
12/31/05	119,412	99,046	20,366	82.94%	7,877	258.55%
AFSCME						
***12/31/04	42,407	40,344	2,063	95.14%	12,012	17.17%
12/31/05	48,211	40,393	7,818	83.78%	9,102	85.89%
Total						
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%
12/31/05	$ 889,480	$ 613,690	$ 275,790	68.99%	$ 316,440	87.15%

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 AFSME 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, 2006
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 2,351	$ 2,938	$ 863	$ (2,075)
Investment income	2,212	2,212	7,398	5,186
Lease and rental	10,652	10,652	12,741	2,089
Licenses and fines	500	500	494	(6)
Other	2,080	2,080	2,668	588
TOTAL REVENUES	17,795	18,382	24,164	5,782
EXPENDITURES				
Current:				
Administration and other	10,557	11,592	10,448	1,144
Transportation subsidies	85	85	221	(136)
Interest and fiscal charges	2,267	2,267	2,283	(16)
TOTAL EXPENDITURES	12,909	13,944	12,952	992
EXCESS OF REVENUES OVER EXPENDITURES	4,886	4,438	11,212	6,774
OTHER FINANCING SOURCES (USES)				
Transfers in	4,633	5,083	32,985	27,902
Transfers out	(50,505)	(51,955)	(24,354)	27,601
TOTAL OTHER FINANCING SOURCES AND (USES)	(45,872)	(46,872)	8,631	55,503
NET CHANGE IN FUND BALANCES	(40,986)	(42,434)	19,843	62,277
Fund balances - beginning	96,315	96,315	96,315	-
FUND BALANCES - ENDING	$ 55,329	$ 53,881	$ 116,158	$ 62,277

* 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, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Sales tax	$ 619,348	$ 668,984	$ 49,636
Investment income	2,000	4,760	2,760
TOTAL REVENUES	621,348	673,744	52,396
EXPENDITURES			
Current:			
Transportation subsidies	228,245	248,343	(20,098)
TOTAL EXPENDITURES	228,245	248,343	(20,098)
EXCESS OF REVENUES OVER EXPENDITURES	393,103	425,401	32,298
OTHER FINANCING SOURCES (USES)			
Transfers out	(377,858)	(395,753)	(17,895)
TOTAL OTHER FINANCING SOURCES AND (USES)	(377,858)	(395,753)	(17,895)
NET CHANGE IN FUND BALANCES	15,245	29,648	14,403
Fund balances - beginning	136,940	136,940	-
FUND BALANCES - ENDING	$ 152,185	$ 166,588	$ 14,403

* 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, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Sales tax	$ 619,321	$ 669,025	$ 49,704
Intergovernmental	51,964	16,546	(35,418)
Investment income	7,600	11,513	3,913
Other	-	497	497
TOTAL REVENUES	678,885	697,581	18,696
EXPENDITURES			
Current:			
Administration and other	51,027	33,768	17,259
Transportation subsidies	391,513	364,014	27,499
TOTAL EXPENDITURES	442,540	397,782	44,758
EXCESS OF REVENUES OVER EXPENDITURES	236,345	299,799	63,454
OTHER FINANCING SOURCES (USES)			
Transfers in	22,549	42,673	20,124
Transfers out	(324,129)	(271,702)	52,427
TOTAL OTHER FINANCING SOURCES AND (USES)	(301,580)	(229,029)	72,551
NET CHANGE IN FUND BALANCES	(65,235)	70,770	136,005
Fund balances - beginning	287,341	287,341	-
FUND BALANCES - ENDING	$ 222,106	$ 358,111	$ 136,005

* 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, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Sales tax	$ 314,847	$ 338,742	$ 23,895
Investment income	2,000	5,644	3,644
TOTAL REVENUES	316,847	344,386	27,539
EXPENDITURES			
Current:			
Transportation subsidies	100,657	97,654	3,003
TOTAL EXPENDITURES	100,657	97,654	3,003
EXCESS OF REVENUES OVER EXPENDITURES	216,190	246,732	30,542
OTHER FINANCING SOURCES (USES)			
Transfers out	(226,879)	(218,273)	8,606
TOTAL OTHER FINANCING SOURCES AND (USES)	(226,879)	(218,273)	8,606
NET CHANGE IN FUND BALANCES	(10,689)	28,459	39,148
Fund balances - beginning	138,397	138,397	-
FUND BALANCES - ENDING	$ 127,708	$ 166,856	$ 39,148

* Budget prepared in accordance with GAAP.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Amounts expressed in thousands)

	Special Revenue Funds				
	Service Authority For Fwy Emergency	STA	Propositions A and C, TDA Administration	Other	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 18,977	$ 59,145	$ 2,539	$ 120	$ 80,781
Investments	14,091	-	906	48	15,045
Receivables					
Accounts	-	-	9	135	144
Interest	186	217	213	1	617
Intergovernmental	-	-	868	2,035	2,903
Sales tax	-	16,628	-	-	16,628
TOTAL ASSETS	$ 33,254	$ 75,990	$ 4,535	$ 2,339	$ 116,118
LIABILITIES					
Accounts payable and accrued liabilities	$ 744	$ -	$ 3,829	$ 830	$ 5,403
Due to other funds	-	10,378	-	806	11,184
Other liabilities	-	-	677	-	677
TOTAL LIABILITIES	744	10,378	4,506	1,636	17,264
FUND BALANCES					
Reserved for:					
Memoranda of understanding	-	32,856	-	-	32,856
Encumbrances	2,396	-	1,821	14,216	18,433
Unreserved, reported in:					
Special revenue funds	30,114	32,756	(1,792)	(13,513)	47,565
TOTAL FUND BALANCES	32,510	65,612	29	703	98,854
TOTAL LIABILITIES AND FUND BALANCES	$ 33,254	$ 75,990	$ 4,535	$ 2,339	$ 116,118

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

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, 2006
(Amounts expressed in thousands)

	Special Revenue Funds				
	Service Authority For Fwy Emergency	STA	Propositions A and C, TDA Administration	Other	Total Nonmajor Governmental Funds
REVENUES					
Sales tax	$ -	$ 62,245	$ -	$ -	$ 62,245
Intergovernmental	-	-	3,227	6,319	9,546
Investment income	1,245	2,188	-	16	3,449
Licenses and fines	7,663	-	-	-	7,663
Other	5	-	-	-	5
TOTAL REVENUES	8,913	64,433	3,227	6,335	82,908
EXPENDITURES					
Current:					
Administration and other	4,053	-	44,957	686	49,696
Transportation subsidies	-	14,639	-	4,909	19,548
TOTAL EXPENDITURES	4,053	14,639	44,957	5,595	69,244
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,860	49,794	(41,730)	740	13,664
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	44,723	127	44,850
Transfers out	(1,332)	(46,315)	-	-	(47,647)
TOTAL OTHER FINANCING SOURCES AND (USES)	(1,332)	(46,315)	44,723	127	(2,797)
NET CHANGE IN FUND BALANCES	3,528	3,479	2,993	867	10,867
Fund balances - beginning	28,982	62,133	(2,964)	(164)	87,987
FUND BALANCES - ENDING	$ 32,510	$ 65,612	$ 29	$ 703	$ 98,854

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

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Service Authority for Freeway Emergency Fund
For the Year Ended June 30, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Investment income	$ 950	$ 1,245	$ 295
Licenses and fines	7,000	7,663	663
Other	-	5	5
TOTAL REVENUES	7,950	8,913	963
EXPENDITURES			
Current:			
Administration and other	13,064	4,053	9,011
TOTAL EXPENDITURES	13,064	4,053	9,011
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,114)	4,860	9,974
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(1,332)	(1,332)
TOTAL OTHER FINANCING SOURCES AND (USES)	-	(1,332)	(1,332)
NET CHANGE IN FUND BALANCES	(5,114)	3,528	8,642
Fund balances - beginning	28,982	28,982	-
FUND BALANCES - ENDING	$ 23,868	$ 32,510	$ 8,642

