Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

Metro

Submitted by Accounting Department
Josephine V. Nicasio, Controller
Terry Matsumoto, Chief Financial Services
Officer and Treasurer

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

STATISTICAL SECTION

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

November 30, 2007

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, 2007, 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.

Metro is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the 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.

PricewaterhouseCoopers LLP, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on Metro's financial statements for the fiscal year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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. The 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 of one of the country's largest and most populous counties. 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 nearly half a billion bus and rail boardings a year.

Metro's financial reports include the activities of the Public Transportation Service Corporation (PTSC), Metro Rail-Mid City/Exposition Light Rail Transit Project (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 Metro's FY08 Budget - Metro began this process after adoption of the FY07 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 FY08 budget was balanced by a combination of a fare increase, which is expected to generate $32 million additional revenues, $35 million Federal Compressed Natural Gas (CNG) alternative fuel tax credit receipts, and $4.4 million of additional advertising revenues.

The adopted $3.1 billion budget is 2.8% higher than last year's budget. The increase is due to increase transportation subsidies for the county and cities, CPI cost increases for Metro bus and rail service, funding for municipal bus operators, paratransit service for the disabled, ongoing construction for the Metro Gold Line Extension to East Los Angeles and the first phase of the Exposition Light Rail line to Culver City.

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 these provide 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 the Short Range Transit Plan.

Local Economy

Los Angeles County covers 4,752 square miles, and had a July 1, 2006 estimated population of 10,292,700; an increase of 1,432,400 since 1990.

Economy - The gross product of Los Angeles County ("County") in 2006 is estimated at $446.8 billion which would make it the 17th largest national economy in the world if the County was a country. There is a diverse economic base in Los Angeles County (based on the concept of "export" of goods or services) using 2006 average employment as a measure. The leading industries with their respective jobs are: 1) direct international trade with 315,100; 2) tourism with 267,400; 3) motion picture/TV production with 254,300; 4) technology with 225,500; and 5) financial services with 196,500. Los Angeles is the largest major manufacturing center in the U.S., with 462,300 workers in these activities in 2006. International trade is also a major component of the area's economy. The "Los Angeles Customs District" (including the ports of Long Beach and Los Angeles, Port Hueneme, and Los Angeles International Airport) is the nation's largest, based on value of two-way trade. In 2006, International trade totaled $329.4 billion, compared with $295.0 billion for the second place New York. Major investments are being made in port and transportation facilities. Transportation service in Los Angeles County is extensive. In addition to the ports and airports noted above, there are two other commercial airports (Bob Hope in Burbank and Daugherty Field in Long Beach). Besides the extensive freeway system, there is an array of mass transit options including various bus operators, Amtrak, Metrolink (commuter rail), and Metro Rail (subway and light rail). Rail freight services are provided by Burlington Northern Santa Fe and the Union Pacific.

Outlook - Revised data reveal that 2006 was a good year for Los Angeles County. Nonfarm employment grew by 68,300 jobs, the best performance since 2000, and records were set in both international trade and tourism. According to the July 2007 LA County Economic Forecast, the County's economy has been cruising along at a moderate pace but there are plenty of potholes. New homebuilding has slumped. There could be sub-prime loan problems in the Antelope Valley and in some of the older, close-in cities that have attracted first time buyers. One major piece of good news for the County's economy was the ground breaking for the convention center hotel at LA Live in downtown Los Angeles. LA Live will also include the 7,100 seat Nokia Theater, which opened in October 2007. Nonfarm employment will expand by 1.2% (or 50,100 jobs) in 2007, pushing the annual average to 4,142,600 jobs, a new record level. Employment growth in 2008 will pick up to 1.5% even if there is a labor disruption in the entertainment industry. The County's unemployment rate will continue to run at low level during 2007, about 4.8% before moving up to 5.0% in 2008.

Total personal income should grow by 5.7% in 2007, with per capita personal income moving up by 4.9% to $37,051. The LA area Consumer Price Index is expected to rise by 3.1% in 2007, while retail sales will move ahead by 4.8%.

Long-term Financial Planning

Long-term financial planning is accomplished in three stages at Metro: the Long Range Transportation Plan (LRTP), the Short Range Transportation Plan (SRTP), and the Ten-Year Forecast. The LRTP is a 25-year plan that is updated every 5-7 years. The LRTP is adopted by the Metro Board of Directors and prioritizes the infrastructure projects (highway and transit) and transit services for the entire region. The SRTP is a five year plan that is updated periodically (the last being in 2003) and is also adopted by the Metro Board of Directors. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The Ten-Year Forecast is updated annually using the current year budget as the baseline year. The LRTP and the SRTP use the most recent Ten-Year Forecast as the baseline for the period covered in those plans.

Relevant Financial Policies

The Metro Board reviews and approves an update of the financial policies each year as part of the annual budget and financial planning process.

The Financial Stability Policy is divided into three sections: Goals, Strategies, and General Fiscal Policies. The purpose of the policy is to ensure that Metro prudently manages its financial affairs and establishes appropriate cash reserves to be able to meet its future financial commitments.

Also included in the policy are Business Planning Parameters and Debt Financial Standards. 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.

The purpose of the Debt Financial 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 are consistent with the Board-approved Debt Policy.

Major Initiatives

In FY08, Metro will experiment with a 65-foot prototype bus on the Metro Orange Line, which connects the North Hollywood Metro Rail stop with Warner Center in the San Fernando Valley. Metro will launch eight new Metro Rapid lines and work with cities to install technology to extend green lights or turn red lights to green ten seconds faster. The combination of signal priority and making fewer stops allow Metro Rapid to operate about 25 percent faster than local buses.

By June 2008, 500 new Metro Rapid buses will serve 28 transit corridors covering 420 route miles and 35 cities throughout Los Angeles County. Besides Metro, Santa Monica and Culver City municipal operators will also provide this special service.

Nearly 275,000 riders board Metro Rail trains on weekdays and that will grow as the system, now spanning 73 miles, expands in 2009 with the scheduled opening of the six-mile extension of the Metro Gold Line from Union Station downtown to East Los Angeles via Little Tokyo/Arts District and Boyle Heights and the 8.5-mile Exposition Light Rail Line from downtown Los Angeles to Culver City, expected to open in year 2010. Moreover, new joint development projects under construction or planned around many of the Metro Rail stations will help promote ridership.

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.
Major highway projects that will be under construction in FY08 include Interstate 405/US 101 interchange northbound connector gap closure, Interstate 405 northbound carpool lane from Ventura Boulevard to Burbank Boulevard, Interstate 5 carpool lanes in both directions between Route 14 and Route 118, Interstate 405 carpool lanes from Route 90 to Interstate 10, Interstate 405 southbound carpool auxiliary lane from Waterford Street to Interstate 10, US 101 freeway realignment and reconstruction of the ramps at Center Street, and Route 60 carpool lanes both directions between Interstate 605 to Brea Canyon Road.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Los Angeles County Metropolitan Transportation Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the eighth 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 only. We believe Metro's current report to be submitted to GFOA continues to conform 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 Financial Services Officer and Treasurer

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, 2006

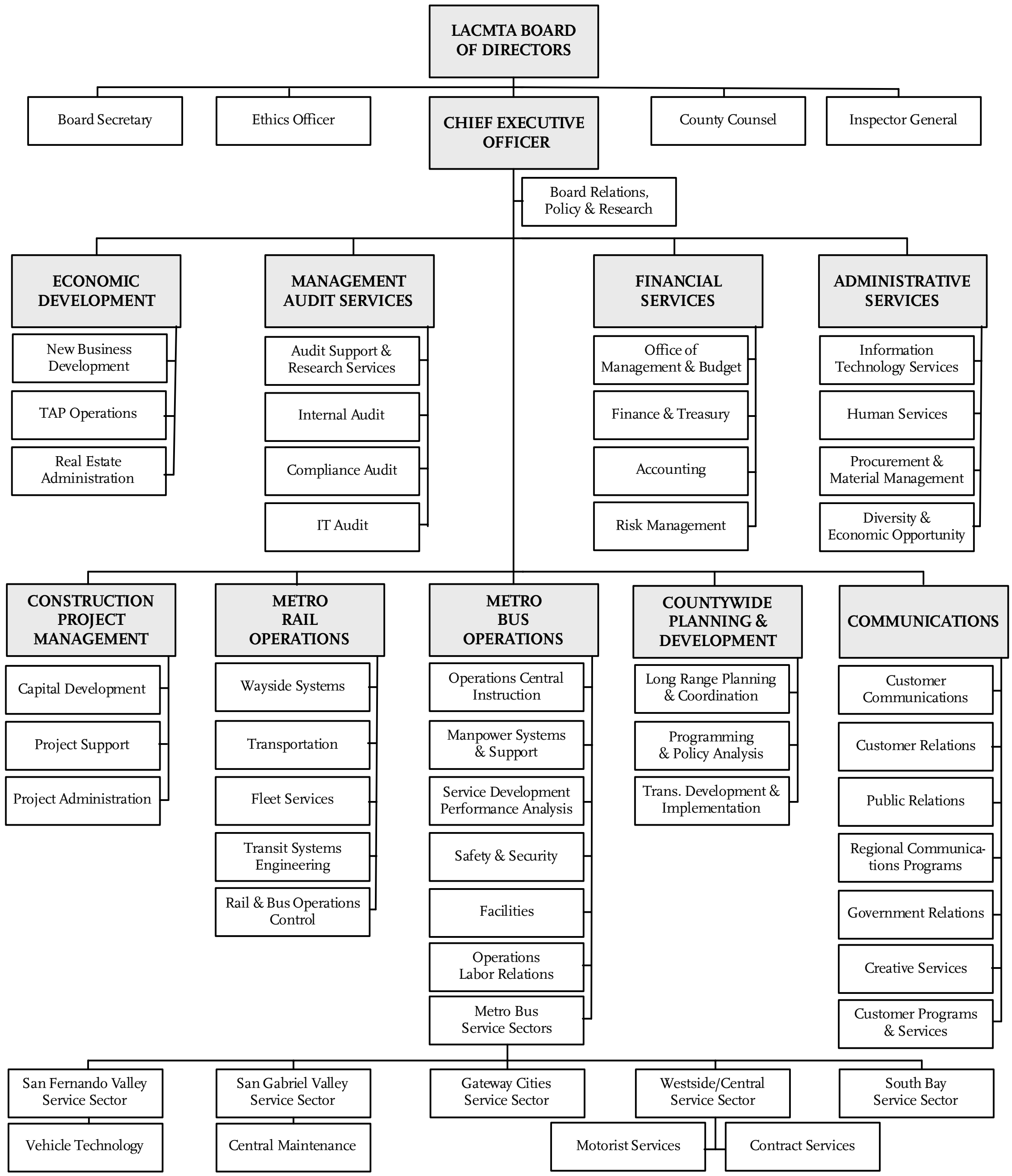
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

Metro

MANAGEMENT ORGANIZATION CHART

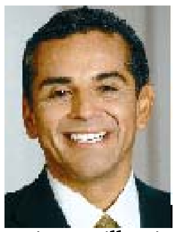


Los Angeles County Metropolitan Transportation Authority

BOARD OF DIRECTORS

(Updated as of July 2007)

Pam O'Connor
Chairman of the Board
City Council Member
City of Santa Monica



Antonio R. Villaraigosa
1st Vice Chair
Mayor
City of Los Angeles

Don Knabe
2nd Vice Chair
LA County Supervisor
4th Supervisorial District

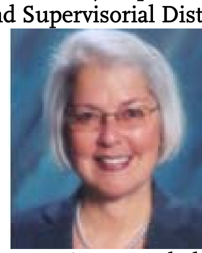
Michael D. Antonovich
LA County Supervisor
5th Supervisorial District

Yvonne B. Burke
LA County Supervisor
2nd Supervisorial District

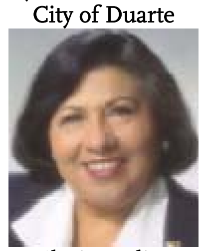
John Fasana
City Council Member
City of Duarte

David W. Fleming
Mayor Appointee
City of Los Angeles

Richard Katz
Mayor Appointee
City of Los Angeles



Bonnie Lowenthal
City Council Member
City of Long Beach



Gloria Molina
LA County Supervisor
1st Supervisorial District

Ara Najarian
Mayor
City of Glendale

BOARD APPOINTED OFFICIALS

Roger Snoble
Chief Executive Officer

Charles Safer
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

William Waters
Inspector General

Executive Staff

Mike Cannell
General Manager, Rail Operations

Carolyn Flowers
Chief Operations Officer

Ruthe Holden
Chief Auditor

Carol Inge
Chief Planning Officer

Joanne Kawai
Deputy Executive Officer

Terry Matsumoto
Chief Financial Services Officer and Treasurer

Lonnie Mitchell
Chief Administrative Services Officer

Roger Moliere
Chief, Real Property Management Development

Matt Raymond
Chief Communications Officer

Rick Thorpe
Chief Capital Management Officer

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PRICEWATERHOUSECOOPERS

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 ("Metro") which collectively comprise Metro'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 Metro at June 30, 2007, 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 Metro'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. 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 89 and budgetary comparison information on pages 90 through 95 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 Metro's basic financial statements. The accompanying other supplementary information such as the combining and individual fund financial statements and schedules on pages 97 through 104 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 9 and statistical section on pages 106 through 130 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.

PricewaterhouseCoopers LLP

November 28, 2007

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 activities;
- 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, 2007 by $6,431,891. Of this amount, $408,376 is reported as unrestricted net assets and to be used for system expansion, acquisition, and general and special revenue obligations.

- Total net assets increased by $635,218 (11.0 percent) this year over last year. Business-type net assets increased by $89,338 (2.2 percent) and governmental net assets increased by $545,880 (30.1 percent). The increase in the business-type activities net assets is due primarily to operating subsidies and capital contributions. Net assets in the governmental activities increased due to the receipt of intergovernmental revenue from the Traffic Congestion Relief Program.

- At year-end, the governmental funds reported fund balances totaling $1,455,557. Of this amount, $545,943 is reserved for encumbrances and other commitments, and $909,614 is unreserved fund balance available for spending at Metro's discretion.

- Metro's total liabilities decreased by $92,307 (1.6 percent) during the year. The decrease in liabilities is primarily related to principal payment and refinancing the outstanding bonds to take advantage of the favorable interest rates.

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 Public Transportation Services Corporation (PTSC), the Service Authority for Freeway Emergencies (SAFE), the LACMTA Leasing Authority, and the 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 are 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 related debt transactions are in the enterprise fund.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. Metro uses the 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, five 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 97-98.

Metro adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major special revenue fund on pages 90-95, and for each nonmajor fund on pages 99-100 and the aggregate remaining special revenue funds on page 101.

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 two 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 41-88.

Other Information

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 89 and additional supplementary and statistical information beginning on page 105.

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 $6,431,891 at the end of the fiscal year, an 11.0 percent increase over the previous year. The increase is primarily due to receipt of state funding from the Traffic Congestion Relief Program which is 50.0 percent of the increase in Metro's net assets.

The following table is a summary of the statement of net assets as of June 30, 2007 and 2006.