* 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, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Sales tax	$ 40,787	$ 62,245	$ 21,458
Investment income	500	2,188	1,688
TOTAL REVENUES	41,287	64,433	23,146
EXPENDITURES			
Current:			
Transportation subsidies	7,822	14,639	(6,817)
TOTAL EXPENDITURES	7,822	14,639	(6,817)
EXCESS OF REVENUES OVER EXPENDITURES	33,465	49,794	16,329
OTHER FINANCING SOURCES (USES)			
Transfers out	(52,967)	(46,315)	6,652
TOTAL OTHER FINANCING SOURCES AND (USES)	(52,967)	(46,315)	6,652
NET CHANGE IN FUND BALANCES	(19,502)	3,479	22,981
Fund balances - beginning	62,133	62,133	-
FUND BALANCES - ENDING	$ 42,631	$ 65,612	$ 22,981

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Propositions A and C, TDA Administration
For the Year Ended June 30, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	$ 1,905	$ 3,227	$ 1,322
TOTAL REVENUES	1,905	3,227	1,322
EXPENDITURES			
Current:			
Administration and other	48,124	44,957	3,167
Transportation subsidies	65	-	65
TOTAL EXPENDITURES	48,189	44,957	3,232
DEFICIENCY OF REVENUES OVER EXPENDITURES	(46,284)	(41,730)	4,554
OTHER FINANCING SOURCES (USES)			
Transfers in	45,374	44,723	(651)
TOTAL OTHER FINANCING SOURCES AND (USES)	45,374	44,723	(651)
NET CHANGE IN FUND BALANCES	(910)	2,993	3,903
Fund balances - beginning	(2,964)	(2,964)	-
FUND BALANCES - ENDING	$ (3,874)	$ 29	$ 3,903

* 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, 2006
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	$ 14,987	$ 6,319	$ (8,668)
Investment income	-	16	16
TOTAL REVENUES	14,987	6,335	(8,652)
EXPENDITURES			
Current:			
Administration and other	1,427	686	741
Transportation subsidies	13,874	4,909	8,965
TOTAL EXPENDITURES	15,301	5,595	9,706
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(314)	740	1,054
OTHER FINANCING SOURCES (USES)			
Transfers in	314	127	(187)
TOTAL OTHER FINANCING SOURCES AND (USES)	314	127	(187)
NET CHANGE IN FUND BALANCES	-	867	867
Fund balances - beginning	(164)	(164)	-
FUND BALANCES - ENDING	$ (164)	$ 703	$ 867

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Fiduciary Net Assets - Employee Retirement Trust Funds
Fiduciary Funds
June 30, 2006
(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
ASSETS						
Cash and short-term investments	$ 879	$ 153	$ 519	$ 129	$ 318	$ 1,998
Investments						
Bonds	109,281	19,015	64,531	16,081	39,514	248,422
Domestic stocks	56,587	9,846	33,415	8,327	20,461	128,636
Non-domestic stocks	3,603	627	2,128	530	1,303	8,191
Pooled investments	157,051	27,326	92,739	23,111	56,788	357,015
Receivables						
Member contributions	202	15	38			255
Securities sold	4,070	708	2,404	599	1,472	9,253
Interest and dividends	1,089	189	643	160	394	2,475
Receivable from sponsor	1,010	20	47	5	147	1,229
Prepaid insurance	35	6	21	5	13	80
TOTAL ASSETS	333,807	57,905	196,485	48,947	120,410	757,554
LIABILITIES						
Sponsor contributions paid in advance	27	3	18	14	2	64
Accounts payable & other iabilities	410	78	248	65	153	954
Benefits and member contribution refunds payable	271	226	325	9	142	973
Securities purchased	19,548	3,401	11,543	2,876	7,068	44,436
TOTAL LIABILITIES	20,256	3,708	12,134	2,964	7,365	46,427
NET ASSETS						
Held in trust for pension benefits and other purposes	313,551	54,197	184,351	45,983	113,045	711,127
TOTAL NET ASSETS	$ 313,551	$ 54,197	$ 184,351	$ 45,983	$ 113,045	$ 711,127

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

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Changes in Fiduciary Net Assets - Employee Retirement Trust Funds
Fiduciary Funds
For the Year Ended June 30, 2006
(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	$ 15,068	$ 2,397	$ 13,274	$ 1,105	$ 1,742	$ 33,586
Member	12,335	884	2,368	-	-	15,587
Transfers	(975)	(70)	(168)	600	613	-
Total Contributions	26,428	3,211	15,474	1,705	2,355	49,173
From Investing Activities						
Net appreciation in fair value of investments	27,934	4,561	16,173	7,330	7,399	63,397
Investment income	4,312	750	2,523	649	1,570	9,804
Investment expense	(1,362)	(237)	(799)	(191)	(508)	(3,097)
Other income	3,477	641	2,093	493	1,458	8,162
Total investing activity income	34,361	5,715	19,990	8,281	9,919	78,266
TOTAL ADDITIONS	60,789	8,926	35,464	9,986	12,274	127,439
DEDUCTIONS						
Retiree benefits	(32,576)	(4,695)	(18,522)	(3,402)	(9,188)	(68,383)
Administrative expenses	(325)	(131)	(260)	(113)	(181)	(1,010)
TOTAL DEDUCTIONS	(32,901)	(4,826)	(18,782)	(3,515)	(9,369)	(69,393)
NET INCREASE	27,888	4,100	16,682	6,471	2,905	58,046
Net assets - beginning	285,668	50,091	167,667	39,524	110,112	653,062
Prior year adjustment of expense accruals	(5)	6	2	(12)	28	19
Net assets - beginning, restated	285,663	50,097	167,669	39,512	110,140	653,081
NET ASSETS - ENDING	$ 313,551	$ 54,197	$ 184,351	$ 45,983	$ 113,045	$ 711,127

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

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Assets and Liabilities
Agency Funds - Benefit Assessment Districts
For the Year Ended June 30, 2006
(Amounts expressed in thousands)

ASSETS	July 1, 2005 Balance	Additions	Deductions	June 30, 2006 Balance
Cash and investments	$ 35,913	$ 22,541	$ (25,692)	$ 32,762
Interest receivable	211	196	(211)	196
Deferred charges	1,334	9	(341)	1,002
Special assessments receivable - delinquent	1,778	22,075	(19,298)	4,555
Special assessments receivable - deferred	63,671	5,133	(22,732)	46,072
Total assets	**$ 102,907**	**$ 49,954**	**$ (68,274)**	**$ 84,587**

LIABILITIES	July 1, 2005 Balance	Additions	Deductions	June 30, 2006 Balance
Accounts payable	$ 276	$ 1,208	$ (1,188)	$ 296
Accrued interest payable	1,639	4,170	(4,502)	1,307
Bonds payable	100,410	-	(17,835)	82,575
Deferred credits	582	-	(173)	409
Total liabilities	**$ 102,907**	**$ 5,378**	**$ (23,698)**	**$ 84,587**

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

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

Los Angeles County Metropolitan Transportation Authority *Table 1*

Net Assets by Component

Last Three Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	Fiscal Year		
	2004	2005	2006
Governmental activities:			
Invested in capital assets, net of related debt	$ 779,120	$ 779,046	$ 778,972
Restricted	-	-	-
Unrestricted	864,340	868,470	1,034,516
Total governmental activities net assets	1,643,460	1,647,516	1,813,488
Business-type activities:			
Invested in capital assets, net of related debt	3,505,058	3,492,098	3,637,567
Restricted	-	-	-
Unrestricted	52,658	224,223	345,618
Total business-type activities net assets	3,557,716	3,716,321	3,983,185
Primary government:			
Invested in capital assets, net of related debt	4,284,178	4,271,144	4,416,539
Restricted	-	-	-
Unrestricted	916,998	1,092,693	1,380,134
Total primary government net assets	$ 5,201,176	$ 5,363,837	$ 5,796,673

Prior seven 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 Three Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year		
Expenses	2004*	2005*	2006
Governmental activities:			
Transit operators program	$ 169,882	$ 221,400	$ 202,964
Local cities programs	271,007	303,969	306,532
Regional multimodal capital programs	69,393	60,619	117,483
Paratransit programs	66,913	35,010	11,397
Other transportation subsidies	49,335	55,471	66,234
Debt service interest	600	1,540	1,505
General government	95,553	101,610	119,157
Total governmental activities expenses	722,683	779,619	825,272
Business-type activities:			
Transit operations	904,920	987,462	1,053,637
Depreciation	347,629	335,533	345,980
Debt service interest	177,935	148,544	167,852
Total business-type activities expenses	1,430,484	1,471,539	1,567,469
Total primary government expenses	$ 2,153,167	$ 2,251,158	$ 2,392,741
Program Revenues			
Governmental activities:			
Operating grants & contributions	64,132	20,054	30,477
Charges for services	10,963	10,945	12,742
Total governmental activities program revenues	75,095	30,999	43,219
Business-type activities			
Charges for services	233,757	284,682	299,966
Operating grants & contributions	116,201	217,043	207,683
Capital grants & contributions	470,393	245,860	467,665
Total business-type activities program revenues	820,351	747,585	975,314
Total primary government program revenues	$ 895,446	$ 778,584	$ 1,018,533
Net (expense)/revenue:			
Governmental activities	$ (647,588)	$ (748,620)	$ (782,053)
Business-type activities	(610,133)	(723,954)	(592,155)
Total primary government net expense	$ (1,257,721)	$ (1,472,574)	$ (1,374,208)
General Revenues and Other Changes In Net Assets			
Governmental activities:			
Sales taxes	1,478,408	1,587,517	1,738,996
Interest income & investment earnings	5,352	14,886	32,764
Miscellaneous	19,288	12,847	13,484
Transfers	(885,345)	(862,574)	(837,219)
Total governmental activities	617,703	752,676	948,025
Business-type activities:			
Interest income & investment earnings	12,495	15,525	17,418
Miscellaneous	209	4,460	4,382
Transfers	885,345	862,574	837,219
Total business-type activities	898,049	882,559	859,019
Total primary government	$ 1,515,752	$ 1,635,235	$ 1,807,044
Change in Net Assets			
Governmental activities	(29,885)	4,056	165,972
Business-type activities	287,916	158,605	266,864
Total primary government	$ 258,031	$ 162,661	$ 432,836

Prior seven years' data not available due to fund restructuring
Source: Comprehensive Annual Financial Report
** with reclassification of prior year data to conform to current presentation*

Los Angeles County Metropolitan Transportation Authority

Table 3

Fund Balances of Governmental Funds
Last Three Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year		
	2004	2005	2006
General Fund			
Reserved	$ 8,397	$ 6,727	$ 2,320
Unreserved	138,295	86,626	113,838
Total General Fund	146,692	93,353	116,158
All other governmental funds- special revenue funds:			
Reserved	509,432	535,519	473,013
Unreserved	89,625	118,110	317,396
Total all other governmental funds - special revenue funds	$ 599,057	$ 653,629	$ 790,409

Prior seven years' data not available due to fund restructuring

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority

Table 4

Changes in Fund Balances of Governmental Funds
Last Three Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year		
	2004	2005	2006
Revenues			
Sales tax	$ 1,478,408	$ 1,587,517	$ 1,738,996
Intergovernmental	64,132	20,054	26,955
Investment earnings	5,352	14,886	32,764
Lease and rental	10,963	10,945	12,741
Licenses and fines	7,794	8,088	8,157
Other	9,343	2,608	3,170
Total revenues	1,575,992	1,644,098	1,822,783
Expenditures			
Administration and other	93,368	91,942	93,912
Transportation subsidies	620,571	686,070	729,780
Interest and fiscal charges	1,444	2,283	2,283
Total expenditures	715,383	780,295	825,975
Excess of revenues over/(under) expenditures	860,609	863,803	996,808
Other financing sources (uses)			
Transfers in/out	(885,345)	(862,574)	(837,221)
Total other financing sources (uses)	(885,345)	(862,574)	(837,221)
Net change in fund balances	$ (24,736)	$ 1,229	$ 159,587
Debt service expenditures expressed as a percentage of noncapital expenditures	0.20%	0.29%	0.28%

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

Los Angeles County Metropolitan Transportation Authority *Table 5*
Governmental Activities
Sales Tax Revenues by Source
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Proposition A	Proposition C	Transit Development Act	Others	Total
1997	$ 411,529	$ 411,224	$ 209,000	$ 18,743	$ 1,050,496
1998	438,321	441,929	219,888	31,538	1,131,676
1999	449,054	452,232	229,274	37,082	1,167,642
2000	504,353	505,949	256,235	23,585	1,290,122
2001	528,299	528,432	283,221	25,697	1,365,649
2002	525,980	525,876	268,067	60,442	1,380,365
2003	548,287	548,264	279,893	27,306	1,403,750
2004	576,651	576,655	294,016	31,086	1,478,408
2005	619,497	619,575	314,457	33,988	1,587,517
2006	668,984	669,025	338,742	62,245	1,738,996

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority
Los Angeles County Taxable Transactions By Type of Business
Last Ten Fiscal Years
(Amounts expressed in millions)

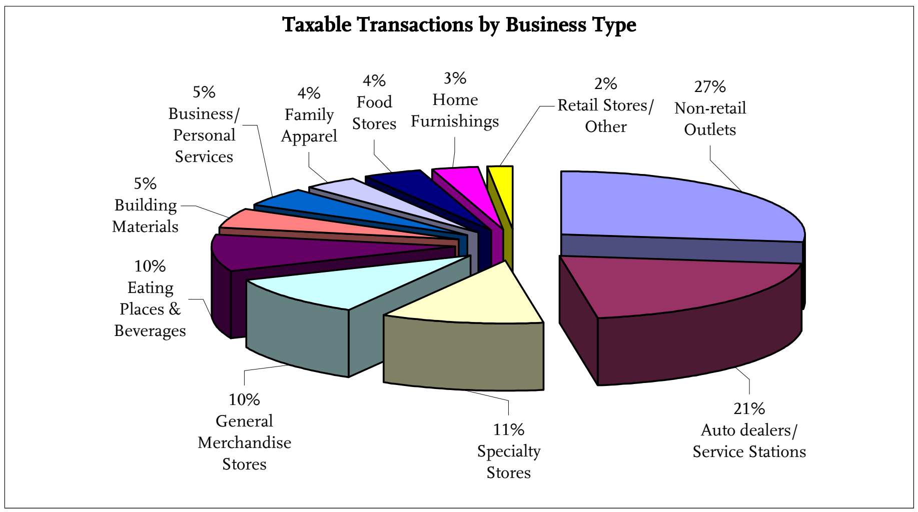
Table 6

	Fiscal Year									
	1997*	1998	1999	2000	2001	2002	2003	2004	2005 **	2006 **
Non-retail outlets	$ -	$ 23,806	$ 25,085	$ 31,152	$ 30,457	$ 29,150	$ 29,192	$ 30,761	$ 34,118	$ 36,615
Auto dealers and service stations	-	18,178	19,154	20,594	21,387	22,273	24,307	26,519	26,052	27,958
Specialty stores	-	9,488	9,998	11,754	11,542	11,639	12,107	13,027	13,598	14,593
General merchandise stores	-	9,000	9,483	10,578	10,860	11,197	11,749	12,592	12,898	13,842
Eating places & alcoholic beverages	-	8,455	8,909	9,717	10,081	10,542	11,152	12,036	12,118	13,004
Building materials	-	4,541	4,785	4,822	5,070	5,529	6,017	7,311	6,508	6,984
Business and personal services	-	4,065	4,283	5,200	5,135	5,056	5,067	5,275	5,825	6,251
Family apparel stores	-	3,267	3,442	3,669	3,812	4,037	4,357	4,807	4,682	5,024
Food stores and alcoholic beverages	-	3,336	3,515	4,213	4,210	4,235	4,240	4,222	4,781	5,131
Home furnishings and appliances	-	2,779	2,928	3,272	3,194	3,378	3,719	4,031	3,983	4,274
Retail stores - other	-	1,395	1,469	1,702	1,678	1,718	1,779	1,952	1,999	2,145
	$ -	$ 88,309	$ 93,052	$ 106,674	$ 107,427	$ 108,753	$ 113,685	$ 122,533	$ 126,562	$ 135,821