Los Angeles County Metropolitan Transportation Authority
Net Assets

	Business-type Activities		Governmental Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 2,351,110	$ 2,361,422	$ 1,742,206	$ 1,203,585	$ 4,093,316	$ 3,565,007
Capital assets	7,109,646	7,088,977	772,905	778,972	7,882,551	7,867,949
Total assets	9,460,756	9,450,399	2,515,111	1,982,557	11,975,867	11,432,956
Current liabilities	532,759	534,311	92,887	103,720	625,646	638,031
Noncurrent liabilities	4,855,474	4,932,903	62,856	65,349	4,918,330	4,998,252
Total liabilities	5,388,233	5,467,214	155,743	169,069	5,543,976	5,636,283
Net Assets						
Investment in capital assets net of related debt	3,671,581	3,694,487	772,905	778,972	4,444,486	4,473,459
Restricted for debt service	289,669	313,622	-	-	289,669	313,622
Restricted for other purpose	-	-	1,289,360	790,380	1,289,360	790,380
Unrestricted	111,273	(24,924)	297,103	244,136	408,376	219,212
Total net assets	$ 4,072,523	$ 3,983,185	$ 2,359,368	$ 1,813,488	$ 6,431,891	$ 5,796,673

Statement of Activities

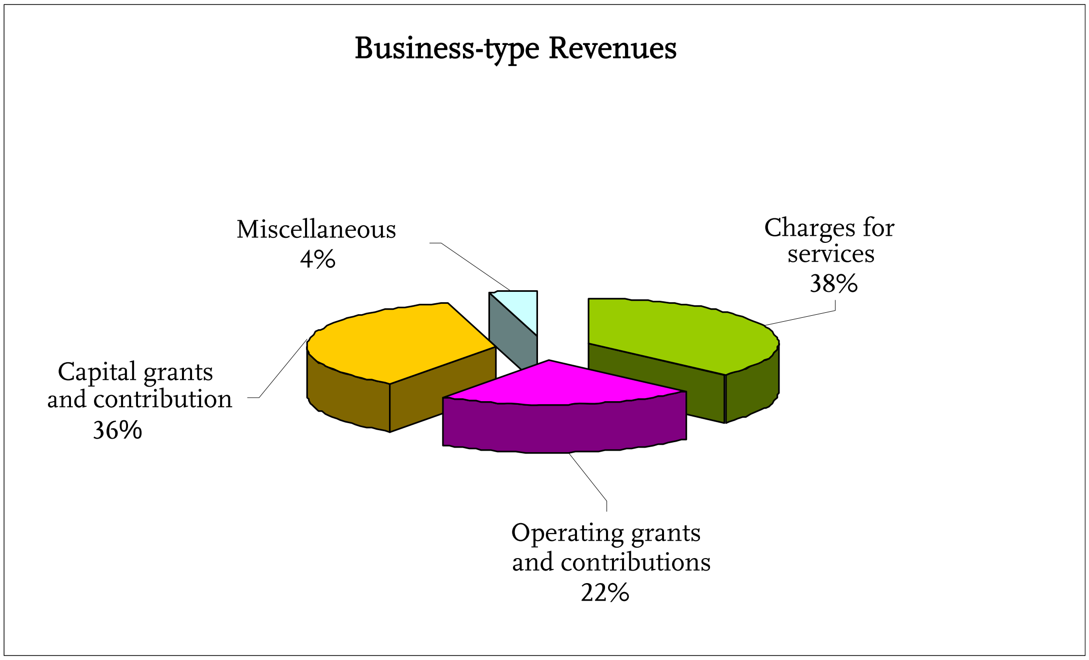
The following table is a summary of the statement of activities for the year ended June 30, 2007 and 2006.

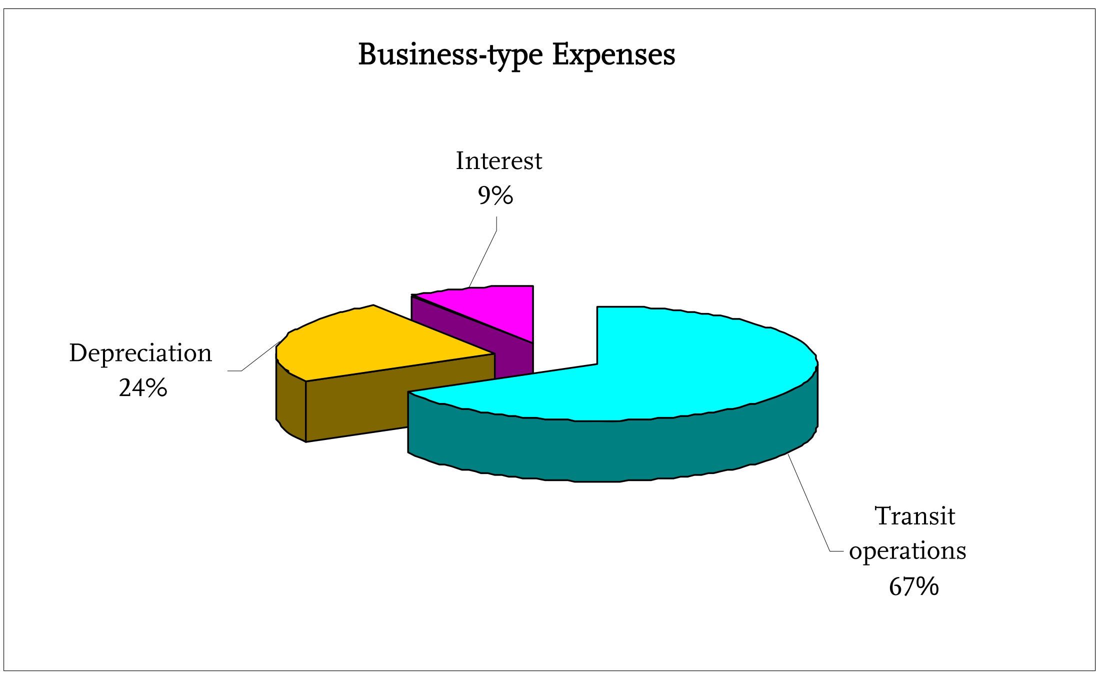
Los Angeles County Metropolitan Transportation Authority
Change in Net Assets

	Business-type Activities		Governmental Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 313,000	$ 299,966	$ 13,311	$ 12,742	$ 326,311	$ 312,708
Operating grants and contributions	186,003	207,683	343,003	30,477	529,006	238,160
Capital grants and contributions	302,613	467,665	-	-	302,613	467,665
General revenues:						
Sales tax	-	-	1,908,416	1,738,996	1,908,416	1,738,996
Miscellaneous	35,111	21,800	80,922	46,248	116,033	68,048
Total revenues	836,727	997,114	2,345,652	1,828,463	3,182,379	2,825,577
Expenses:						
Transit operations:						
Operations	1,127,289	1,053,637	-	-	1,127,289	1,053,637
Depreciation	405,731	345,980	-	-	405,731	345,980
Interest	158,629	167,852	-	-	158,629	167,852
Transit operator programs	-	-	235,476	202,964	235,476	202,964
Local cities programs	-	-	320,629	306,532	320,629	306,532
Regional multimodal capital programs	-	-	103,286	117,483	103,286	117,483
Paratransit programs	-	-	12,440	11,397	12,440	11,397
Other transportation subsidies	-	-	49,997	66,234	49,997	66,234
General government	-	-	133,684	120,662	133,684	120,662
Total expenses	1,691,649	1,567,469	855,512	825,272	2,547,161	2,392,741
Increase (decrease) in net assets before transfers	(854,922)	(570,355)	1,490,140	1,003,191	635,218	432,836
Transfers	944,260	837,219	(944,260)	(837,219)	-	-
Increase in net assets	89,338	266,864	545,880	165,972	635,218	432,836
Net assets – beginning of year	3,983,185	3,716,321	1,813,488	1,647,516	5,796,673	5,363,837
Net assets – end of year	$ 4,072,523	$ 3,983,185	$ 2,359,368	$ 1,813,488	$ 6,431,891	$ 5,796,673

Transit operations recovered 27.8 percent of total operating expenses from operating revenues, excluding depreciation and interest, compared to 28.3 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.

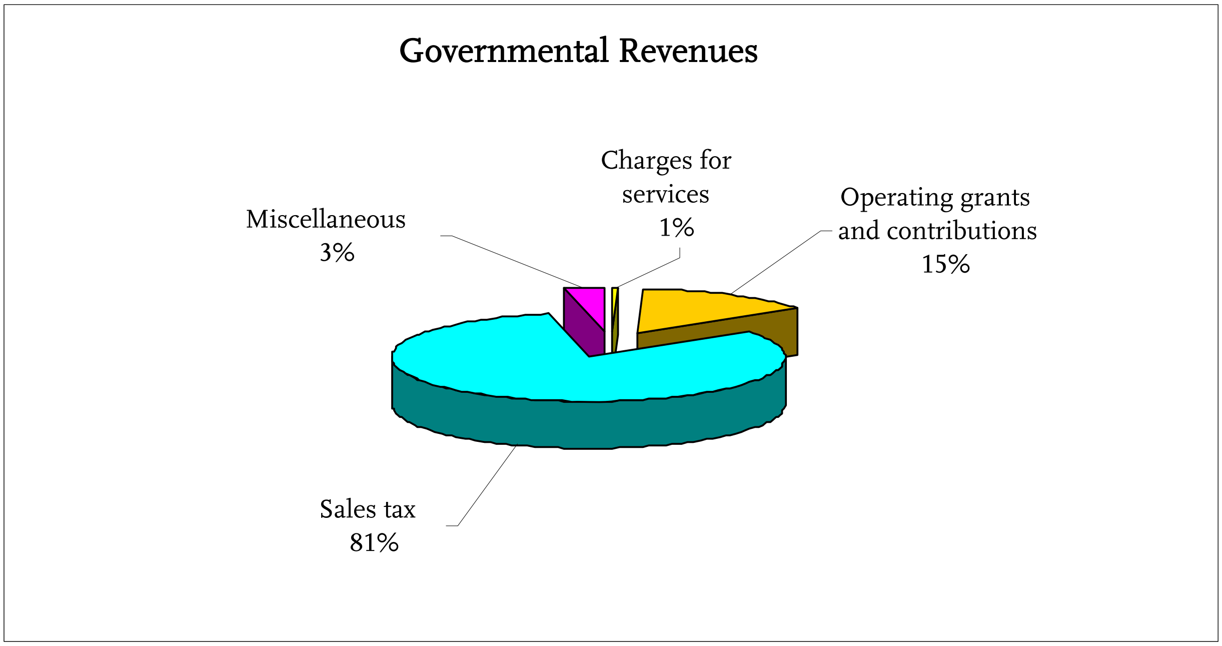


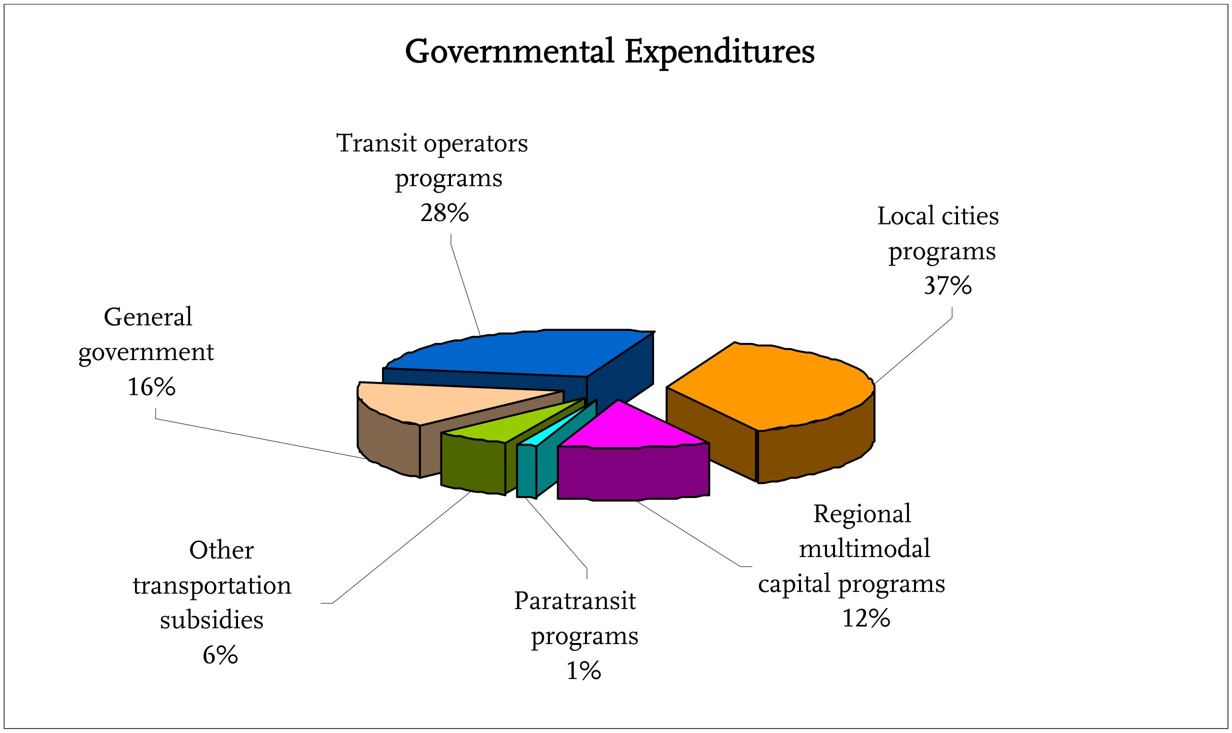


Governmental activities increased Metro's net assets by $545,880.

Most of the governmental activities expenditures are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales tax. Subsidies totaling $721,828 to other agencies represented the largest governmental expenditures, 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 expenditures.





Financial Analysis of Metro's Funds

Proprietary Fund

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 $89,338 primarily due to the operating subsidies and receipt of grants and contributions for the construction of Eastside Extension of the Gold Line.

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 public subsidy per boarding. These statistics are calculated for bus and rail.

The table below shows the statistics for FY07 and FY06.

Los Angeles County Metropolitan Transportation Authority
(Amounts not in thousands)

Cost Per Revenue Service Hours*

	2007	2006	Variance	% Variance
Bus	$ 118.87	$ 109.09	$ 9.78	8.97%
Rail	360.18	355.51	4.67	1.31%

Subsidy Per Passenger Boarding

	2007	2006	Variance	% Variance
Bus	$ 1.62	$ 1.46	$ 0.16	11.0%
Rail	2.19	2.03	0.16	7.9%

* Refer to the attached schedules beginning on page 127.

The FY07 bus cost per revenue service hour (RSH) compared with FY06 shows an increase of 8.97 percent, due to increases in labor costs, fringe benefits, gas prices and other expenses.

Rail cost per revenue service hour (RSH) also shows a slight unfavorable variance of 1.31 percent compared with FY06 due to increases in labor costs, fringe benefits, propulsion power and other expenses. However, the increase in expenses was offset by the increase in revenue vehicle hours.

The subsidy per boarding, for both bus and rail, is higher due to costs increasing faster than passenger fare revenue.

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 to the unreserved fund balance, which represents uncommitted available resources.

Metro's governmental funds ended the fiscal year with $1,455,557 in total fund balances. Approximately 37.5 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

General fund balance increased by $37,884 primarily due to new Federal alternative fuel tax credits, redevelopment and housing bond proceeds, higher than anticipated investment income, and lower expenditures. During the fiscal year, $7.8 million in 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 $138,118 mainly due to higher than expected sales tax collection, lower operating transfers as a result of Metro operations postponing to FY08 drawdown of Prop A Discretionary and Rail Development funds from its current year appropriation, and lower debt service expenditures in the amount of $9,395. Of the $304,706 fund balance, $54,010 is reserved for future programs.

Proposition C fund balance increased by $30,124 primarily due to higher than expected sales tax collections and lower expenditures. Of the $388,235 fund balance, $312,482 is reserved for future programs.

The Traffic Congestion Relief Program (TCRP) fund balance of $317,434 is primarily due to Caltrans reimbursements of $166,914 for the Gold Line Eastside Extension and $150,000 for low emission CNG buses purchased in prior years.

The TDA fund balance increased by $6,188 mainly due to higher collection of sales tax eventhough prior and current years' subsidy reimbursement requests for transit operators were higher than anticipated. Approximately 69.8 percent of the $173,044 fund balance is reserved for future projects.

The STA fund balance increased by $4,464 mostly due to higher than anticipated investment income and lower claim requests from transit operators. Approximately 47.9 percent of the $70,076 fund balance is 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 2 percent of Metro's total governmental funds revenue and 1.7 percent of total governmental funds expenditures.

Revenues

The primary sources are the new Federal alternative fuel tax credit receipts, rental income from properties along rail right-of-way corridors, investment income, Federal, State, and local grants, and high occupancy vehicles (HOV) lane fines.

Expenditures

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

During the year, the original expenditure budget was increased by $4,947. The primary components of the increase were $3,634 in professional services for the Rideshare Services Program, $120 for the Pedestrian and Bikeways Enhancements Program, and administration for the Coordinated Human Services Transportation Program.