**Prior year 1997 data not available*

Source: California State Board of Equalization

***UCLA Forecast*



Los Angeles County Metropolitan Transportation Authority *Table 7*
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 and Route Subsidies	Total
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
2006	280,572	207,091	545,103	17,681	1,050,447

Source: Comprehensive Annual Financial Report

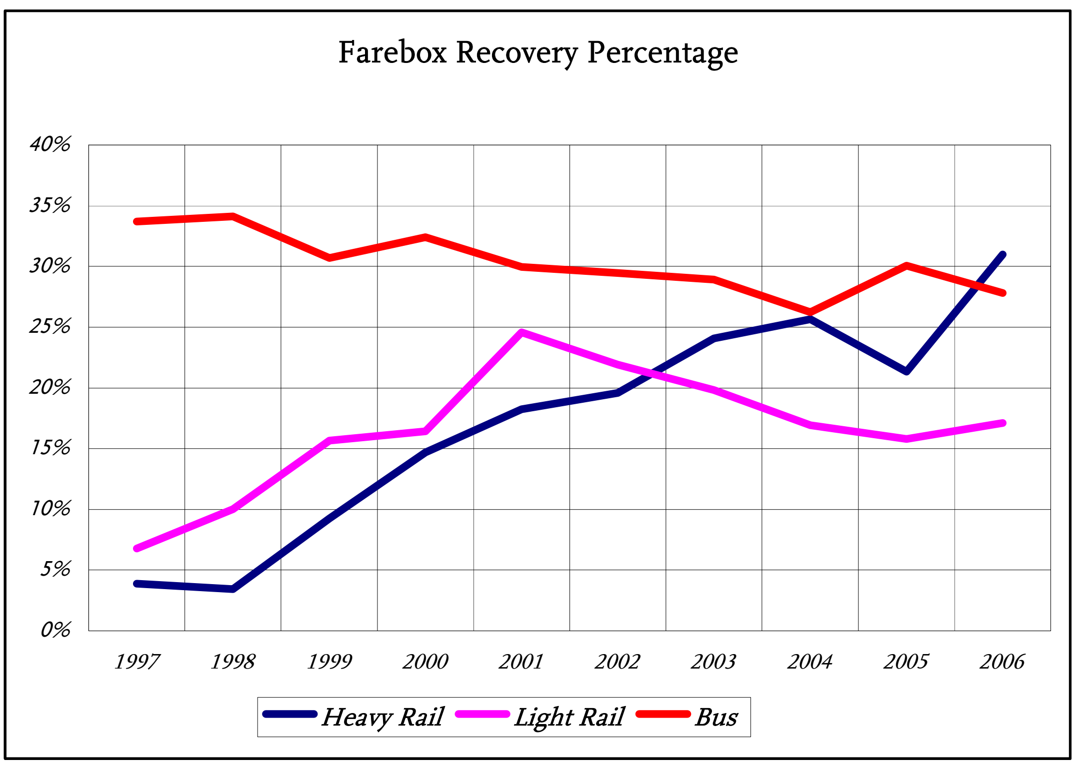
Los Angeles County Metropolitan Transportation Authority *Table 8*
Business-type Activities - Transit Operations
Revenues and Operating Assistance
Comparison to Transit Industry Trend
Percent to total
Last Ten Fiscal Years

	Operations			Operating Assistance					
Fiscal Year	Passenger Fares	Other	Sub-total	Local	State	Federal	Sub-total	TOTAL	
Transportation Industry (1)									
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	33%	17%	50%	21%	23%	7%	50%	100%	P
2005	*	*	*	*	*	*	*	*	
2006	*	*	*	*	*	*	*	*	
Metro (2)									
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%	
2006	23%	2%	25%	56%	3%	17%	75%	100%	

(1) APTA 2006 Public Transportation Fact Book -Table 50
(2) National Transit Database Report
* *data not available*
P *preliminary*

Los Angeles County Metropolitan Transportation Authority *Table 9*
Business-type Activities - Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
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	21%	16%	30%	28%
2006	31%	17%	28%	27%



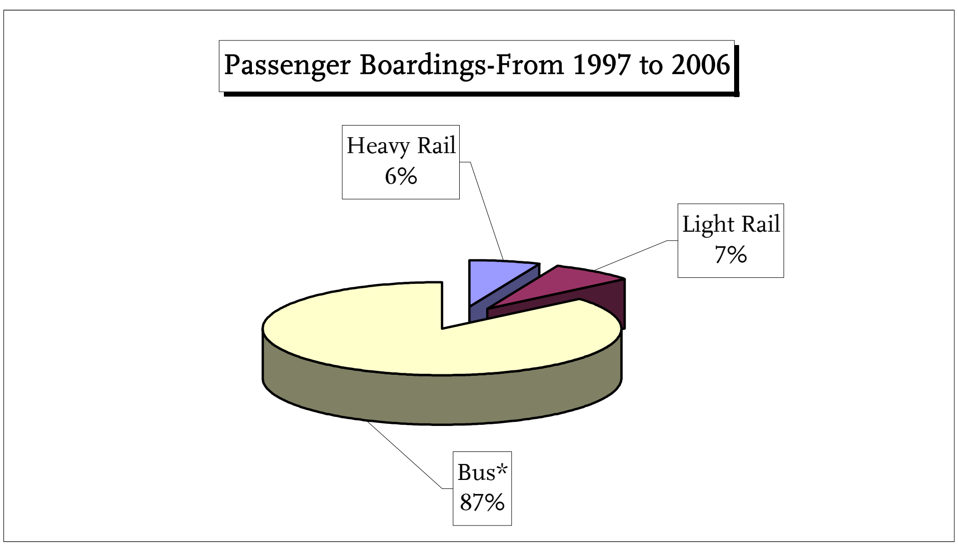
Source: National Transit Database Report

Los Angeles County Metropolitan Transportation Authority
Business-type Activities - Transit Operations
Passenger Boardings
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 10

Fiscal Year	Heavy Rail	Light Rail	Bus*	Total
1997	11,628	22,659	352,638	386,925
1998	12,269	23,884	368,738	404,891
1999	13,287	25,771	359,572	398,630
2000	27,858	29,860	359,002	416,720
2001	31,191	30,610	336,309	398,110
2002	34,551	32,606	378,040	445,197
2003	31,695	31,869	366,240	429,804
2004	30,870	32,852	329,875	393,597
2005	36,273	37,970	377,268	451,511
2006	40,277	42,021	400,518	482,816

** including contracted bus*



Source: National Transit Database Report

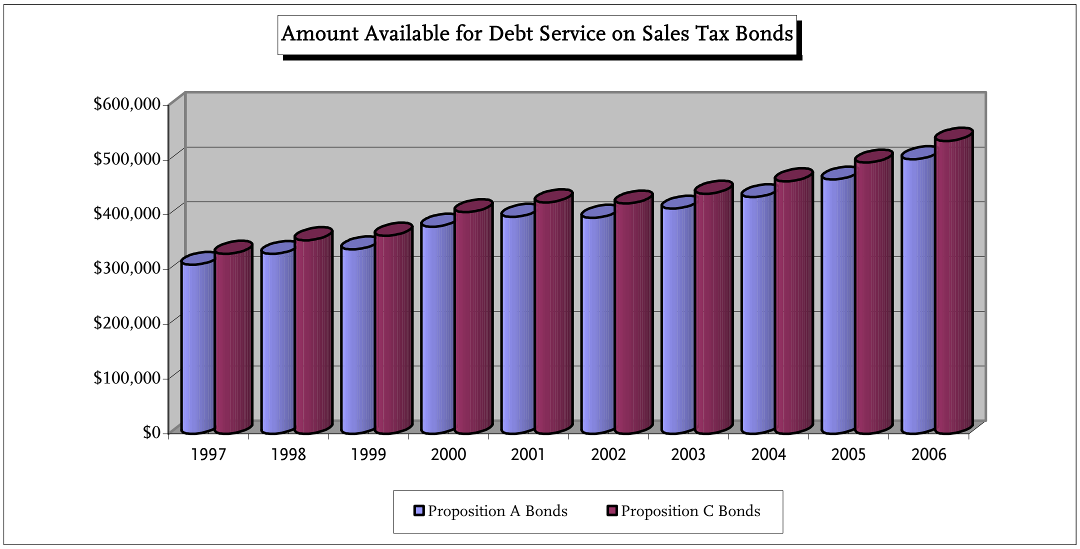
Los Angeles County Metropolitan Transportation Authority *Table 11*
Historical Debt Service Coverage Ratios - Propositions A and C
Last Ten Fiscal Years
(Amounts expressed in thousands)

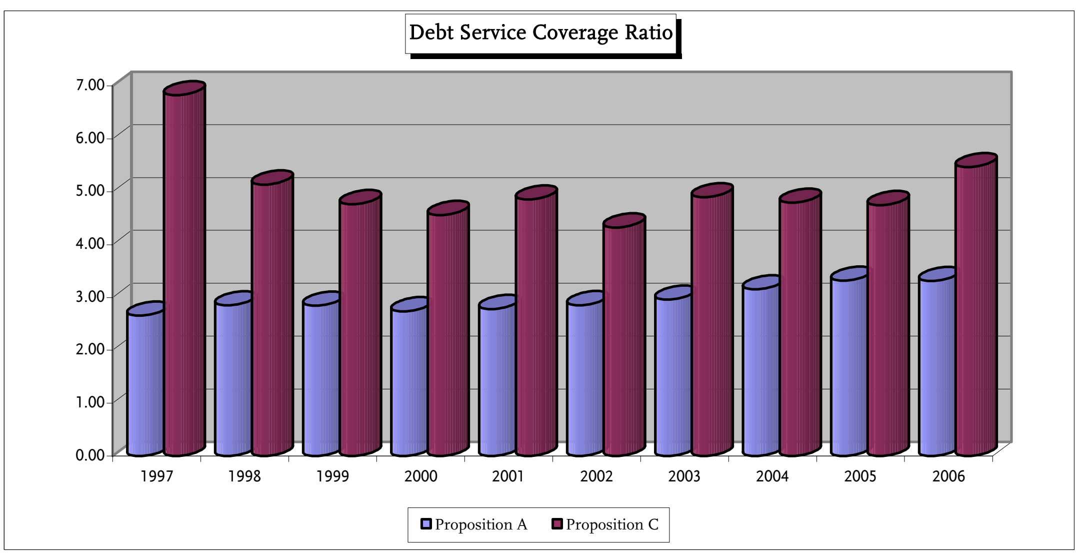
Fiscal Year	Net Proposition A Sales Tax Revenue	Less 25% Local Allocation	Proposition A Bonds Amount Available For Debt Service On Sales Tax Bonds	Proposition A Bonds Aggregate Debt Service Requirement	Proposition A Debt Service Coverage Ratio
1997	$ 411,529	$ 102,882	$ 308,647	$ 116,197	2.66
1998	438,321	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
2006	668,984	167,246	501,738	151,529	3.31

Fiscal Year	Net Proposition C Sales Tax Revenue	Less 20% Local Allocation	Proposition C Bonds Amount Available for Debt Service On Sales Tax Bonds	Proposition C Bonds Aggregate Debt Service Requirement	Proposition C Debt Service Coverage Ratio
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
2006	669,025	133,805	535,220	97,934	5.47

Source: Comprehensive Annual Financial Report

Graphical Presentation of Table 11
Propositions A and C Debt Service Coverage Ratios





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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Principal	$ 40,200	$ 45,025	$ 130,757	$ 66,135	$ 78,881	$ 404,181	$ 132,998	$ 368,194	$ 209,357	$ 233,522
Interest	166,552	172,579	169,011	186,437	189,808	169,271	180,984	163,141	134,216	174,312
Total Debt Service Expenditures	206,752	217,604	299,768	252,572	268,689	573,452	313,982	531,335	343,573	407,834
Total Combined Expenditures	$ 1,588,259	$ 1,333,136	$ 1,270,128	$ 1,345,286	$ 1,356,751	$ 1,583,776	$ 1,542,563	$ 1,862,553	$ 1,975,716	$ 2,112,185
Percent of Debt Service to General Expenditures (%)	13.02%	16.32%	23.60%	18.77%	19.80%	36.21%	20.35%	28.53%	17.39%	19.31%

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 Six Fiscal Years

(Amounts expressed in millions except per capita amount)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Governmental activities:						
Redevelopment & Housing bonds	$ 31	$ 30	$ 30	$ 30	$ 28	$ 28
Total governmental activities	31	30	30	30	28	28
Business-type Activities						
Sales Tax Revenue & Refunding bonds	3,124	3,059	2,956	2,904	2,996	3,160
Sales Tax Revenue bonds-Local allocation	17	15	13	11	8	7
Lease Revenue bonds	22	19	17	14	12	9
Lease/Leaseback Obligation	164	329	750	868	888	811
General Revenue bonds	186	186	186	274	269	252
Commercial Paper	233	266	266	348	399	188
Certificates of Participation	163	141	107	6	-	-
Capitalized Lease	-	17	38	32	21	17
Capital grant receipts revenue bonds						265
Total business-type activities	3,909	4,032	4,333	4,457	4,593	4,709
Total Primary government	$ 3,940	$ 4,062	$ 4,363	$ 4,487	$ 4,621	$ 4,737
Percentage of Personal Income*	1.34%	1.35%	1.41%	1.36%	1.32%	1.28%
Per Capita*	$ 401.35	$ 418.34	$ 450.31	$ 450.00	$ 463.26	$ 473.17

Prior four 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
Demographic and Economic Statistics
Last Ten Fiscal Years
(Amounts and population expressed in thousands)

Table 14

Fiscal Year	(1) Population County of Los Angeles	(1) Population State of California	(2) Taxable Sales County of Los Angeles		Personal Income County of Los Angeles		(3) Per Capita Personal Income County of Los Angeles		(4) Unemployment Rate	
1997***	-	-	$ -		$ -		$ -		0.0%	
1998	9,603	33,252	88,308,916		253,516		27		6.6%	
1999	9,758	33,773	93,051,927		263,987		28		5.9%	
2000	9,643	34,206	106,673,534		279,050		29		5.4%	
2001	9,560	34,036	107,426,692		294,508		30		5.7%	
2002	9,732	34,698	108,753,064		301,003	(f)	31		6.8%	
2003	9,902	35,301	113,685,422		310,044	(f)	32		7.0%	
2004	10,075	35,915	122,533,104		329,048	(f)	33	*	6.5%	
2005	10,166	36,810	126,562,353	(5)	349,120	*	35	*	5.3%	
2006	10,245	37,172	135,822,916	(5)	370,416	*	37	*	5.1%	**

Data sources
(1) California Department of Finance, data estimates as of January 1, 2005 and 2006
(2) State Board of Equalization
(3) U.S. Department of Commerce, Bureau of Economic Statistics
(4) State Department of Employment Development for the County of Los Angeles - not seasonally adjusted
(5) UCLA FY06 Forecast
**Data not available, estimates only based on % change from FY03 to FY04*
***preliminary*
(f) final
****Prior year 1997 data not available*

Los Angeles County Metropolitan Transportation Authority
Full-time Equivalent (FTE) Metro Employees by Function
Last Seven Fiscal Years

Table 15

	FTE'S						
	2000	2001	2002	2003	2004	2005	2006
Function							
Metro Operations	6,814	7,298	7,344	7,591	7,540	7,591	7,641
Countywide Planning & Development	190	135	144	134	130	110	104
Construction Project Management	153	146	153	156	135	106	88
Communications	169	211	209	262	256	235	215
Support Services	945	891	904	876	831	788	757
Chief Executive Office	92	111	110	115	98	76	67
Board of Directors	61	63	61	52	55	47	46
Total	8,424	8,855	8,925	9,186	9,045	8,953	8,918

Source: Adopted Budget
Prior three year's data not available due to restructuring of MTA functions