Investment income experienced $3,254 increase from budgeted levels due to higher interest rates.

Transfers in from other funds were higher than programmed levels in anticipation to increases in the Rideshare Services Program expenditures, which did not occur due to delays in implementing various vanpool service programs.

Transfers out to other funds were considerably lower than programmed levels as a result of lower joint development and economic development expenditures.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2007, Metro had $7,882,551 (net of accumulated depreciation) invested in capital assets, as shown below, a 0.2 percent increase compared to the previous fiscal year.

Los Angeles County Metropolitan Transportation Authority
Capital Assets (Net of depreciation)

	Business-type Activities		Governmental Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 616,722	$ 615,247	$ 772,794	$ 778,779	$ 1,389,516	$ 1,394,026
Buildings	4,277,648	4,439,668	-	-	4,277,648	4,439,668
Equipment	214,946	144,854	-	-	214,946	144,854
Vehicles	923,365	945,261	111	193	923,476	945,454
Constructions in progress	1,076,965	943,947	-	-	1,076,965	943,947
Total Capital Assets	$ 7,109,646	$ 7,088,977	$ 772,905	$ 778,972	$ 7,882,551	$ 7,867,949

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

The 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 scheduled for revenue operation in late 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.

The 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 on 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. As of June 30, 2007, $85.4 million has been expended.

The Universal Fare System (UFS) is a $97.6 million (as amended) project designed to improve Metro's fare collection on the bus and rail systems. Installation of UFS fareboxes and ticket vending machines on Metro was completed in June 2007. Installation of UFS compatible equipment for other transit operators has begun. Other transit operators will operate the UFS equipment as part of the regional system known as TAP (transit access pass). TAP will utilize contactless smart cards to provide seamless fare collection among the region's transit operators.

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

Long-term Debt

At the end of the fiscal year, Metro had total long-term liabilities of $5,119,775 of which $3,061,630 were bonds collaterized by sales tax revenue, and $813,702 were lease/leaseback obligations. The remainder of the long-term liabilities consisted of commercial paper, general revenue bonds, and other debt as shown below.

Los Angeles County Metropolitan Transportation Authority
Long-term Liabilities *

	Business-type Activities		Governmental Activities		Total	
	2007	2006	2007	2006	2007	2006
Claims payable	$ 297,856	$ 269,861	$ -	$ -	$ 297,856	$ 269,861
Compensated absences	70,889	67,807	-	-	70,889	67,807
Post-employment benefits	165,947	126,373	-	-	165,947	126,373
Long-term debt:						
Sales tax revenue bonds and refunding bonds	3,061,630	3,160,135	-	-	3,061,630	3,160,135
Lease/Leaseback to service obligation	813,702	811,097	-	-	813,702	811,097
Capital grant receipts revenue bonds	239,710	264,885	-	-	239,710	264,885
General revenue bonds	236,290	252,455	-	-	236,290	252,455
Commercial paper notes	188,925	187,673	-	-	188,925	187,673
Other debt	17,550	32,451	27,276	27,792	44,826	60,243
Total long-term debt	4,557,807	4,708,696	27,276	27,792	4,585,083	4,736,488
Total long-term liabilities	$ 5,092,499	$ 5,172,737	$ 27,276	$ 27,792	$ 5,119,775	$ 5,200,529

* includes current portion

During the fiscal year, Metro refinanced $123,270 of Proposition C bonds, $49,405 of Proposition A bonds, and $8,335 of Grand Central Square Multifamily Housing Revenue Refunding Bonds, Series 2007-B to take advantage of the favorable interest rates.

Additional information on Metro's long-term debt can be found on pages 63-75.

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 uses forecasts from various governmental sources as a basis of its future funding assumptions. The budget for FY08 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 64 percent of Metro's total FY08 estimated revenues. Sales tax revenues will increase by 4 percent, which is the 20-year historical average for sales tax growth in Los Angeles County. From this revenue base, Metro constructs a budget that balances anticipated revenues with area transportation needs.

Further Information

This report has been designed to provide our stakeholders with a general overview of Metro's financial condition and related issues. Inquiries should be directed to the Chief Financial Services Officer and Treasurer, One Gateway Plaza, Mail Stop 99-25-7, Los Angeles, CA 90012-2952.

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
June 30, 2007
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 50,350	$ 758,942	$ 809,292
Investments	2,258	376,282	378,540
Receivables (net of allowance for uncollectibles)	418,190	347,635	765,825
Internal balances	(61,873)	61,873	-
Inventories	80,685	-	80,685
Prepaid and other current assets	7,814	14	7,828
Designated and restricted assets:			
Cash and cash equivalents - designated	18,875	-	18,875
Cash and cash equivalents - restricted	277,269	926	278,195
Investments - designated	444,109	-	444,109
Investments - restricted	303,177	-	303,177
Total current assets	1,540,854	1,545,672	3,086,526
Noncurrent assets:			
Receivables	-	3,521	3,521
Investments - restricted	768,699	-	768,699
Deferred charges	41,557	267	41,824
Investment in other agencies	-	192,746	192,746
Capital assets (net of accumulated depreciation)	7,109,646	772,905	7,882,551
Total noncurrent assets	7,919,902	969,439	8,889,341
Total assets	9,460,756	2,515,111	11,975,867
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	138,892	89,134	228,026
Accrued interest payable	74,254	-	74,254
Claims payable - current	61,722	-	61,722
Compensated absences payable - current	51,325	-	51,325
Bonds and notes payable - current	165,990	551	166,541
Post-employment benefits payable - current	17,000	-	17,000
Deferred revenue and credits	20,132	2,235	22,367
Other current liabilities	3,444	967	4,411
Total current liabilities	532,759	92,887	625,646
Noncurrent liabilities:			
Claims payable	236,134	-	236,134
Compensated absences payable	19,564	-	19,564
Net pension obligation	973	-	973
Bonds and notes payable	4,391,817	26,725	4,418,542
Post-employment benefits payable	148,947	-	148,947
Deferred revenue and credits	58,039	36,131	94,170
Total noncurrent liabilities	4,855,474	62,856	4,918,330
Total liabilities	5,388,233	155,743	5,543,976
NET ASSETS			
Invested in capital assets, net of related debt	3,671,581	772,905	4,444,486
Restricted for debt service	289,669	-	289,669
Restricted for other purpose	-	1,289,360	1,289,360
Unrestricted	111,273	297,103	408,376
Total net assets	$ 4,072,523	$ 2,359,368	$ 6,431,891

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, 2007
(Amounts expressed in thousands)

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Business-type activities:			
Transit operations			
Operations	$ 1,691,649	$ 313,000	$ 186,003
Governmental activities:			
Transit operators programs	235,476	-	-
Local cities programs	320,629	-	-
Regional multimodal capital programs	103,286	-	316,914
Paratransit programs	12,440	-	-
Other transportation subsidies	49,997	-	2,956
General government	133,684	13,311	23,133
Total governmental activities	855,512	13,311	343,003
Total	$ 2,547,161	$ 326,311	$ 529,006
General revenues:			
Sales taxes			
Investment income			
Miscellaneous			
Transfers			
Total general revenues			
Change in net assets			
Net assets - beginning of year			
Net assets - end of year			

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Governmental Activities	Total
$ 302,613	$ (890,033)	$ -	$ (890,033)
-	-	(235,476)	(235,476)
-	-	(320,629)	(320,629)
-	-	213,628	213,628
-	-	(12,440)	(12,440)
-	-	(47,041)	(47,041)
-	-	(97,240)	(97,240)
-	-	(499,198)	(499,198)
$ 302,613	(890,033)	(499,198)	(1,389,231)
	-	1,908,416	1,908,416
	29,282	51,186	80,468
	5,829	29,736	35,565
	944,260	(944,260)	-
	979,371	1,045,078	2,024,449
	89,338	545,880	635,218
	3,983,185	1,813,488	5,796,673
	$ 4,072,523	$ 2,359,368	$ 6,431,891

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2007
(Amounts expressed in thousands)

	General Fund	Special Proposition A	Proposition C
ASSETS			
Cash and cash equivalents	$ 20,467	$ 161,359	$ 228,577
Investments	14,165	112,923	159,942
Receivables:			
Accounts	1,021	-	-
Interest	794	1,506	2,409
Intergovernmental	7,512	-	14,500
Sales tax	-	45,774	45,800
Due from other funds	110,651	-	3,100
Restricted assets:			
Cash and cash equivalents	810	-	116
TOTAL ASSETS	$ 155,420	$ 321,562	$ 454,444
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,088	$ 16,856	$ 66,209
Due to other funds	-	-	-
Other liabilities - current	290	-	-
TOTAL LIABILITIES	1,378	16,856	66,209
FUND BALANCES			
Reserved for:			
Memoranda of understanding	-	54,010	312,482
Encumbrances	3,047	-	-
Unreserved, reported in:			
General fund	150,995	-	-
Special revenue funds	-	250,696	75,753
TOTAL FUND BALANCES	154,042	304,706	388,235
TOTAL LIABILITIES AND FUND BALANCES	$ 155,420	$ 321,562	$ 454,444

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

Revenue	Funds			
TCRP	TDA	STA	Other Governmental Funds	Total Governmental Funds
$ 97,951	$ 155,938	$ 63,655	$ 30,995	$ 758,942
68,546	-	-	20,706	376,282
-	-	-	16	1,037
950	981	414	272	7,326
150,000	-	-	5,427	177,439
-	22,931	47,328	-	161,833
-	-	-	-	113,751
-	-	-	-	926
$ 317,447	$ 179,850	$ 111,397	$ 57,416	$ 1,597,536
$ 13	$ -	$ -	$ 4,968	$ 89,134
-	6,806	41,321	3,751	51,878
-	-	-	677	967
13	6,806	41,321	9,396	141,979
-	120,752	33,571	-	520,815
-	-	-	22,081	25,128
-	-	-	-	150,995
317,434	52,292	36,505	25,939	758,619
317,434	173,044	70,076	48,020	1,455,557
$ 317,447	$ 179,850	$ 111,397	$ 57,416	$ 1,597,536

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Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Balance Sheet
to the Statement of Net Assets - Governmental Activities
June 30, 2007
(Amounts expressed in thousands)

Fund Balance - total governmental funds (page 29)	$ 1,455,557
Capital assets are not financial resources, and therefore, are not reported in the funds.	
Government capital assets	772,905
Investment in other agencies	192,746
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 account for costs of refunding bond as expenditures. However, in the Statement of Net Assets, these costs are reported as prepayments amortized over the life of the bonds	281
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(27,276)
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.	(38,366)
Net Assets of governmental activities (page 25)	$ 2,359,368

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, 2007
(Amounts expressed in thousands)

		Special	
	General Fund	Proposition A	Proposition C
REVENUES			
Sales tax	$ -	$ 686,167	$ 686,308
Intergovernmental	1,531	-	13,976
Investment income	7,304	8,840	18,326
Net appreciation (decline) in fair value of investments	161	267	858
Lease and rental	11,293	-	-
Licenses and fines	463	-	-
Fuel tax credit and others	26,703	-	75
TOTAL REVENUES	47,455	695,274	719,543
EXPENDITURES			
Current:			
Administration and other	12,708	-	40,897
Transportation subsidies	16	252,251	354,802
Debt and interest expenditures:			
Principal	516	-	-
Interest and fiscal charges	1,710	-	-
TOTAL EXPENDITURES	14,950	252,251	395,699
EXCESS OF REVENUES OVER EXPENDITURES	32,505	443,023	323,844
OTHER FINANCING SOURCES (USES)			
Transfers in	9,841	-	44,193
Transfers out	(4,462)	(304,905)	(337,913)
Proceeds of refunding bonds	8,617	-	-
Payments to refunding bond escrow agent	(8,617)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,379	(304,905)	(293,720)
NET CHANGE IN FUND BALANCES	37,884	138,118	30,124
Fund balances - beginning of year	116,158	166,588	358,111
FUND BALANCES - END OF YEAR	$ 154,042	$ 304,706	$ 388,235

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

	Revenue	Funds		
TCRP	TDA	STA	Other Governmental Funds	Total Governmental Funds
$ -	$ 344,867	$ 191,074	$ -	$ 1,908,416
316,914	-	-	10,582	343,003
589	8,705	4,079	1,926	49,769
(69)	-	-	200	1,417
-	-	-	-	11,293
-	-	-	7,783	8,246
-	-	-	6	26,784
317,434	353,572	195,153	20,497	2,348,928
-	-	-	45,115	98,720
-	115,254	26,286	6,124	754,733
-	-	-	-	516
-	-	-	-	1,710
-	115,254	26,286	51,239	855,679
317,434	238,318	168,867	(30,742)	1,493,249
-	-	-	47,955	101,989
-	(232,130)	(164,403)	(2,436)	(1,046,249)
-	-	-	-	8,617
-	-	-	-	(8,617)
-	(232,130)	(164,403)	45,519	(944,260)
317,434	6,188	4,464	14,777	548,989
-	166,856	65,612	33,243	906,568
$ 317,434	$ 173,044	$ 70,076	$ 48,020	$ 1,455,557

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, 2007
(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)	$ 548,989
Government funds account for principal payment as expenditures. The payment of principal of long-term debt consumes current financial resources but has no effect on net assets. Principal payments included in the fund statements.	516
The issuance of long-term debt (e.g. bonds, leases/leaseback, bond premium) provides current financial resources to governmental funds but has no effect on net assets. Proceeds from refunding long-term debts.	(8,617)
Government funds account for costs of refunding bonds as expenditures. However, in the Statement of Net Assets, these costs are reported as prepayments amortized over the life of the bonds.	281
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).	2,157
Government funds account for refunding principal payments as expenditures. The repayment of principal of long-term debt consumes current financial resources but has no effect on net assets. Principal payments included in the fund statements.	8,617
Net effect of miscellaneous governmental transactions involving sale of capital assets.	(5,981)
Government funds do not account for depreciation of capital assets. Depreciation expense is accounted for in the government-wide financial statement.	(82)
Change in net assets of governmental activities (page 27)	$ 545,880

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, 2007
(Amounts expressed in thousands)

	Business -type Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 50,350
Investments	2,258
Receivables (net of allowance for uncollectibles)	418,190
Inventories	80,685
Prepaid and other current assets	7,814
Designated and restricted assets:	
Cash and cash equivalents - designated	18,875
Cash and cash equivalents - restricted	277,269
Investments - designated	444,109
Investments - restricted	303,177
Total current assets	1,602,727
Noncurrent assets:	
Investments - restricted	768,699
Deferred charges	41,557
Capital assets (net of accumulated depreciation)	7,109,646
Total noncurrent assets	7,919,902
Total assets	9,522,629
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	138,892
Accrued interest payable	74,254
Due to other funds	61,873
Claims payable - current	61,722
Compensated absences payable - current	51,325
Bonds and notes payable - current	165,990
Post employment benefits payable - current	17,000
Deferred revenue and credits	20,132
Other current liabilities	3,444
Total current liabilities	594,632
Noncurrent liabilities:	
Claims payable	236,134
Compensated absences payable	19,564
Net pension obligation	973
Bonds and notes payable	4,391,817
Post employment benefits payable	148,947
Deferred revenue and credits	58,039
Total noncurrent liabilities	4,855,474
Total liabilities	5,450,106
NET ASSETS	
Invested in capital assets, net of related debt	3,671,581
Restricted for debt service	289,669
Unrestricted	111,273
Total net assets	$ 4,072,523

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, 2007
(Amounts expressed in thousands)