Los Angeles County Metropolitan Transportation Authority *Table 16*
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)							
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%	100%	
2001	44%	18%	10%	15%	13%	100%	
2002	45%	18%	10%	15%	12%	100%	
2003	44%	18%	9%	15%	13%	100%	
2004	45%	18%	10%	14%	13%	100%	P
2005	*	*	*	*	*	*	
2006	*	*	*	*	*	*	
Metro (2)							
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%	
2006	53%	21%	7%	16%	3%	100%	

(1) APTA 2005 Public Transportation Fact Book Table 61
(2) National Transit Database Report
* *data not available*
** *Excluding Depreciation*
P *preliminary*

Los Angeles County Metropolitan Transportation Authority
Business-type Activities - Transit Operations
Operating Expenses By Function (Bus & Rail)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 17

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General & Administrative	Depreciation	Total
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
2006	582,576	222,520	72,485	173,696	345,980	1,397,257

Source: National Transit Database Report

Los Angeles County Metropolitan Transportation Authority

Table 18

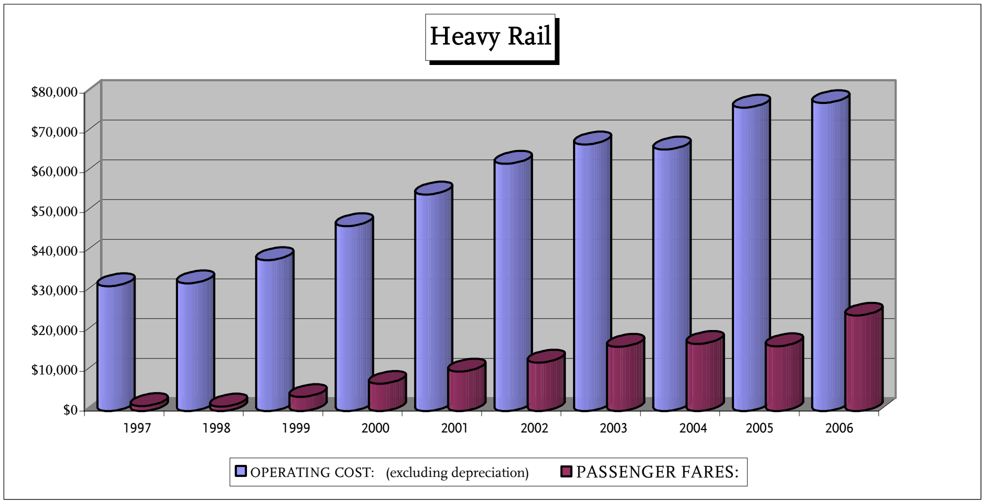
Business-type Activities - Transit Operations
Operating Indicators by Mode
Last Ten Fiscal Years
(Amounts in thousands except Buses and Rail Cars and Stations)

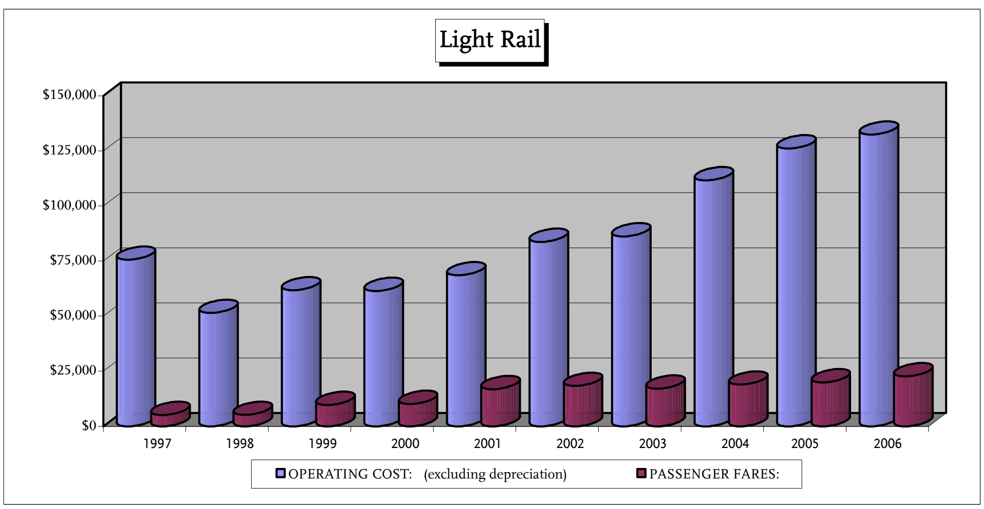
Fiscal Year	1997	1998	1999	2000		(2) 2001	2002	2003	(3) 2004	2005	(5) 2006
PASSENGER FARES:											
Heavy Rail	$ 1,214	$ 1,103	$ 3,518	$ 6,835		$ 9,944	$ 12,187	$ 16,152	$ 16,895	$ 16,298	$ 24,015
Light Rail	5,131	5,159	9,669	10,083		16,839	18,332	17,088	18,900	19,912	22,657
Bus*	208,173	216,238	215,668	216,516		186,746	210,625	214,186	185,659	233,028	233,900
OPERATING COST: *(excluding depreciation)*											
Heavy Rail	$ 31,417	$ 32,166	$ 37,988	$ 46,548		$ 54,501	$ 62,229	$ 67,100	$ 65,829	$ 76,373	$ 77,541
Light Rail	75,585	51,440	61,731	61,387		68,546	83,689	86,200	111,654	126,123	132,397
Bus*	617,870	633,767	702,395	668,021	(1)	623,194	715,360	740,468	707,369	772,907	841,210
PASSENGER MILES:											
Heavy Rail	22,487.36	24,118	28,718	74,729		126,461	163,931	151,901	152,629	173,935	193,020
Light Rail	169,831	170,541	176,191	208,824		213,339	228,780	225,712	241,217	268,981	297,477
Bus*	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	1,474,733
REVENUE VEHICLE MILES:											
Heavy Rail	1,737	1,646	1,815	3,568		5,540	5,877	5,987	5,399	5,877	5,867
Light Rail	4,436	4,532	4,500	4,658		4,401	8,114	6,783	7,704	8,114	8,047
Bus*	78,125	78,071	81,830	85,655		80,282	88,709	88,809	82,498	92,054	92,937
BUSES AND RAIL CARS:											
Heavy Rail	30	30	66	104		104	104	104	104	104	104
Light Rail	69	69	69	69		81	121	121	121	121	121
Bus*	2,548	2,783	2,799	2,426		2,913	3,012	2,774	2,714	2,856	2,870
PASSENGER STATIONS:											
Heavy Rail	8	8	13	16	(4)	16	16	16	16	16	16
Light Rail	36	36	36	36		36	36	36	49	49	49

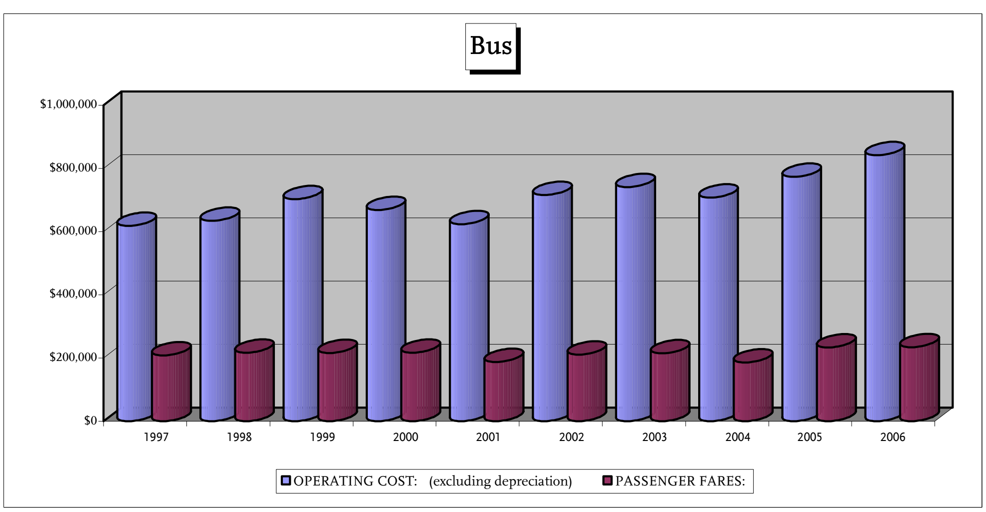
Source: National Transit Database Report