	Business-type Activities
OPERATING REVENUES:	
Passenger fares	$ 293,368
Route subsidies	305
Auxiliary transportation	17,983
TOTAL OPERATING REVENUES	311,656
OPERATING EXPENSES:	
Salaries and wages	430,446
Fringe benefits	308,786
Professional and technical services	110,416
Material and supplies	77,469
Casualty and liability	62,394
Fuel, lubricants and propulsion power	70,516
Depreciation	405,731
Other	66,877
TOTAL OPERATING EXPENSES	1,532,635
OPERATING LOSS	(1,220,979)
NON-OPERATING REVENUES (EXPENSES):	
Local grants	895
Federal grants	185,108
Investment income	29,282
Interest expense	(158,629)
Loss on disposition of capital assets	(385)
Other revenue	7,173
TOTAL NON-OPERATING REVENUES (EXPENSES)	63,444
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,157,535)
CAPITAL GRANTS AND CONTRIBUTIONS:	
Local grants	2,231
State grants	81,725
Federal grants	218,657
Governmental funds	326,405
CAPITAL GRANTS AND CONTRIBUTIONS	629,018
TRANSFERS IN	659,324
TRANSFERS OUT	(41,469)
CHANGE IN NET ASSETS	89,338
Net assets - beginning of year	3,983,185
NET ASSETS - END OF YEAR	$ 4,072,523

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, 2007
(Amount expressed in thousands)

	Business-type Activities
Cash flows from operating activities	
Receipts from customers	$ 317,222
Payments to suppliers	(355,137)
Payments to employees	(693,444)
Net cash used in operating activities	(731,359)
Cash flows from non-capital financing activities	
Transfer from other funds	664,199
Federal operating grants	185,108
Net cash provided by non-capital financing activities	849,307
Cash flows from capital and related financing activities	
Proceeds from the issuance of debt	286,601
Capital contributions	335,925
Payments for matured bonds and notes payable	(375,617)
Acquisition and construction of capital assets	(436,251)
Interest paid	(149,139)
Net cash used in capital and related financing activities	(338,481)
Cash flows from investing activities	
Proceed from sales and maturity of investments	11,432,281
Purchase of investments	(11,378,775)
Investment earnings	28,991
Net cash provided by investing activities	82,497
Net decrease in cash and cash equivalents	(138,036)
Cash and cash equivalents - beginning of year	484,530
Cash and cash equivalents - end of year	$ 346,494
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (1,220,979)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	405,731
Decrease in receivable	3,836
Decrease in due from other funds	14,685
Increase in prepaid and other assets	(5,620)
Increase in inventories	(4,088)
Increase in accounts payable and accrued liabilities	2,511
Increase in compensated absences payable	3,082
Increase in claims payable	27,995
Increase in post employment benefit payable	39,573
Decrease in net pension obligation	(37)
Increase in other liabilities	224
Increase in deferred revenues and credits	1,728
Total adjustments	489,620
Net cash used in operating activities	$ (731,359)
Non-cash investing, capital and financing transactions	
Capital asset write off	$ 45,605
Net decrease in fair value of investments	1,146

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Fiduciary Funds
June 30, 2007
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 6,008	$ 33,456
Investments:		
Bonds	243,558	-
Domestic stocks	145,011	-
Non-domestic stocks	15,416	-
Pooled investments	439,019	-
Receivables:		
Member contributions	372	-
Securities sold	80,263	-
Receivable from sponsors	239	-
Interest and dividends	7,668	343
Special assessments receivable	-	1,786
Special assessments receivable - deferred	-	28,846
Prepaid items and other assets	80	685
Total assets	937,634	65,116
LIABILITIES		
Accounts payable and other liabilities	1,404	245
Sponsor contributions paid in advance	65	-
Accrued interest payable	-	950
Deferred credits	-	281
Securities purchased	119,916	-
Bonds payable	-	63,640
Total liabilities	121,385	65,116
NET ASSETS		
Held in trust for pension benefits and other purposes	$ 816,249	$ -

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, 2007
(Amounts expressed in thousands)

		Employee Retirement Trust Funds
ADDITIONS		
Contributions:		
Employer	$	36,796
Member		20,212
Total contributions		57,008
From investing activities:		
Net appreciation in fair value of investments		101,496
Investment income		16,673
Investment expense		(3,375)
Other income		513
Total investing activities income		115,307
Total additions		172,315
DEDUCTIONS		
Retiree benefits		(65,877)
Administrative expenses		(1,316)
Total deductions		(67,193)
Net increase		105,122
Net assets - beginning of year		711,127
Net assets - end of year	$	816,249

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

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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 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 long-term debt. 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, 2007 is presented below:

	PTSC
Current Assets	$ 72,725
Total Assets	72,725
Current Liabilities	67,038
Long-term Liabilities	5,687
Total Liabilities	72,725
Net Assets	$ -
Total Revenues	180,883
Total Expenses	(180,883)
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 cease to exist 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 Boulevards in Culver City.

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

Metro's financial statements, prepared in accordance with Governmental Accounting Standards 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 tax 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 the 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 provide sound financial administration. The Enterprise fund is Metro's only proprietary fund.

Metro's Enterprise fund is used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and 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 secured by sales tax revenue, State and Federal grants, and contributions from the governmental funds. Sales tax secured debt is reported as liabilities in the enterprise fund. The financial resources used to pay the debt principal and interest are reported as 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 jurisdictions for local transit; 35 percent to be used for construction and operation of rail rapid transit systems; and 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; and 40 percent to improve and expand rail and bus transit county-wide.

Traffic Congestion Relief Program (TCRP) – This fund is used to account for revenue received from the State for projects that relieve congestion, provide for the safe and efficient movement of goods, and provide inter-modal connectivity of transportation systems throughout California.

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, including Metro, for operating and capital uses.

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

Service Authority for Freeway Emergencies (SAFE) – This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by a $1 per car registration fee in Los Angeles County to improve freeway emergency responses, including call box operations.

Propositions A and C, TDA Administration – This fund is used strictly to account for administrative activities, including 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.

Metro's investments, as well as 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 designated or restricted 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 and property damages and, workers' compensation liabilities.

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.

Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful life of the related assets as follows:

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 unamortized bond premiums.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In February of each year, all Metro departments submit requests for appropriations to management so that an operational and capital projects budget can 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 is planned to 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 the life of project budget whenever new capital projects are approved. All non-capital 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. Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

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

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

B. Encumbrances

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of June 30, 2007, the following are Metro's cash deposits and investments:

Cash Deposits and Investments:	Business-type Activities	Governmental Activities	Total
Cash deposits	$ 3,653	$ 294	$ 3,947
Asset-backed securities	6,218	310	6,528
Bankers acceptance	4,410	133,211	137,621
Certificates of deposit	93	-	93
Commercial paper	83,722	186,010	269,732
Guaranteed investment contracts	69,197	-	69,197
Investment pools	40,298	270,861	311,159
Lease/leaseback investment agreements	813,702	-	813,702
Medium-term notes	88,070	25,750	113,820
Mortgage-backed securities	27,417	7,824	35,241
Pooled funds and mutual funds	155,329	144,561	299,890
Repurchase agreements	500	-	500
US Agency securities	324,695	296,132	620,827
US Treasury obligations	247,433	71,197	318,630
Total fair value	$ 1,864,737	$ 1,136,150	$ 3,000,887
Reported in Statement of Net Assets and Balance Sheets:			
Cash and cash equivalents	$ 50,350	$ 758,942	$ 809,292
Investments	2,258	376,282	378,540
Cash and cash equivalents - designated	18,875	-	18,875
Cash and cash equivalents - restricted	277,269	926	278,195
Investments - designated	444,109	-	444,109
Investments - restricted	1,071,876	-	1,071,876
Total	$ 1,864,737	$ 1,136,150	$ 3,000,887

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 deposits 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 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 designated/restricted assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

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 balances for governmental funds and in the statement of revenues, expenses and changes in fund net assets for the proprietary funds. 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 25, 2007, 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 portfolios will remain sufficiently liquid to enable Metro to meet operating requirements which might be reasonably anticipated; and **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 Type	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 the 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
Bankers acceptance	180 days	40%	10%	AAA/Aaa
Commercial paper	270 days	25%	10%	A
Negotiable certificates 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 follows:

- 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, 2007, Metro's carrying amount of cash is comprised of $706 in working funds, $2,901 in checking accounts and $340 in debt service accounts for a combined total of $3,947. Metro's total bank balance was $24,764 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, 2007, 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	$ 6,528	0.001545	0.40%	AAA
Bankers acceptance	134,010	0.005293	8.13%	A-1+ to A-1
Certificates of deposit	93	0.000001	0.01%	Not Rated
Commercial paper	194,543	0.009655	11.81%	A-1+ to A-1
Investment pools	311,159	0.000517	18.88%	Not Rated
Medium-term notes	111,389	0.123246	6.76%	A- to AAA
Medium-term notes	2,431	0.000037	0.15%	BBB+
Mortgage-backed securities	35,241	0.029810	2.14%	AAA
Pooled funds and mutual funds	152,490	0.003776	9.25%	Not Rated to AAA
Repurchase agreements	500	0.000001	0.03%	Not Rated
US Agency securities	498,569	0.267099	30.26%	Not Rated to AAA
US Treasury obligations	200,860	0.217836	12.18%	Exempt
Total	**$ 1,647,813**		**100.00%**	
Portfolio Weighted Average Duration		**0.658816**		

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) totaled $80,000, Los Angeles County Investment Pool (LACIP) totaled $221,159 and the Investment Trust of California (CalTrust) totaled $10,000 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 over LAIF. The County Board of Supervisors provides regulatory oversight over the LACIP. CalTrust is administered and supervised by a Board of Trustees comprised of experienced investment officers and policy-makers of the public agency members and, 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, 2007 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	$ 3,611	0.000693	0.68%	A1 to A1+
Commercial paper	75,189	0.018277	14.04%	A1 to A1+
Guaranteed investment contracts	69,197	1.264273	12.92%	AA to AAA
Pooled funds and mutual funds	147,400	0.030787	27.53%	Not Rated to AAA
US Agency securities	122,258	0.157793	22.83%	Not Rated to AAA
US Treasury obligations	117,770	0.020035	22.00%	Exempt
Total	$ 535,425		100.00%	
Portfolio Weighted Average Maturities		1.491858		

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, 2007 totaled $813,702.

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 of 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 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 investments 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, 2007, there is no exposure to currency risk as all Metro cash deposits and investments are denominated 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 and advances on goods delivered or services rendered.

As of June 30, 2007, the enterprise fund is indebted to the special revenue funds in the amount of $61,873.

Business-type Activities	Governmental Activities	
Receivable Fund	Payable Fund	Amount
Enterprise	TDA	$ 6,806
Enterprise	STA	41,321
Enterprise	General Fund	(110,000)
Total		$ (61,873)

Transfers in and out by fund are as follows:

	Transfers In				
Transfers Out	Enterprise Fund	General Fund	Proposition C Fund	Other Special Revenue Funds	Total
General Fund	$ 4,415	$ -	$ 47	$ -	$ 4,462
Proposition A	269,384	2,869	241	32,411	304,905
Proposition C	320,766	6,972	-	10,175	337,913
TDA	226,761	-	-	5,369	232,130
STA	164,403	-	-	-	164,403
Other Special Revenue	-	-	2,436	-	2,436
Enterprise Fund	(41,469) *	-	41,469	-	-
Total	$ 944,260	$ 9,841	$ 44,193	$ 47,955	$ 1,046,249

* Enterprise fund bond proceeds used to finance HOV lane improvements on various major highway projects.

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, 2007, 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	$ 22,520	$ 1,037		$ 23,557
Notes	727	-		727
Interest	9,174	7,326		16,500
Intergovernmental	389,016	180,960	*	569,976
Sales Tax	-	161,833		161,833
Gross Receivables	421,437	351,156		772,593
Less Allowances	(3,247)	-		(3,247)
Net Receivables	$ 418,190	$ 351,156		$ 769,346

* Includes noncurrent intergovernmental receivables of $3,521

Receivables as of June 30, 2007 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, 2007 for governmental activities by individual major funds and non-major funds are as follows:

Receivables	General Fund	Proposition A	Proposition C	TCRP	TDA	STA	Other Governmental Fund		Total Governmental Funds
Accounts	$ 1,021	$ -	$ -	$ -	$ -	$ -	$ 16		$ 1,037
Interest	794	1,506	2,409	950	981	414	272		7,326
Intergovernmental	7,512	-	14,500	150,000	-	-	8,948	*	180,960
Sales Tax	-	45,774	45,800	-	22,931	47,328	-		161,833
Total Receivables	$ 9,327	$ 47,280	$ 62,709	$ 150,950	$ 23,912	$ 47,742	$ 9,236		$ 351,156

* Includes noncurrent intergovernmental receivables of $3,521

D. Investments in Other Agencies

As of June 30, 2007, Metro has made a $192,746 investment in the Southern California Regional Rail Authority (SCRRA). Metro holds 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 assets activity for the year ended June 30, 2007 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 615,247	$ 3,332	$ (1,857)	$ 616,722
Construction in progress	943,947	352,949	(219,931)	1,076,965
Total capital assets, not being depreciated	1,559,194	356,281	(221,788)	1,693,687
Capital assets, being depreciated:				
Buildings	6,194,381	38,068	(1,498)	6,230,951
Equipment	532,906	152,889	(36,300)	649,495
Vehicles	1,760,124	102,413	(24,949)	1,837,588
Total capital assets, being depreciated	8,487,411	293,370	(62,747)	8,718,034
Less accumulated depreciation for:				
Buildings	(1,754,713)	(200,227)	1,637	(1,953,303)
Equipment	(388,052)	(82,797)	36,300	(434,549)
Vehicles	(814,863)	(122,707)	23,347	(914,223)
Total accumulated depreciation	(2,957,628)	(405,731)	61,284	(3,302,075)
Total capital assets, being depreciated, net	5,529,783	(112,361)	(1,463)	5,415,959
Business-type activities capital assets, net	$ 7,088,977	$ 243,920	$ (223,251)	$ 7,109,646
Governmental Activities				
Capital assets, not being depreciated:				
Land	778,779	-	(5,985)	772,794
Capital assets, being depreciated:				
Freeway Service Patrol Safe Vehicles	368	-	-	368
Less accumulated depreciation	(175)	(82)	-	(257)
Total capital assets, being depreciated, net	193	(82)	-	111
Governmental-type activities capital assets, net	$ 778,972	$ (82)	$ (5,985)	$ 772,905

Depreciation expense was charged to functions/programs are as follows:

Business-type Activities	
Bus Operations	$ 138,003
Rail Operations	267,728
Total - Business-type Activities	405,731
Governmental Activities	
Congestions Relief (SAFE)	82
Total depreciation expense	$ 405,813

Metro does not have any capital assets subject to impairment under GASB 42.

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.

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 as of June 30, 2007 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. As of June 30, 2007, a cash reserve of $201,074 has been established equal to the workers' compensation 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. As of June 30, 2007, a cash reserve of $96,782 has been set aside equal to the property and casualty liabilities.

Further, Metro has an all-risk property insurance program that covers all Metro property. The property insurance policy covers insurable values of approximately $7,000,000 with policy limits of $300,000 for all other perils except flood and earthquake. 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, 2007 and 2006:

	Property and Casualty		Workers' Compensation		Total	
	2007	2006	2007	2006	2007	2006
Unpaid claims and claim adjustment reserve - beginning of year	$ 64,770	$ 104,497	$ 205,091	$ 184,078	$ 269,861	$ 288,575
Provisions for insured events	54,276	37,230	20,240	49,744	74,516	86,974
Interest Income	3,867	1,426	11,334	4,466	15,201	5,892
Total incurred claims and claims adjustment expense	122,913	143,153	236,665	238,288	359,578	381,441
Payment attributable to insured events	(26,131)	(78,383)	(35,591)	(33,197)	(61,722)	(111,580)
Total unpaid claims and claim adjustment reserves-end of year	$ 96,782	$ 64,770	$ 201,074	$ 205,091	$ 297,856	269,861

It is Metro's practice to review prior years' claim payment patterns to determine the current portion of claims payable. As of June 30, 2007, $61,722 of the total claims liability is considered current.

G. Compensated Absences

Metro'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 hours and sick leave hours in varying amounts based on the collective bargaining agreements with the various unions. Under the July 2006 to June 2009 contracts, vacation hours are not cumulative, however, employees may carry over vacation hours of up to 40 hours for TCU and ATU and 40 hours for UTU to the next vacation period if notice is given by April 1, otherwise, unused vacation hours earned for the year are paid off on May 31. All other 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 at a rate of 75 percent of face value. Unused sick leave for contract employees is payable at the rate of 100 percent of the face value upon retirement or death.

Metro, 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 based on years of service. 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 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.

The following is a summary of the compensated absences payable as of June 30, 2007:

	Balance June 30,2006	Earned	Used	Balance June 30,2007	Due Within One Year
Union					
Vacation Leave	$ 24,168	$ 22,459	$ (21,938)	$ 24,689	$ 24,526
Sick leave	20,387	8,587	(6,265)	22,709	7,060
TOWP	5,182	6,105	(6,034)	5,253	5,253
Total Union	49,737	37,151	(34,237)	52,651	36,839
Non-union					
Vacation Leave	603	104	(33)	674	40
Sick leave	3,108	298	(111)	3,295	177
TOWP	14,359	14,930	(15,020)	14,269	14,269
Total Non-Union	18,070	15,332	(15,164)	18,238	14,486
Total	$ 67,807	$ 52,483	$ (49,401)	$ 70,889	$ 51,325

H. Leases

Operating Leases

Metro has entered into various lease agreements as "lessor" to lease various parcels of land located within the vicinity of the Heavy Rail 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, 2007 is $42,943 and is included under the Land caption in the Capital Assets section on page 58.

The following is a schedule by years of minimum future rentals to be received on non-cancelable operating leases as of June 30, 2007:

Year Ending June 30	Amount
2008	$ 1,525
2009	1,540
2010	2,061
2011	2,063
2012	2,116
Thereafter	167,978
Total	$ 177,283

Metro is committed under various leases as "lessee" for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2007 were $2,451. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2008	$ 2,049
2009	1,461
2010	1,134
2011	898
2012	755
Total	$ 6,297

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 activities. 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	Buildings	Total
Cost	$ 32,512	$ 35,051	$ 67,563
Less: accumulated depreciation	(13,466)	(20,249)	(33,715)
Net	$ 19,046	$ 14,802	$ 33,848

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	2.89% - 7.00%	$13,210

The lease payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2008	$ 2,682	$ 430
2009	2,792	320
2010	2,603	209
2011	2,313	124
2012	1,990	56
2013	830	11
Total	$ 13,210	$ 1,150

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 paper, are subject to the Federal arbitrage regulation.

Metro's bond and note obligations related to its business-type and governmental activities as of June 30, 2007 are as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Business-type Activities					
General revenue bonds	$ 252,455	$ -	$ (16,165)	$ 236,290	$ 12,330
Capital grant receipts revenue bonds	264,885	-	(25,175)	239,710	-
Capitalized lease	17,139	-	(3,929)	13,210	2,682
Sales tax revenue bonds and refunding bonds	3,160,135	176,020	(274,525)	3,061,630	103,805
Sales tax revenue bonds - local allocation	6,510	-	(2,170)	4,340	2,170
Lease revenue bonds	8,802	-	(8,802)	-	-
Lease/leaseback to service obligation	811,097	38,741 *	(36,136)	813,702	45,003
Commercial paper notes	187,673	1,252	-	188,925	-
Business-type Activities Long-term Liabilities	4,708,696	216,013	(366,902)	4,557,807	165,990
Governmental Activities					
Redevelopment and housing bonds	27,792	8,617	(9,133)	27,276	551
Total Long-term Liabilities	$ 4,736,488	$ 224,630	$ (376,035)	$ 4,585,083	$ 166,541

* 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 repay 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%	$ 236,290

Annual debt service requirements to maturity for the General Revenue bonds are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2008	$ 12,330	$ 8,392
2009	17,190	7,795
2010	18,050	7,113
2011	19,020	6,347
2012	5,650	5,842
2013-2017	35,075	25,815
2018-2022	48,475	18,545
2023-2027	65,150	8,650
2028	15,350	268
Total	$ 236,290	$ 88,767

Capital Grant Receipts Revenue Bonds

The Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005-A are Fixed Rate Bonds from 3.13 to 5.00 percent, and Series 2005B-1 and Series 2005B-2 are Auction Rate Securities. The bond proceeds have been used 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 Activites	3.13% - 5.00%	$ 239,710

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
2008	$ -	$ 10,196
2009	23,025	9,352
2010	42,325	8,208
2011	65,605	6,224
2012	68,365	3,434
2013	40,390	943
	$ 239,710	$ 38,357

Sales Tax Revenue and Refunding Bonds

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.

On September 19, 2006, Metro issued $129,385 aggregate principal amount of the Proposition C Second Senior Sales Tax Revenue Refunding Bonds, Series 2006-A Bonds. The proceeds of the Series 2006-A Bonds were used to (a) advance refund and defease $123,270 of the outstanding principal amount of the Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2000-A; (b) fund the debt service reserve fund requirement of the Series 2006-A Bonds; and (c) pay the costs associated with issuing the Series 2006-A Bonds.

In October 2006 Metro entered into a forward delivery bond purchase agreement and on April 3, 2007, Metro issued $46,635 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds to defease $49,405 of the outstanding principal of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1997-A and to pay the costs associated with issuing the Series 2007-A Bonds.

Sales Tax Revenue and Refunding bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	2.50% - 9.00%	$ 3,061,630

Annual debt service requirements to maturity for the Sales Tax Revenue and Refunding bonds are as follows:

Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2008	$ 103,805	$ 140,244
2009	113,320	133,742
2010	118,695	127,837
2011	124,605	121,650
2012	130,500	115,200
2013-2017	761,330	472,338
2018-2022	964,740	273,314
2023-2027	483,705	103,250
2028-2032	182,330	35,990
2033-2037	78,600	44,559
Total	$ 3,061,630	$ 1,568,124

Sales Tax Revenue Bonds – Local Allocation

The City of Los Angeles requested Metro to issue Sales Tax Revenue Bonds to pay for the acquisition of certain buses for the City's local public transit operations. The bonds were 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%	$ 4,340

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2008	$ 2,170	$ 139
2009	2,170	47
Total	$ 4,340	$ 186

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 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 Revenue bonds were fully paid in December 2006.

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%	$ 813,702

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2008	$ 45,003	$ 6,873
2009	4,400	16,637
2010	49,265	34,031
2011	71,992	18,829
2012	42,514	17,329
2013-2017	327,457	225,112
2018-2022	69,486	279,124
2023-2027	65,509	142,621
2028-2032	138,076	224,895
Total	$ 813,702	$ 965,451

Commercial Paper Notes

Metro operates two commercial paper (CP) programs to maintain access to a low cost, flexible source of capital financing. Commercial paper notes (CPN), taxable and tax-exempt, are issued by Metro with maturity dates ranging from 1 to 270 days at various interest rates. Under the terms of the programs, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of Metro to pay the accrued interest and reissue the principal amounts as they mature. The proceeds from the CPNs have been used to provide interim financing for construction and acquisition activities, including construction of rail capital projects and rail right of way acquisitions. Metro periodically retires CPN by issuing long-term, fixed rate bonds.

The taxable and tax-exempt commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by a single bank for the taxable CPN program and a team of two banks for the tax-exempt CPN program. Each bank is required to have a credit rating of at least “AA-”. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal that has been advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from Metro. Interest is reimbursed to the banks on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or Metro is unable to repay interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loans are repayable over a period of three years with equal semi-annual principal payments. Interest is charged at rates specified in the applicable Reimbursement Agreement. The 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, 2007, $188,925 of commercial paper was outstanding, tax-exempt and taxable commercial paper notes are $109,948 and $78,977, 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 Multifamily Housing and Redevelopment Project. Under this agreement, housing and redevelopment bonds were issued by the CRA.

The housing bonds which were issued in 1993, to fund the multifamily housing project in the historic Grand Central Square in downtown Los Angeles, were fully refunded on June 21, 2007, by the 2007-B Grand Central Square Multifamily Housing Revenue Refunding Bonds with the aggregate principal amount of $8,615. The purpose of these bonds was to redeem Metro's portion of the 1993-A Series. The CRA jointly refunded its portion by the 2007-A Series.

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 promote the use of mass transit and reduce 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 year 2026.

Housing and Redevelopment bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.50% - 5.38%	$ 27,276

Annual debt service requirements to maturity for the Housing and Redevelopment bonds are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2008	$ 551	$ 1,311
2009	960	1,293
2010	1,010	1,252
2011	1,050	1,208
2012	1,015	1,163
2013-2017	5,825	5,053
2018-2022	7,380	3,445
2023-2027	9,485	1,281
Total	$ 27,276	$ 16,006

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. As of June 30, 2007, 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.

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, US Government or certain federal agency securities. In June 2007, Metro required collateral to be posted by the Bank of Montreal, one of Metro's counterparties because of the downgrade of the bank's credit rating by Standard and Poor's (S&P) from AA- to A+.

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, 2007, 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, 2007, 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, 2007, Metro has no difficulties in obtaining liquidity support.

Below is the list of Metro's outstanding interest rate swap agreements as of June 30, 2007.

Bond Series	Notional Amount	Fixed Rate Paid	Variable Rate Received	Fair Values June 30, 2007	Effective Date	Termination Date	Counterparty
Sales Tax Series-1992-A	$ 61,200	5.86%	SIFMA/60% of USD-LIBOR	$ (4,197)	6/17/1992	7/1/2012	AIG Financial Products Corp
Prop C Series 1993-A	195,650	5.16%	SIFMA/60% of USD-LIBOR	(27,940)	6/30/1993	7/1/2020	AIG Financial Products Corp
Prop C Series 2003-B	167,700	3.44%	68% of USD -LIBOR	5,382	10/9/2003	7/1/2023	Wachovia Bank
Prop C Series 2003-C	213,225	3.38%	68% of USD-LIBOR	6,754	10/9/2003	7/1/2025	Goldman Sachs Mitsui Marine Derivative Products, L.P.
Gateway Series 2004	184,250	3.50%	64% LIBOR+0.21%	5,002	9/22/2004	7/1/2027	Bank of Montreal
Prop A Series 2005-C1/C2	132,225	3.36%	63% LIBOR+0.14%	4,546	8/23/2005	7/1/2031	Bank of Montreal
Prop A Series 2005-C3/C4	132,250	3.36%	63% LIBOR+0.14%	4,566	8/23/2005	7/1/2031	Deutsche Bank AG
Total	$ 1,086,500			$ (5,887)			

Metro neither received nor paid any upfront amount when these swaps were initiated. Relevant market interest rates on the valuation date 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 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, 2007, 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, 2007, annual 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
2008	$ 7,450	$ 30,199	$ (606)	$ 37,043
2009	8,000	29,918	(605)	37,313
2010	15,900	29,482	(596)	44,786
2011	16,675	28,889	(578)	44,986
2012	17,475	28,267	(560)	45,182
2013-2017	171,250	127,462	(2,402)	296,310
2018-2022	276,825	84,771	(1,285)	360,311
2023-2027	269,750	31,863	(107)	301,506
2028-2032	53,775	1,924	10	55,709
Total	$ 837,100	$ 392,775	$ (6,729)	$ 1,223,146

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 67.

Counterparty Ratings

The current ratings of the counterparties on Metro's existing swaps as of June 30, 2007 are as follows:

		Long-term Ratings	
Counterparty	Bond Issue	Moody's	S&P
AIG Financial Products Corp.	Proposition A Series 1992-A	Aa2	AA
AIG Financial Products Corp.	Proposition C Series 1993-A	Aa2	AA
Wachovia Bank	Proposition C Series 2003-B	Aa1	AA
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Proposition C Series 2003-C	Aaa	AAA
Bank of Montreal	Gateway Series 2004	Aa1	A+
Bank of Montreal	Proposition A Series 2005 C1 & C2	Aa1	A+
Deutsche Bank AG - New York Branch	Proposition A Series 2005 C3 & C4	Aa1	AA-

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

During the fiscal year, Metro executed three refundings. In September 2006, Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2006-A was issued to advance refund and defease $123,270 aggregate principal amount of the outstanding Proposition C Sales Tax Revenue Second Senior Bonds, Series 2000-A. In April 2007, Metro issued Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2007-A to current refund and defease $49,405 aggregate principal amount of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1997-A. In June 2007, Metro's Housing Bonds Series 1993-A with $8,335 aggregate principal amount, was fully refunded by the Grand Central Square Multifamily Housing Revenue Refunding Bonds, Series 2007-B.

The net cash flow savings that resulted from the 2007 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 C 2006-A Refunding Bonds	$ 230,266	$ 204,151	$ 26,115	$ 13,599
Proposition A 2007-A Refunding Bonds	69,367	64,284	5,083	4,238
Grand Central Square Multifamily Housing Refunding Bonds	14,311	13,037	1,274	756
Total	$ 313,944	$ 281,472	$ 32,472	$ 18,593

J. Post-employment Benefits

In addition to providing pension benefits, Metro provides post-employment benefits that consist of health care and life insurance benefits purchased for retired employees and families. Substantially all employees of Metro may become eligible for these benefits if they reach the appropriate eligibility requirements for retirement while working for Metro. The benefit provisions and all other requirements are established by collective bargaining agreements and/or Board actions. The cost of providing these benefits for approximately 3,090 participants was $54,393 for the year ended June 30, 2007, and Metro contributions are funded on a pay-as-you-go-basis. The outstanding liability for the post-employment benefits as of June 30, 2007, is $165,947.

Metro will implement the new reporting requirements of GASB 45 for the fiscal year ending June 30, 2008.

K. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

Metro's commitments to vendors for capital projects which are in various phases of development as of June 30, 2007 are as follows:

	Contract Commitments	
Project	Total	Remaining
Rail Projects	$ 607,725	$ 344,920
Bus Rapid Transit	160,894	8,885
Bus Acquisition and Others	234,430	62,381
Total	$ 1,003,049	$ 416,186

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 $520,815 as of June 30, 2007.

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 requesting 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, 2007, the contribution rate of covered payroll was 14.73 percent. This rate includes the mandatory employee contribution of 7.00 percent that is currently paid by PTSC.

Total Annual Required Contributions (ARC) for the years ended June 30, 2007, 2006, and 2005 were $18,026, $17,299, and $14,538, 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, 2007, 2006, and 2005, were $8,567, $8,013, and $7,359, respectively. As of June 30, 2007, 2006, and 2005, there were no Net Pension Obligations (NPO) for this fund.

The valuation date was June 30, 2004 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 to be no less than 80% of market value for the purpose of determining 2006/2007 employer contributions. Initial unfunded liabilities are amortized over a closed period 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 3.00 percent; and projected salary increases between 3.25 and 14.50 percent dependent on employee age, years of service, and type of employment.

Changes Since Prior Year's Valuation

Since the prior year's valuation, the PERS Board approved an employer rate stabilization policy, with the following features:

- In the calculation of the actuarial value of assets, market value asset gains and losses are spread over 15 years as compared to 3 years;
- Changed the corridor limits for the actuarial value of assets from 90% - 100% of market value to 80% - 120% of market value;
- Gains and losses are amortized over a rolling 30 year period. In the past, the amortization payment on gains and losses was 10 percent of the base.
- A minimum employer contribution rate was established equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0 percent).