Note
** Includes Purchase Transportation and Orange Line*
(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
(5) Orange Line opened in Oct 05

Graphical Presentation of Table 18
Operating Revenues and Costs by Mode







Los Angeles County Metropolitan Transportation Authority
Schedule of Sources and Uses of Propositions A and C, TDA Administration Funds
For the Fiscal Year Ending June 30, 2006
(Amount expressed in thousands)

			Revenues					
Project	Task Description	Expenditures	Proposition A Admin	Proposition C Admin	TDA Admin	TDA Planning and Programming	Other Sources	Total Revenues
Beginning Fund Balance			$ (2,964)	$ -	$ -	$ -	$ -	(2,964)
Revenues for the Year			-	-	-	-	3,227	3,227
Transfer In			30,084	9,290	2,379	2,970	-	44,723
Available Funds			27,120	9,290	2,379	2,970	3,227	44,986
100002	Governmental and Oversight Activities							
	Debt Management	$ 62	62	-	-	-	-	62
	General oversight	15,922	15,922	-	-	-	-	15,922
	Investment/Cash Management	89	89	-	-	-	-	89
	Investment/Debt Management	61	61	-	-	-	-	61
	Legal Expense	1,488	1,488	-	-	-	-	1,488
	Transportation Foundation	30	30	-	-	-	-	30
100002 Total		17,652	17,652	-	-	-	-	17,652
100012	Prop A & C Audit							
	Prop A & C Audit	52	26	26	-	-	-	52
100012 Total		52	26	26	-	-	-	52
100050	Administration - Special Revenue Planning							
	G & A Costs	3,320	463	2,857	-	-	-	3,320
100050 Total		3,320	463	2,857	-	-	-	3,320
100060	Administration - General Planning							
	G & A Costs	4,785	-	4,785	-	-	-	4,785
100060 Total		4,785	-	4,785	-	-	-	4,785
405510	Other P&P Planning							
	Art Program	120	-	120	-	-	-	120
	Bike Parking Racks & Lockers	19	-	-	-	19	-	19
	Bus System Improvements Plan	114	-	114	-	-	-	114
	Call/MOU Tech Services	48	24	24	-	-	-	48
	Consolidated Audit Services	550	148	148	254	-	-	550
	General Commuter Program	3	-	3	-	-	-	3
	General Planning	741	-	-	-	271	470	741
	Government Coordination / Outreach	239	-	-	238	-	-	238
	Grants Administration	661	-	-	197	-	464	661
	HOV Administration	7	-	-	-	7	-	7
	Increase customer awareness program	1,934	-	986	948	-	-	1,934
	Prop A/C Administration	233	117	117	-	-	-	234
	Public Outreach	12	6	6	-	-	-	12
	Station Planning/Joint Develop	998	-	-	-	998	-	998
	STIP PPM	4,747	-	-	-	-	4,747	4,747
	TDA Article 3 & 8	117	-	-	117	-	-	117
	TIP administration	574	-	-	243	-	331	574
405510 Total		11,117	295	1,518	1,997	1,295	6,012	11,117
405511	Transit Planning							
	ADA Compliance	32	-	-	-	32	-	32
	Admin. NTD Report - Local Cities	60	-	-	60	-	-	60
	BRT Research	3	-	-	-	1	2	3
	Bus Service Improvements	4,875	4,875	-	-	-	-	4,875
	Eastside Extension Pedestrian Crossing	13	-	-	-	13	-	13
	GIS Work for Planning Studies	101	-	3	-	7	91	101
	Joint Development	62	-	62	-	-	-	62
	LA County Token Program	36	-	36	-	-	-	36
	Long Range Plan Update	946	-	-	-	374	572	946
	Metro Rapid Bus	129	-	-	24	105	-	129
	Municipal Funding & Coordination	298	-	-	298	-	-	298
	Research & Development	267	-	-	-	192	75	267
	Restructuring Study	509	-	-	-	509	-	509
	Transit Planning	662	218	-	-	442	2	662
	Transit Service Expansion	3	-	3	-	-	-	3
405511 Total		7,996	5,093	104	382	1,675	742	7,996
609911	Transportation Academies/TOP/FTA							
	TOP	35	35	-	-	-	-	35
609911 Total		35	35	-	-	-	-	35
Total Expenditures		$ 44,957	23,564	9,290	2,379	2,970	6,754	44,957
Ending Fund Balance at June 30, 2006			3,556	$ -	$ -	$ -	$ (3,527)	$ 29

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
BUS
For the Year Ended June 30, 2006

Expenditure Type	Year - to - Date Actual	Year - to - Date Budget	Variance Amount	Variance %	Prior Year Total	Variance Amount	Variance %
Labor							
UTU	214,650	215,530	880	0.41%	206,581	(8,069)	-3.91%
ATU	81,194	82,161	967	1.18%	75,778	(5,416)	-7.15%
NC	19,740	19,269	(471)	-2.44%	18,943	(797)	-4.21%
TCU	14,238	14,598	360	2.47%	14,227	(11)	-0.08%
AFSCME	26,949	27,705	756	2.73%	26,033	(916)	-3.52%
TEAMSTER	938	1,607	669	41.63%	1,054	116	11.01%
Total	357,709	360,870	3,161	0.88%	342,616	(15,093)	-4.41%
Fringe	184,024	193,477	9,453	4.89%	171,917	(12,107)	-7.04%
Services							
Security	21,452	22,550	1,098	4.87%	14,971	(6,481)	-43.29%
Maintenance	7,410	9,480	2,070	21.84%	7,226	(184)	-2.55%
Professional and Technical	2,040	4,916	2,876	58.50%	8,221	6,181	75.19%
Others	3,849	5,060	1,211	23.93%	4,435	586	13.21%
Total	34,751	42,006	7,255	17.27%	34,853	102	0.29%
Materials & Supplies							
Fuel and Lubricants	56,095	48,552	(7,543)	-15.54%	44,359	(11,736)	-26.46%
Revenue Vehicle Parts	59,822	46,739	(13,083)	-27.99%	46,067	(13,755)	-29.86%
Office supplies and others	7,955	9,690	1,735	17.91%	7,056	(899)	-12.74%
Total	123,872	104,981	(18,891)	-17.99%	97,482	(26,390)	-27.07%
Utilities							
Propulsion Power	-	-	-	-	-	-	-
Electricity and others	796	787	(9)	-1.14%	580	(216)	-37.24%
Total	796	787	(9)	-1.14%	580	(216)	-37.24%
Casualty & Liability	45,241	45,587	346	0.76%	41,606	(3,635)	-8.74%
Interest	233	230	(3)	-1.30%	75	(158)	-210.67%
Others	7,017	9,180	2,163	23.56%	4,429	(2,588)	-58.43%
Support Project (100030)	52,770	51,991	(778)	-1.50%	57,040	4,270	7.49%
Total MTA Operated	806,413	809,109	2,697	0.33%	750,598	(55,815)	-7.44%
CRSH - MTA Bus Operated	112.97	113.70	0.73	0.64%	106.77	(6.19)	-5.80%
Purchased Transportation (50801)	33,587	33,442	(145)	-0.43%	26,707	(6,880)	-25.76%
All Bus Operating Expenses	840,000	842,551	2,552	0.30%	777,305	(62,695)	-8.07%
Cost of Revenue Per Service Hour	109.09	110.23	1.14	1.03%	102.80	(6.29)	-6.12%
Revenue Service Hours (MTA Only)	7,138,590	7,116,267	(22,323)	-0.31%	7,029,913	(108,677)	-1.55%
RSH Contract Services *	561,281	527,345	(33,936)	-6.44%	531,536	(29,745)	-5.60%
Total Revenue Service Hours	7,699,871	7,643,612	(56,259)	-0.74%	7,561,449	(138,422)	-1.83%

* Includes revenue service hours of 49,717 and 22,800 from LADOT and Glendale Bee, respectively.