Metro-administered Plans

Metro has a single-employer public employees retirement system that includes five defined benefit pension plans (Plans) covering substantially all employees, providing retirement, disability, and death benefits. Generally, employees' rights to retirement benefits vest after five (5) years for non-represented, Teamster, and AFSCME employees, and ten (10) years for UTU, ATU, and TCU employees, and are based on the individual employee's years of service, age, final compensation, and, for bargaining units, disability status. The benefit provisions and all other requirements are established by state statute, ordinance, collective bargaining agreements, or Board of Directors' actions. An annual stand-alone financial report is issued for the plans and can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

Metro's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed cost as they accrue. Actuarially computed costs are determined using the projected unit credit method. The employee and employer contributions are required by the plan agreement as either a percentage of annual earnings or the dollar amount recommended 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, 2007, 2006, and 2005, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2007						
Employer	$ 16,092	$ 2,952	$ 14,292	$ 2,849	$ 1,525	$ 37,710
Employee	14,850	1,585	3,535	-	-	19,970
Total	$ 30,942	$ 4,537	$ 17,827	$ 2,849	$ 1,525	$ 57,680
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

The annual pension cost, annual amount contributed and net pension obligation for the years ended June 30, 2007, 2006, and 2005 are as follows:

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2007						
Annual Pension Cost	$ 16,055	$ 2,952	$ 14,291	$ 2,849	$ 1,525	$ 37,672
Annual Amount Contributed	16,120	2,952	14,424	2,849	1,525	37,870
Net Pension Obligation	973	-	-	-	-	973
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

The components of the Net Pension Obligation (NPO) for UTU employees for years ended June 30, 2007, 2006 and 2005 are as follows:

	Annual Required Contributions (ARC) (a)	NPO at the beginning of the year (BOY) (b)	Interest on the NPO at the BOY (c)	Adjustment to ARC (d)	Amortization of NPO at the BOY(Decrease in NPO) (e)	NPO at the end of the year (EOY) (b)+(c)+(d)+(e)
2007	$ 16,092	$ 1,010	$ 81	$ -	$ (118)	$ 973
2006	13,113	2,056	174	(973)	(247)	1,010
2005	14,085	2,131	181	-	(256)	2,056

Metro's contributions to the Plans for the year ended June 30, 2007, were made in accordance with the actuarially determined requirements computed as of December 31, 2005. Actuarially computed costs are determined using the projected unit credit method. The Net Pension Obligations (NPO) for the UTU Plan for the years ended June 30, 2007, 2006 and 2005 were $973, $1,010 and $2,056, respectively. There was no NPO at June 30, 2007, 2006 or 2005, for the ATU, TCU, AFSCME or NC Plans. The required contribution rates by employees for the years ended June 30, 2007, 2006, and 2005 were between 0 and 8.49 percent, 0 and 7.06 percent, and 0 and 7.49 percent, respectively, of their annual wages. The employer rate is equal to the ARC. The method of ½ book value + ½ market value was used to determine the actuarial value of assets. Unfunded liabilities are amortized at the assumed investment rate of return, over a fixed period of either 15 years or a period that declines by one year every year (currently 17 years for fiscal year ended June 30, 2007). The key actuarial assumptions are: an 8.00 percent investment rate of return including a 3.00 percent rate for inflation; projected salary increases tied to age-based rates 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 $15,500 (not in thousands) or 100 percent of their earnings in calendar year 2007. 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, 2007), and employees eligible for retirement within three years can avail of the "catch up provision", totaling $31,000 (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.] Metro does not match employees' contributions to the deferred compensation plan. As of June 30, 2007, the deferred compensation plans had assets stated at fair value of $200,904.

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 assets of the 401(k) plan and the related liability to employees are not reported in the fiduciary fund]. Metro does not match employees' contributions to the 401 (k) savings plan. As of June 30, 2007, the 401(k) savings plan had assets stated at fair value of $236,651.

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 $41,000 (not in thousands), or $51,500 (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 BADs have 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 a balance of $60,465 and A2 Bonds with a balance of $3,175 are solely payable from assessments paid by owners of assessable property within Districts A1 and A2.

These 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's 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, 2007.

As of June 30, 2007, Metro provided funding for the majority of the system's operating and capital costs. Summary audited financial information for the SCRRA for the year ended June 30, 2006 (most recent data available) was as follows:

Current Assets	$	138,733
Capital Assets, net		680,619
Other Assets		38,648
Total Assets		858,000
Total Liabilities		147,616
Net Assets	$	710,384
Total Revenues		191,506
Total Expenses		(169,903)
Increase in Net Assets	$	21,603

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.

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 (the "Code"). Section 4965 imposes a Federal excise tax (the "New Excise Tax") on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. This provision could impact Metro's leveraged leasing transactions. The Internal Revenue Service recently released proposed regulations to further clarify which transactions are subject to the New Excise Tax and calculation of the New Excise Tax. Based on the proposed regulations, Metro believes that the New Excise Tax will not have a material adverse effect on its financial results or condition.

Q. 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 cost of severance pay of $174 for the year ended June 30, 2007 was disbursed over a period of six months from the effective day of layoff. The costs of other benefits were recorded as incurred. The outstanding balance of accrued severance cost is $2,299 (not in thousands) as of June 30, 2007.

R. Compressed Natural Gas (CNG) Hedging

Metro has entered into commodity swap agreements to hedge about 95% of its annual exposure to changes in the cost of natural gas. As of June 30, 2007, Metro had two outstanding commodity swaps.

In each of the swap agreements, Metro pays a counterparty an amount based on a fixed rate and receives an amount based on a specified variable rate index. The variable rate is intended to be, on average, equal to the rate Metro will pay to purchase its natural gas. If the variable rates Metro receives from the swap counterparty and actual payments for natural gas fully offset each other, then the fixed rate paid to the counterparty becomes the cost of purchasing natural gas.

The following risks are generally associated with swap agreements.

Counterparty Risk – the risk that the counterparty fails to make required payments or otherwise comply with the terms of the swap agreement.

This non-performance would usually result from financial difficulty, but could also occur for physical, legal or business reasons. This risk is mitigated by establishing minimum credit quality criteria, establishing maximum credit limits, requiring collateral on counterparty downgrade. To mitigate credit risk, Metro monitors the credit ratings of the counterparties on a quarterly basis.

Basis Risk – The risk that there is a mismatch between the variable rate payment received from the swap counterparty and the variable rate paid for gas purchases.

Metro mitigated this risk by conducting an extensive survey of relevant products and indices and selected one that has a strong correlation with the price changes of the cost of gas.

Termination Risk – The risk that there will be a mandatory early termination of the commodity swap that would result in Metro either paying or receiving a termination payment.

Mandatory terminations generally result when a counterparty or Metro suffers degraded credit quality, illiquidity, bankruptcy or failure to perform. Metro mitigates this risk by establishing minimum credit quality criteria, establishing maximum credit limits, and requiring collateral on counterparty downgrade and employing credit rating surveillance. Metro monitors the credit ratings of the counterparties on a quarterly basis.

Metro calculates its termination exposure for all existing and proposed swaps at market value quarterly. Below is the list of Metro's outstanding natural gas commodity swap agreements as of June 30, 2007.

Execution Date	Counterparty	Fixed Rate Paid (per therm)	Variable Rate Received	Fair Values As of 06/30/07	Start Date	End Date	Notional Amount
6/22/2007	BP Corp. North America	$ 0.759	NGI SoCal Border	$ 1,796	7/1/2007	6/30/2008	$ 51,240
6/22/2007	Bear Energy LP	0.821	NGI SoCal Border	442	7/1/2008	6/30/2009	25,550
Total				**$ 2,238**			**$ 76,790**

The fair value is the theoretical cost to terminate the swap at the valuation date. The fair values were estimated by discounting the future monthly net cash flows that would be anticipated based on current futures pricing.

On June 30, 2007, the relevant market rates of the swaps were lower than market rates on the effective date of the swaps. Consequently, those swaps had negative fair values.

Metro neither received nor paid any upfront amount when these swaps were initiated. As of June 30, 2007 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.

Counterparty Ratings

The current ratings of the counterparties on Metro's existing natural gas commodity swaps as of June 30, 2007 were as follows:

Counterparty or Guarantor	Execution Date	Long-term Ratings	
		Moody's	S&P
BP Corp. North America	6/22/2007	Aa1	AA+
The Bear Stearns Companies Inc Guarantor for Bear Energy LP	6/22/2007	A1	A

S. Effects of New Pronouncements

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

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans.*" This statement establishes uniform financial reporting standards for other post-employment benefits (OPEB) plans and is effective for fiscal periods beginning after June 30, 2006. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB Trust Fund included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. Metro established the OPEB Trust Fund on August 1, 2007. The first report of the trust fund will be for the fiscal year ending June 30, 2008.

In July 2004, GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*." This statement addresses how the 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. The actuarially determined Annual Required Contribution (ARC) for FY08 is $62 million. Metro will implement GASB 45 for the fiscal year ending June 30, 2008.

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. Metro has not engaged in any transactions as described in GASB 48.

In November 2006, GASB issued Statement No. 49 *"Accounting and Financial Reporting for Pollution Remediation Obligations".* This statement addresses accounting and financial reporting standards for pollution remediation obligations. Pollution remediation obligations generally will result in recognition and reporting of pollution remediation liabilities, or in other instance, an obligation to participate in pollution remediation activities will result in recognition and reporting of capital assets transactions at the time those assets are acquired. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2007. The requirements of GASB 49 will be reported for the fiscal year ending June 30, 2009.

In May 2007, GASB issued Statement No. 50 *"Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27".* This statement more closely aligns the financial reporting requirements for pensions with those for Other Postemployment Benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is effective for periods beginning after June 15, 2007. The requirements of GASB 50 will be reported for the fiscal year ending June 30, 2008.

In June 2007, GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*." This statement addresses how to establish accounting and financial reporting requirements for intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. Metro plans to implement the new reporting requirements for the fiscal year ending June 30, 2010, as applicable.

In November 2007, GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This statement will improve the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value and thus creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. This statement requires governments to report the changes in fair value as investment income. It also requires the governments to disclose the methods and significant assumptions employed to determine fair value, and to provide other information that they currently present for other investments reported at fair value. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2008. Metro plans to implement the new reporting requirements for the fiscal year ending June 30, 2009, as applicable.

T. Subsequent Events

New Metro Fare Structure

Effective July 1, 2007, Metro changed its fare structure for bus and rail service. The increase will help Metro's financial stability while maintaining quality service.

Regular cash fares will remain the same but the Metro day, week and monthly passes are increased; semi monthly pass is eliminated; and an EZ transit pass, good for use on Metro and the various municipal bus operators in Los Angeles County, is also increased.

There are also modest increases to senior, disabled, and student fares, which had not changed since 1995 and a new 25 cent non-rush hour fare will be available to the disabled and seniors over 65 year old.

Long-term Debt

In October 2007, Metro redeemed $11,500 of the Capital Grant Receipts Revenue Bonds Series 2005B-1 and $ 11,525 Series 2005B-2 for a total amount of $23,025. A mandatory redemption of $23,025 would have been required on December 30, 2008. Metro redeemed the bonds a year early in order to reduce its future debt service requirements.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress - Pension Plans
For Fiscal Year Ended June 30, 2007
(Amounts expressed in thousands)

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

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
PTSC *						
06/30/06	$ 215,195	$ 213,556	$ 1,639	99.24%	$ 108,085	1.52%
06/30/05	$ 187,830	$ 184,569	$ 3,261	98.26%	$ 108,409	3.01%
06/30/04	$ 159,314	$ 156,984	$ 2,330	98.54%	$ 111,191	2.10%
Metro **						
UTU						
12/31/06	421,910	294,544	127,366	69.81%	186,564	68.27%
12/31/05	411,570	271,771	139,799	66.03%	174,990	79.89%
12/31/04	353,906	259,397	94,509	73.30%	172,981	54.64%
TCU						
12/31/06	69,215	50,339	18,876	72.73%	26,784	70.47%
12/31/05	66,898	46,440	20,458	69.42%	26,682	76.67%
12/31/04	55,997	46,020	9,977	82.18%	28,089	35.52%
ATU						
12/31/06	257,511	171,621	85,890	66.65%	99,117	86.66%
12/31/05	243,389	156,040	87,349	64.11%	97,789	89.32%
12/31/04	216,228	150,155	66,073	69.44%	99,330	66.52%
Non-Contract						
12/31/06	123,038	103,632	19,406	84.23%	7,161	271.00%
12/31/05	119,412	99,046	20,366	82.94%	7,877	258.55%
***12/31/04	107,616	100,064	7,552	92.98%	10,110	74.70%
AFSCME						
12/31/06	44,914	40,127	4,787	89.34%	7,643	62.63%
12/31/05	48,211	40,393	7,818	83.78%	9,102	85.89%
***12/31/04	42,407	40,344	2,063	95.14%	12,012	17.17%
Total						
12/31/06	$ 916,588	$ 660,263	$ 256,325	72.03%	$ 327,269	78.32%
12/31/05	$ 889,480	$ 613,690	$ 275,790	68.99%	$ 316,440	87.15%
12/31/04	$ 776,154	$ 595,980	$ 180,174	76.79%	$ 322,522	55.86%

Annual Financial Report can be obtained by writing to:
* PERS, PO Box 942709, Sacramento, CA 94229-2709
** Finance Department, Metro, One Gateway Plaza, Los Angeles, CA 90012-2952
*** Effective January 1, 2004, the Non-Contract plan spun-off AFSCME participants into the AFSCME Plan

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 1,741	$ 6,416	$ 1,531	$ (4,885)
Investment income	4,050	4,050	7,304	3,254
Net appreciation in fair value of investments	-	-	161	161
Lease and rental	10,325	10,325	11,293	968
Licenses and fines	500	500	463	(37)
Fuel tax credit and others	6,222	6,222	26,703	20,481
TOTAL REVENUES	22,838	27,513	47,455	19,942
EXPENDITURES				
Current:				
Administration and other	14,075	19,022	12,708	6,314
Transportation subsidies	40	40	16	24
Debt and interest expenditures				-
Principal	516	516	516	-
Interest and fiscal charges	1,751	1,751	1,710	41
TOTAL EXPENDITURES	16,382	21,329	14,950	6,379
EXCESS OF REVENUES OVER EXPENDITURES	6,456	6,184	32,505	26,321
OTHER FINANCING SOURCES (USES)				
Transfers in	6,867	6,896	9,841	2,945
Transfers out	(7,339)	(7,358)	(4,462)	2,896
Proceeds of refunding bonds	-	-	8,617	8,617
Payment to refunding bond escrow agent	-	-	(8,617)	(8,617)
TOTAL OTHER FINANCING SOURCES AND USES	(472)	(462)	5,379	5,841
NET CHANGE IN FUND BALANCES	5,984	5,722	37,884	32,162
Fund balances - beginning of year	116,158	116,158	116,158	-
FUND BALANCES - END OF YEAR	$ 122,142	$ 121,880	$ 154,042	$ 32,162

* 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, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 667,502	$ 667,502	$ 686,167	$ 18,665
Investment income	1,200	1,200	8,840	7,640
Net appreciation in fair value of investments	-	-	267	267
TOTAL REVENUES	668,702	668,702	695,274	26,572
EXPENDITURES				
Current:				
Transportation subsidies	243,704	247,459	252,251	(4,792)
TOTAL EXPENDITURES	243,704	247,459	252,251	(4,792)
EXCESS OF REVENUES OVER EXPENDITURES	424,998	421,243	443,023	21,780
OTHER FINANCING SOURCES (USES)				
Transfers out	(432,324)	(324,506)	(304,905)	19,601
TOTAL OTHER FINANCING SOURCES AND USES	(432,324)	(324,506)	(304,905)	19,601
NET CHANGE IN FUND BALANCES	(7,326)	96,737	138,118	41,381
Fund balances - beginning of year	166,588	166,588	166,588	-
FUND BALANCES - END OF YEAR	$ 159,262	$ 263,325	$ 304,706	$ 41,381

* 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, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 667,587	$ 667,587	$ 686,308	$ 18,721
Intergovernmental	25,821	25,821	13,976	(11,845)
Investment income	3,000	3,000	18,326	15,326
Net appreciation in fair value of investments	-	-	858	858
Other	-	-	75	75
TOTAL REVENUES	696,408	696,408	719,543	23,135
EXPENDITURES				
Current:				
Administration and other	56,509	58,244	40,897	17,347
Transportation subsidies	440,869	440,869	354,802	86,067
TOTAL EXPENDITURES	497,378	499,113	395,699	103,414
EXCESS OF REVENUES OVER EXPENDITURES	199,030	197,295	323,844	126,549
OTHER FINANCING SOURCES (USES)				
Transfers in	57,946	58,069	44,193	(13,876)
Transfers out	(347,332)	(360,485)	(337,913)	22,572
TOTAL OTHER FINANCING SOURCES AND USES	(289,386)	(302,416)	(293,720)	8,696
NET CHANGE IN FUND BALANCES	(90,356)	(105,121)	30,124	135,245
Fund balances - beginning of year	358,111	358,111	358,111	-
FUND BALANCES - END OF YEAR	$ 267,755	$ 252,990	$ 388,235	$ 135,245

* Budget prepared in accordance with GAAP.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Traffic Congestion Relief Program Fund
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	-	$ 316,914	$ 316,914
Investment income	-	589	589
Net decline in fair value of investments	-	(69)	(69)
TOTAL REVENUES	-	317,434	317,434
NET CHANGE IN FUND BALANCES	-	317,434	317,434
Fund balances - beginning	-	-	-
FUND BALANCES - ENDING	$ -	$ 317,434	$ 317,434

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, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 338,825	$ 338,825	$ 344,867	$ 6,042
Investment income	-	-	8,705	8,705
TOTAL REVENUES	338,825	338,825	353,572	14,747
EXPENDITURES				
Current:				
Transportation subsidies	109,289	109,289	115,254	(5,965)
TOTAL EXPENDITURES	109,289	109,289	115,254	(5,965)
EXCESS OF REVENUES OVER EXPENDITURES	229,536	229,536	238,318	8,782
OTHER FINANCING SOURCES (USES)				
Transfers out	(247,177)	(247,373)	(232,130)	15,243
TOTAL OTHER FINANCING SOURCES AND USES	(247,177)	(247,373)	(232,130)	15,243
NET CHANGE IN FUND BALANCES	(17,641)	(17,837)	6,188	24,025
Fund balances - beginning of year	166,856	166,856	166,856	-
FUND BALANCES - END OF YEAR	$ 149,215	$ 149,019	$ 173,044	$ 24,025

* 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, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 67,890	$ 194,698	$ 191,074	$ (3,624)
Investment income	900	900	4,079	3,179
TOTAL REVENUES	68,790	195,598	195,153	(445)
EXPENDITURES				
Current:				
Transportation subsidies	9,406	27,211	26,286	925
TOTAL EXPENDITURES	9,406	27,211	26,286	925
EXCESS OF REVENUES OVER EXPENDITURES	59,384	168,387	168,867	480
OTHER FINANCING SOURCES (USES)				
Transfers out	(62,492)	(171,495)	(164,403)	7,092
TOTAL OTHER FINANCING SOURCES AND USES	(62,492)	(171,495)	(164,403)	7,092
NET CHANGE IN FUND BALANCES	(3,108)	(3,108)	4,464	7,572
Fund balances - beginning of year	65,612	65,612	65,612	-
FUND BALANCES - END OF YEAR	$ 62,504	$ 62,504	$ 70,076	$ 7,572

* Budget prepared in accordance with GAAP.