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
RAIL TOTAL
For the Year Ended June 30, 2006

Expenditure Type	Year - to - Date Actual	Year - to - Date Budget	Variance Amount	Variance %	Prior Year Total	Variance Amount	Variance %
Labor							
UTU	12,318	13,310	992	7.45%	12,222	(96)	-0.79%
ATU	28,959	29,075	116	0.40%	28,908	(51)	-0.18%
NC	10,482	10,602	120	1.13%	9,232	(1,250)	-13.54%
TCU	7,256	6,960	(296)	-4.25%	6,755	(501)	-7.42%
AFSCME	10,957	10,646	(311)	-2.92%	10,049	(908)	-9.04%
TEAMSTER	1,898	1,596	(302)	-18.92%	2,077	179	8.62%
Total	71,870	72,189	319	0.44%	69,243	(2,627)	-3.79%
Fringe	37,314	35,757	(1,557)	-4.35%	36,126	(1,188)	-3.29%
Services							
Security	37,261	39,076	1,815	4.64%	36,295	(966)	-2.66%
Maintenance	9,768	14,433	4,665	32.32%	6,453	(3,315)	-51.37%
Professional and Technical	2,485	4,190	1,705	40.69%	2,880	395	13.72%
Others	1,601	1,760	159	9.03%	598	(1,003)	-167.73%
Total	51,115	59,459	8,344	14.03%	46,226	(4,889)	-10.58%
Materials & Supplies							
Fuel and Lubricants	167	175	8	4.57%	132	(35)	-26.52%
Revenue Vehicle Parts	10,730	7,886	(2,844)	-36.06%	10,616	(114)	-1.07%
Office supplies and others	4,792	4,629	(163)	-3.52%	5,338	546	10.23%
Total	15,689	12,690	(2,999)	-23.63%	16,086	397	2.47%
Utilities							
Propulsion Power	17,542	21,793	4,251	19.51%	17,535	(7)	-
Electricity and others	795	821	26	3.17%	847	52	6.14%
Total	18,337	22,614	4,277	18.91%	18,382	45	0.24%
Casualty & Liability	5,450	5,415	(35)	-0.65%	5,558	108	1.94%
Others	3,391	3,528	137	3.88%	2,562	(829)	-32.36%
Support Project (100040)	10,885	13,606	2,721	20.00%	13,052	2,167	16.60%
MTA Operated	214,051	225,258	11,207	4.98%	207,235	(6,816)	-3.29%
Cost of Revenue Per Service Hour	355.51	363.82	8.31	2.28%	337.24	(18.27)	-5.42%
Revenue Vehicle Hours	602,091	619,139	17,048	2.75%	614,488	12,397	2.02%

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
HEAVY RAIL
For the Year Ended June 30, 2006

Expenditure Type	Year - to - Date Actual	Year - to - Date Budget	Variance Amount	Variance %	Prior Year Total	Variance Amount	Variance %
Labor							
UTU	3,637	3,840	203	5.29%	3,440	(197)	-5.73%
ATU	11,078	9,260	(1,818)	-19.63%	10,852	(226)	-2.08%
NC	2,817	2,835	18	0.63%	2,773	(44)	-1.59%
TCU	3,047	1,902	(1,145)	-60.20%	2,839	(208)	-7.33%
AFSCME	3,136	2,878	(258)	-8.96%	2,758	(378)	-13.71%
TEAMSTER	1,040	755	(285)	-37.75%	1,227	187	15.24%
Total	24,755	21,470	(3,285)	-15.30%	23,889	(866)	-3.63%
Fringe	13,087	10,630	(2,457)	-23.11%	12,309	(778)	-6.32%
Services							
Security	13,157	14,924	1,767	11.84%	13,291	134	1.01%
Maintenance	4,601	6,560	1,959	29.86%	3,236	(1,365)	-42.18%
Professional and Technical	816	1,553	737	47.46%	1,195	379	31.72%
Others	320	244	(76)	-31.15%	174	(146)	-83.91%
Total	18,894	23,281	4,387	18.84%	17,896	(998)	-5.58%
Materials & Supplies							
Fuel and Lubricants	79	69	(10)	-14.49%	54	(25)	-46.30%
Revenue Vehicle Parts	3,860	2,555	(1,305)	-51.08%	2,668	(1,192)	-44.68%
Office supplies and others	2,242	2,013	(229)	-11.38%	2,763	521	18.86%
Total	6,181	4,637	(1,544)	-33.30%	5,485	(696)	-12.69%
Utilities							
Propulsion Power	7,630	9,239	1,609	17.42%	7,901	271	3.43%
Electricity and others	191	243	52	21.40%	174	(17)	-9.77%
Total	7,821	9,482	1,661	17.52%	8,075	254	3.15%
Casualty & Liability	2,773	3,336	563	16.88%	3,210	437	13.61%
Others	1,203	1,283	80	6.24%	922	(281)	-30.48%
Support Project (100040)	3,749	4,046	297	7.34%	3,827	78	2.03%
MTA Operated	78,463	78,165	(298)	-0.38%	75,613	(2,850)	-3.77%
Cost of Revenue Per Service Hour	305.57	297.69	(7.89)	-2.65%	289.92	(15.66)	-5.40%
Revenue Vehicle Hours	256,773	262,574	5,801	2.21%	260,810	4,037	1.55%

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
LIGHT RAIL
For the Year Ended June 30, 2006

Expenditure Type	Year - to - Date Actual	Year - to - Date Budget	Variance Amount	Variance %	Prior Year Total	Variance Amount	Variance %
Labor							
UTU	8,681	9,470	789	8.33%	8,782	101	1.15%
ATU	17,881	19,815	1,934	9.76%	18,056	175	0.97%
NC	7,664	7,767	103	1.33%	6,459	(1,205)	-18.66%
TCU	4,210	5,058	848	16.77%	3,915	(295)	-7.54%
AFSCME	7,821	7,769	(52)	-0.67%	7,292	(529)	-7.25%
TEAMSTER	858	841	(17)	-2.02%	850	(8)	-0.94%
Total	47,115	50,720	3,605	7.11%	45,354	(1,761)	-3.88%
Fringe	24,227	25,123	896	3.57%	23,817	(410)	-1.72%
Services							
Security	24,104	24,152	48	0.20%	23,004	(1,100)	-4.78%
Maintenance	5,167	7,873	2,706	34.37%	3,217	(1,950)	-60.62%
Professional and Technical	1,669	2,637	968	36.71%	1,684	15	0.89%
Others	1,281	1,516	235	15.50%	424	(857)	-202.12%
Total	32,221	36,178	3,957	10.94%	28,329	(3,892)	-13.74%
Materials & Supplies							
Fuel and Lubricants	88	106	18	16.98%	78	(10)	-12.82%
Revenue Vehicle Parts	6,870	5,332	(1,538)	-28.84%	7,948	1,078	13.56%
Office supplies and others	2,550	2,616	66	2.52%	2,575	25	0.97%
Total	9,508	8,054	(1,454)	-18.05%	10,601	1,093	10.31%
Utilities							
Propulsion Power	9,912	12,555	2,643	21.05%	9,634	(278)	-2.89%
Electricity and others	604	579	(25)	-4.32%	674	70	10.39%
Total	10,516	13,134	2,618	19.93%	10,308	(208)	-2.02%
Casualty & Liability	2,677	2,079	(598)	-28.76%	2,348	(329)	-14.01%
Others	2,188	2,245	57	2.54%	1,640	(548)	-33.41%
Support Project (100040)	7,136	9,560	2,424	25.36%	9,225	2,090	22.65%
MTA Operated	135,588	147,093	11,505	7.82%	131,622	(3,965)	-3.01%
Cost of Revenue Per Service Hour	392.65	412.53	19.88	4.82%	372.15	(20.49)	-5.51%
Revenue Vehicle Hours	345,318	356,565	11,247	3.15%	353,678	8,360	2.36%

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

213.922.6000
metro.net

Metro™

07-0903ml

07-0903_cvr_CAFR_r1.indd 2 9/22/06 2:48:09 PM