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Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Amounts expressed in thousands)

	Special Revenue Funds			
	Service Authority For Fwy Emergency	Propositions A and C, TDA Administration	Other	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 22,021	$ 8,943	$ 31	$ 30,995
Investments	14,423	6,261	22	20,706
Receivables:				
Accounts	-	4	12	16
Interest	213	58	1	272
Intergovernmental	-	1,557	3,870	5,427
TOTAL ASSETS	$ 36,657	$ 16,823	$ 3,936	$ 57,416
LIABILITIES				
Accounts payable and accrued liabilities	$ 927	$ 3,340	$ 701	$ 4,968
Due to other funds	-	651	3,100	3,751
Other liabilities	-	677	-	677
TOTAL LIABILITIES	927	4,668	3,801	9,396
FUND BALANCES				
Reserved for:				
Encumbrances	3,121	3,180	15,780	22,081
Unreserved, reported in:				
Special revenue funds	32,609	8,975	(15,645)	25,939
TOTAL FUND BALANCES	35,730	12,155	135	48,020
TOTAL LIABILITIES AND FUND BALANCES	$ 36,657	$ 16,823	$ 3,936	$ 57,416

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, 2007
(Amounts expressed in thousands)

	Special Revenue Funds			
	Service Authority For Fwy Emergency	Propositions A and C, TDA Administration	Other	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	$ -	$ 4,514	$ 6,068	$ 10,582
Investment income	1,666	253	7	1,926
Net appreciation in fair value of investments	86	114	-	200
Licenses and fines	7,783	-	-	7,783
Other	5	1	-	6
TOTAL REVENUES	9,540	4,882	6,075	20,497
EXPENDITURES				
Current:				
Administration and other	3,885	40,273	957	45,115
Transportation subsidies	-	277	5,847	6,124
TOTAL EXPENDITURES	3,885	40,550	6,804	51,239
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,655	(35,668)	(729)	(30,742)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	47,794	161	47,955
Transfers out	(2,436)	-	-	(2,436)
TOTAL OTHER FINANCING SOURCES AND USES	(2,436)	47,794	161	45,519
NET CHANGE IN FUND BALANCES	3,219	12,126	(568)	14,777
Fund balances - beginning of year	32,511	29	703	33,243
FUND BALANCES - END OF YEAR	$ 35,730	$ 12,155	$ 135	$ 48,020

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, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Investment income	$ 685	$ 685	$ 1,666	$ 981
Net appreciation in fair value of investments	-	-	86	86
Licenses and fines	7,000	7,000	7,783	783
Other	-	-	5	5
TOTAL REVENUES	7,685	7,685	9,540	1,855
EXPENDITURES				
Current:				
Administration and other	17,883	17,891	3,885	14,006
TOTAL EXPENDITURES	17,883	17,891	3,885	14,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,198)	(10,206)	5,655	15,861
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,000)	(3,000)	(2,436)	564
TOTAL OTHER FINANCING SOURCES AND USES	(3,000)	(3,000)	(2,436)	564
NET CHANGE IN FUND BALANCES	(13,198)	(13,206)	3,219	16,425
Fund balances - beginning of year	32,511	32,511	32,511	-
FUND BALANCES - END OF YEAR	$ 19,313	$ 19,305	$ 35,730	$ 16,425

* 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 Fund
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 3,687	$ 3,687	$ 4,514	$ 827
Investment income	-	-	253	253
Net appreciation (decline) in fair value of investments	-	-	114	114
Other	-	-	1	1
TOTAL REVENUES	3,687	3,687	4,882	1,195
EXPENDITURES				
Current:				
Administration and other	50,671	52,548	40,273	12,275
Transportation subsidies	65	1,345	277	1,068
TOTAL EXPENDITURES	50,736	53,893	40,550	13,343
DEFICIENCY OF REVENUES OVER EXPENDITURES	(47,049)	(50,206)	(35,668)	14,538
OTHER FINANCING SOURCES (USES)				
Transfers in	47,679	48,797	47,794	(1,003)
TOTAL OTHER FINANCING SOURCES AND USES	47,679	48,797	47,794	(1,003)
NET CHANGE IN FUND BALANCES	630	(1,409)	12,126	13,535
Fund balances - beginning of year	29	29	29	-
FUND BALANCES - END OF YEAR	$ 659	$ (1,380)	$ 12,155	$ 13,535

* 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 Fund
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 10,844	$ 10,844	$ 6,068	$ (4,776)
Investment income	-	-	7	7
Other	133	133	-	(133)
TOTAL REVENUES	10,977	10,977	6,075	(4,902)
EXPENDITURES				
Current:				
Administration and other	1,458	1,462	957	505
Transportation subsidies	9,739	9,739	5,847	3,892
TOTAL EXPENDITURES	11,197	11,201	6,804	4,397
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(220)	(224)	(729)	(505)
OTHER FINANCING SOURCES (USES)				
Transfers in	220	220	161	(59)
TOTAL OTHER FINANCING SOURCES AND USES	220	220	161	(59)
NET CHANGE IN FUND BALANCES	-	(4)	(568)	(564)
Fund balances - beginning of year	703	703	703	-
FUND BALANCES - END OF YEAR	$ 703	$ 699	$ 135	$ (564)

* 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, 2007
(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 cash equivalents	$ 2,664	$ 463	$ 1,590	$ 371	$ 920	$ 6,008
Investments:						
Bonds	108,016	18,779	64,471	15,045	37,247	243,558
Domestic stocks	64,311	11,181	38,385	8,958	22,176	145,011
Non-domestic stocks	6,837	1,189	4,081	952	2,357	15,416
Pooled investments	194,702	33,849	116,210	27,119	67,139	439,019
Receivables:						
Member contributions	278	29	65	-	-	372
Member transfer receivable	-	-	-	65	838	903
Securities sold	35,596	6,188	21,246	4,958	12,275	80,263
Receivables - Metro	117	60	49	6	7	239
Interest and dividends	3,401	591	2,029	474	1,173	7,668
Prepaid items and other assets	35	6	21	5	13	80
Total assets	415,957	72,335	248,147	57,953	144,145	938,537
LIABILITIES						
Sponsor contributions paid in advance	28	3	16	2	16	65
Accounts payable & other liabilities	623	108	372	87	214	1,404
Benefits and member contributions refunds payable	720	25	158	-	-	903
Securities purchased	53,182	9,246	31,742	7,407	18,339	119,916
Total liabilities	54,553	9,382	32,288	7,496	18,569	122,288
NET ASSETS						
Held in trust for pension benefits and other purposes	$ 361,404	$ 62,953	$ 215,859	$ 50,457	$ 125,576	$ 816,249

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, 2007
(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	$ 15,045	$ 2,952	$ 14,424	$ 1,526	$ 2,849	$ 36,796
Member	15,133	1,558	3,521	-	-	20,212
Transfers	(566)	(25)	(157)	65	683	-
Total contributions	29,612	4,485	17,788	1,591	3,532	57,008
From investing activities:						
Net appreciation in fair value of investments	43,993	7,681	26,469	6,990	16,363	101,496
Investment income	7,371	1,274	4,386	1,041	2,601	16,673
Investment expense	(1,503)	(254)	(893)	(205)	(520)	(3,375)
Other income	99	77	111	18	208	513
Total investing activity income	49,960	8,778	30,073	7,844	18,652	115,307
Total additions	79,572	13,263	47,861	9,435	22,184	172,315
DEDUCTIONS						
Retiree benefits	(31,231)	(4,367)	(16,008)	(4,847)	(9,424)	(65,877)
Administrative expenses	(488)	(140)	(345)	(126)	(217)	(1,316)
Total deductions	(31,719)	(4,507)	(16,353)	(4,973)	(9,641)	(67,193)
Net increase	47,853	8,756	31,508	4,462	12,543	105,122
Net assets - beginning of year	313,551	54,197	184,351	45,995	113,033	711,127
Net assets - end of year	$ 361,404	$ 62,953	$ 215,859	$ 50,457	$ 125,576	$ 816,249

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Assets and Liabilities
Agency Funds - Benefit Assessment Districts
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

	July 1, 2006 Balance	Additions	Deductions	June 30, 2007 Balance
ASSETS				
Cash and investments	$ 32,762	$ 26,618	$ (25,924)	$ 33,456
Interest receivable	196	343	(196)	343
Deferred charges	1,002	20,280	(20,597)	685
Special assessments receivable - delinquent (net)	4,555	32,248	(35,017)	1,786
Special assessments receivable - deferred	46,072	-	(17,226)	28,846
Total assets	**$ 84,587**	**$ 79,489**	**$ (98,960)**	**$ 65,116**
LIABILITIES				
Accounts payable	$ 296	$ 10,827	$ (10,878)	$ 245
Bonds payable	82,575	20,105	(39,040)	63,640
Accrued interest payable	1,307	1,663	(2,020)	950
Deferred credits	409	-	(128)	281
Total liabilities	**$ 84,587**	**$ 32,595**	**$ (52,066)**	**$ 65,116**

STATISTICAL SECTION

This section of Metro's comprehensive annual financial report presents trend information about Metro's financial results, major revenue sources, outstanding debt obligations, demographic statistics, and operating activities to help the reader understand Metro's overall financial condition.

Contents **Page**

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Invested in capital assets, net of related debt	$ 779,120	$ 779,046	$ 778,972	$ 772,905
Restricted for other purpose	599,057	653,629	790,380	1,289,360
Unrestricted	265,283	214,841	244,136	297,103
Total governmental activities net assets	1,643,460	1,647,516	1,813,488	2,359,368
Business-type activities:				
Invested in capital assets, net of related debt	3,555,066	3,555,446	3,694,487	3,671,581
Restricted for debt service	266,586	298,187	313,622	289,669
Unrestricted	(263,936)	(137,312)	(24,924)	111,273
Total business-type activities net assets	3,557,716	3,716,321	3,983,185	4,072,523
Primary government:				
Invested in capital assets, net of related debt	4,334,186	4,334,492	4,473,459	4,444,486
Restricted for debt service	266,586	298,187	313,622	289,669
Restricted for other purpose	599,057	653,629	790,380	1,289,360
Unrestricted	1,347	77,529	219,212	408,376
Total primary government net assets	$ 5,201,176	$ 5,363,837	$ 5,796,673	$ 6,431,891

Prior six 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 Four Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year			
Expenses	2004	2005	2006	2007
Governmental activities:				
Transit operators program	$ 169,882	$ 221,400	$ 202,964	$ 235,476
Local cities programs	271,007	303,969	306,532	320,629
Regional multimodal capital programs	69,393	60,619	117,483	103,286
Paratransit programs	66,913	35,010	11,397	12,440
Other transportation subsidies	49,335	55,471	66,234	49,997
Interest	600	1,540	1,505	1,456
General government	95,553	101,610	119,157	132,228
Total governmental activities expenditures	722,683	779,619	825,272	855,512
Business-type activities:				
Transit operations	904,920	987,462	1,053,637	1,136,625
Depreciation	347,629	335,533	345,980	405,731
Interest	177,935	148,544	167,852	149,293
Total business-type activities expenses	1,430,484	1,471,539	1,567,469	1,691,649
Total primary government expenses	$ 2,153,167	$ 2,251,158	$ 2,392,741	$ 2,547,161
Program Revenues				
Governmental activities:				
Operating grants and contributions	$ 64,132	$ 20,054	$ 30,477	$ 343,003
Charges for services	10,963	10,945	12,742	13,311
Total governmental activities program revenues	75,095	30,999	43,219	356,314
Business-type activities:				
Charges for services	233,757	284,682	299,966	313,000
Operating grants and contributions	116,201	217,043	207,683	186,003
Capital grants and contributions	470,393	245,860	467,665	302,613
Total business-type activities program revenues	820,351	747,585	975,314	801,616
Total primary government program revenues	$ 895,446	$ 778,584	$ 1,018,533	$ 1,157,930
Net (expense)/revenue:				
Governmental activities	$ (647,588)	$ (748,620)	$ (782,053)	$ (499,198)
Business-type activities	(610,133)	(723,954)	(592,155)	(890,033)
Total primary government net expense	$ (1,257,721)	$ (1,472,574)	$ (1,374,208)	$ (1,389,231)
General Revenues and Other Changes In Net Assets				
Governmental activities:				
Sales taxes	$ 1,478,408	$ 1,587,517	$ 1,738,996	$ 1,908,416
Investment income	5,352	14,886	32,764	51,186
Miscellaneous	19,288	12,847	13,484	29,736
Transfers	(885,345)	(862,574)	(837,219)	(944,260)
Total governmental activities	617,703	752,676	948,025	1,045,078
Business-type activities:				
Investment income	12,495	15,525	17,418	29,282
Miscellaneous	209	4,460	4,382	5,829
Transfers	885,345	862,574	837,219	944,260
Total business-type activities	898,049	882,559	859,019	979,371
Total primary government	$ 1,515,752	$ 1,635,235	$ 1,807,044	$ 2,024,449
Change in Net Assets				
Governmental activities	$ (29,885)	$ 4,056	$ 165,972	$ 545,880
Business-type activities	287,916	158,605	266,864	89,338
Total primary government	$ 258,031	$ 162,661	$ 432,836	$ 635,218

Prior six years' data not available due to fund restructuring

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority

Table 3

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved	$ 8,397	$ 6,727	$ 2,320	$ 3,047
Unreserved	138,295	86,626	113,838	150,995
Total General Fund	$ 146,692	$ 93,353	$ 116,158	$ 154,042
All other governmental funds- special revenue funds:				
Reserved	$ 509,432	$ 535,519	$ 473,013	$ 542,896
Unreserved	89,625	118,110	317,396	758,619
Total all other governmental funds - special revenue funds	$ 599,057	$ 653,629	$ 790,409	$ 1,301,515

Prior six 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 Four Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Sales tax	$ 1,478,408	$ 1,587,517	$ 1,738,996	$ 1,908,416
Intergovernmental	64,132	20,054	26,955	343,003
Investment earnings	5,352	14,886	32,764	51,186
Lease and rental	10,963	10,945	12,741	11,293
Licenses and fines	7,794	8,088	8,157	8,246
Other	9,343	2,608	3,170	26,784
Total revenues	1,575,992	1,644,098	1,822,783	2,348,928
Expenditures				
Administration and other	93,368	91,942	93,912	98,720
Transportation subsidies	620,571	686,070	729,780	754,733
Interest and fiscal charges	1,444	2,283	2,283	2,226
Total expenditures	715,383	780,295	825,975	855,679
Excess of revenues over/(under) expenditures	860,609	863,803	996,808	1,493,249
Other financing sources (uses)				
Transfers out	(885,345)	(862,574)	(837,221)	(944,260)
Total other financing sources (uses)	(885,345)	(862,574)	(837,221)	(944,260)
Net change in fund balances	$ (24,736)	$ 1,229	$ 159,587	$ 548,989
Debt service expenditures expressed as a percentage of noncapital expenditures	0.20%	0.29%	0.28%	0.26%

Prior six 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
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
2007	686,167	686,308	344,867	191,074	1,908,416

Source: Comprehensive Annual Financial Report

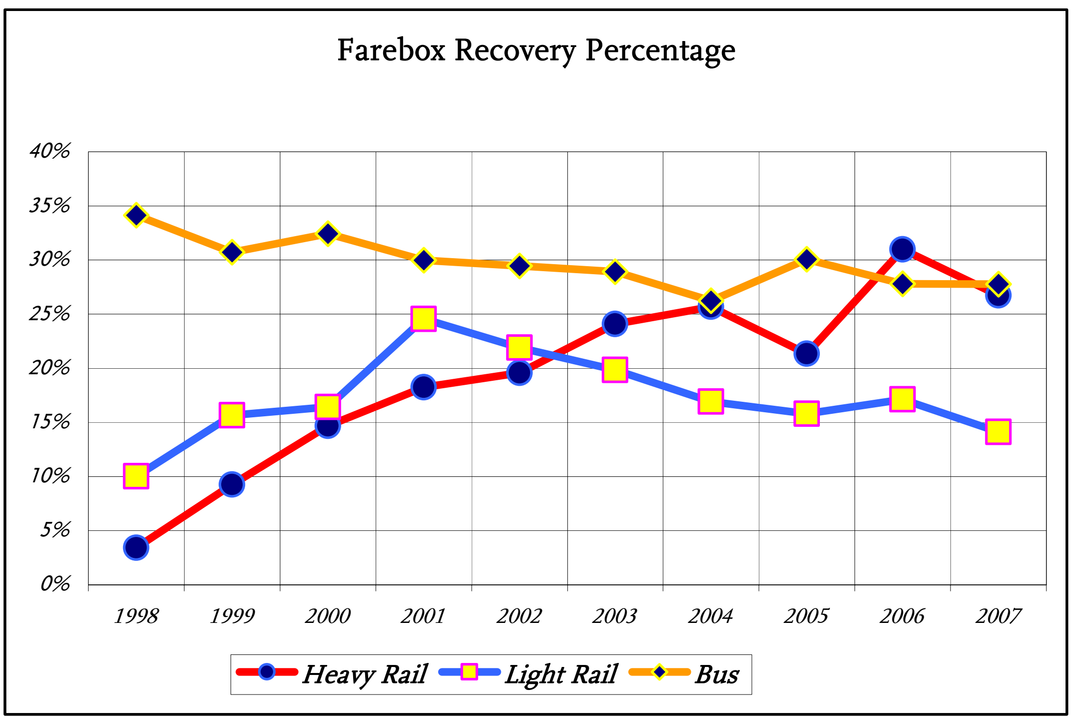
Los Angeles County Metropolitan Transportation Authority *Table 6*
Business-type Activities - Transit Operations
Operating Revenues by Source (Bus and Rail)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies	Auxiliary Transportation and Route Subsidies	Total
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
2007	293,368	185,108	617,855	18,288	1,114,619

Source: Comprehensive Annual Financial Report

Los Angeles County Metropolitan Transportation Authority — *Table 7*
Business-type Activities - Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
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%
2007	27%	14%	28%	26%



Source: National Transit Database Report

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 8

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Principal	$ 45,025	$ 130,757	$ 66,135	$ 78,881	$ 404,181	$ 132,998	$ 368,194	$ 209,357	$ 233,522	$ 195,023
Interest	172,579	169,011	186,437	189,808	169,271	180,984	163,141	134,216	174,312	155,252
Total Debt Service Expenditures	$ 217,604	$ 299,768	$ 252,572	$ 268,689	$ 573,452	$ 313,982	$ 531,335	$ 343,573	$ 407,834	$ 350,275
Total Combined Expenditures	$ 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	$ 2,574,205
Percent of Debt Service to General Expenditures (%)	16.32%	23.60%	18.77%	19.80%	36.21%	20.35%	28.53%	17.39%	19.31%	13.61%

Source: Comprehensive Annual Financial Report

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

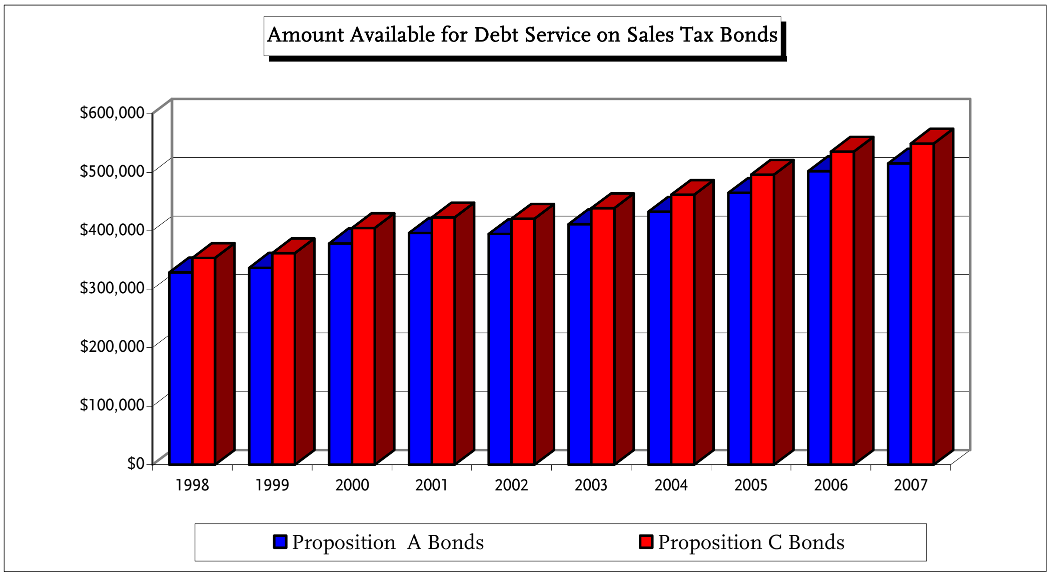
Table 9

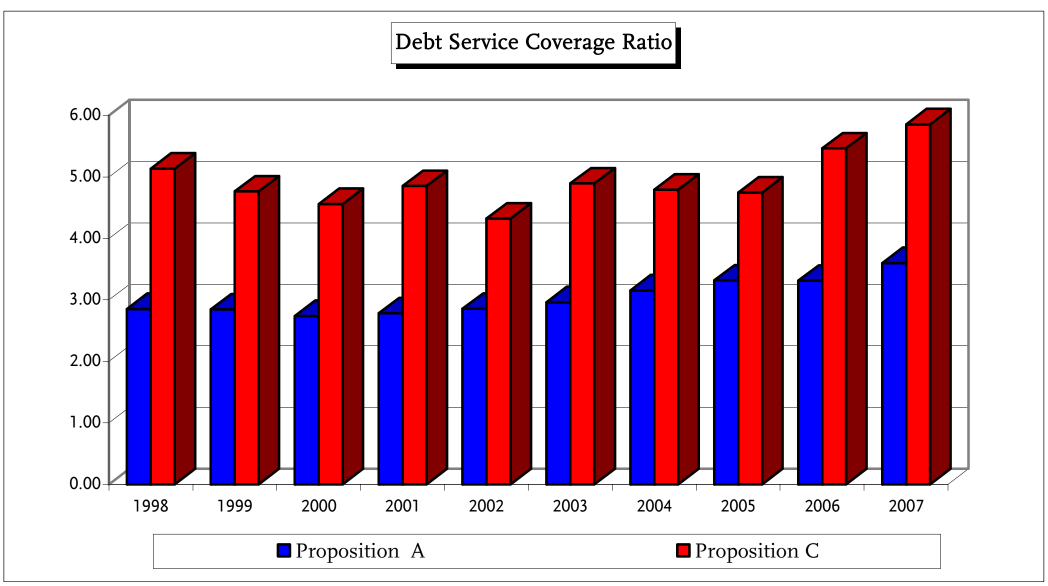
Fiscal Year	Net Proposition A Sales Tax Revenue	Less 25% Local Allocation	Proposition A Bonds Amount Available For Debt Service On Sales Tax Bonds	Proposition A Bonds Aggregate Debt Service Requirement	Proposition A Debt Service Coverage Ratio
1998	$ 438,321	$ 109,580	$ 328,741	$ 115,270	2.85
1999	449,054	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
2007	686,167	171,542	514,625	143,017	3.60

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
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
2007	686,308	137,262	549,046	93,771	5.86

Source: Comprehensive Annual Financial Report

Graphical Presentation of Table 9
Propositions A and C Debt Service Coverage Ratios





Los Angeles County Metropolitan Transportation Authority
Ratio of Outstanding Debt by Type
(Excluding Claims, OPEB and Compensated Absences)
Last Seven Fiscal Years
(Amounts expressed in millions except per capita amount)

Table 10

	Fiscal year						
	2001	2002	2003	2004	2005	2006	2007
Governmental Activities:							
Redevelopment and housing bonds	$ 31	$ 30	$ 30	$ 30	$ 28	$ 28	$ 27
Total Governmental Activities	31	30	30	30	28	28	27
Business-type Activities							
Sales tax revenue and refunding bonds	3,124	3,059	2,956	2,904	2,996	3,160	3,062
Sales tax revenue bonds-local allocation	17	15	13	11	8	7	4
Lease revenue bonds	22	19	17	14	12	9	-
Lease/Leaseback obligation	164	329	750	868	888	811	814
General revenue bonds	186	186	186	274	269	252	236
Commercial paper	233	266	266	348	399	188	189
Certificates of participation	163	141	107	6	-	-	-
Capitalized lease	-	17	38	32	21	17	13
Capital grant receipts revenue bonds	-	-	-	-	-	265	240
Total Business-type Activities	3,909	4,032	4,333	4,457	4,593	4,709	4,558
Total Primary Government	$ 3,940	$ 4,062	$ 4,363	$ 4,487	$ 4,621	$ 4,737	$ 4,585
Percentage of Personal Income*	1.34%	1.35%	1.41%	1.36%	1.32%	1.28%	1.23%
Per Capita*	$ 401.35	$ 418.34	$ 450.31	$ 450.00	$ 463.26	$ 473.17	$ 441.66

Prior three 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 11

Fiscal Year	(1) Population County of Los Angeles	(1) Population State of California	(2) Taxable Sales County of Los Angeles	(3) Personal Income County of Los Angeles	(3) Per Capita Personal Income County of Los Angeles	(4) Unemployment Rate
1998	9,603	33,252	$ 88,308,916	$ 253,516,000	$ 27	6.6%
1999	9,758	33,773	93,051,927	263,987,000	28	5.9%
2000	9,643	34,206	106,673,534	279,049,532	29	5.4%
2001	9,560	34,036	107,426,692	294,508,314	30	5.7%
2002	9,732	34,698	108,753,064	301,002,945	31	6.8%
2003	9,902	35,301	113,685,422	309,827,000	32	7.0%
2004	10,075	35,915	122,533,104	327,363,000	33	6.5%
2005	10,166	36,810	130,722,373	342,231,000	34	5.3%
2006	10,245	37,172	135,822,916 (5)	357,631,395 *	35 *	4.7%
2007	10,331	37,662	138,716,500 (5)	373,724,808 *	36 *	4.9%**

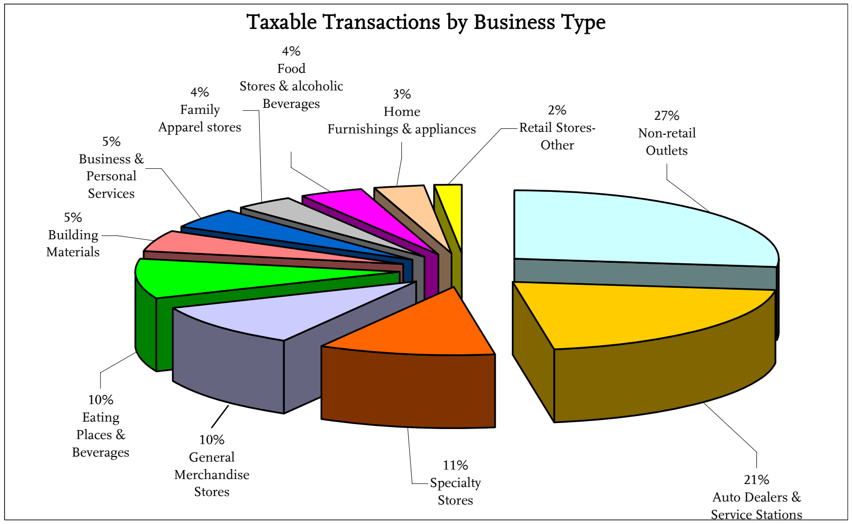
Data sources:
(1) California Department of Finance, data estimates as of Jan 1, 2005, 2006 and 2007
(2) State Board of Equalization
(3) U.S. Department of Commerce, Bureau of Economic Analysis
(4) State Department of Employment Development for the County of Los Angeles - not seasonally adjusted
(5) UCLA FY06 Forecast
** Data not available, estimates only based on % change from FY 04 to FY 05*
*** preliminary as of June 2007*

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

Table 12

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006 **	2007 **
Non-retail outlets	$ 23,806	$ 25,085	$ 31,152	$ 30,457	$ 29,150	$ 29,192	$ 30,761	$ 35,240	$ 36,615	$ 37,395
Auto dealers and service stations	18,178	19,154	20,594	21,387	22,273	24,307	26,519	26,908	27,958	28,554
Specialty stores	9,488	9,998	11,754	11,542	11,639	12,107	13,027	14,045	14,593	14,904
General merchandise stores	9,000	9,483	10,578	10,860	11,197	11,749	12,592	13,322	13,842	14,137
Eating places & alcoholic beverages	8,455	8,909	9,717	10,081	10,542	11,152	12,036	12,516	13,004	13,281
Building materials	4,541	4,785	4,822	5,070	5,529	6,017	7,311	6,722	6,984	7,133
Business and personal services	4,065	4,283	5,200	5,135	5,056	5,067	5,275	6,017	6,251	6,385
Family apparel stores	3,267	3,442	3,669	3,812	4,037	4,357	4,807	4,836	5,024	5,131
Food stores and alcoholic beverages	3,336	3,515	4,213	4,210	4,235	4,240	4,222	4,938	5,131	5,240
Home furnishings and appliances	2,779	2,928	3,272	3,194	3,378	3,719	4,031	4,114	4,274	4,365
Retail stores-other	1,395	1,469	1,702	1,678	1,718	1,779	1,952	2,064	2,145	2,191
TOTAL	$ 88,310	$ 93,051	$ 106,673	$ 107,426	$ 108,754	$ 113,686	$ 122,533	$ 130,722	$ 135,821	$ 138,716

Source: California State Board of Equalization
*** UCLA Forecast*



Los Angeles County Metropolitan Transportation Authority

Table 13

Business-type Activities - Transit Operations

Operating Indicators by Mode

Last Ten Fiscal Years

(Amounts in thousands except Buses, Rail Cars, and Passenger Stations)

Fiscal Year	1998	1999	2000	2001 [2]	2002	2003	2004 [3]	2005	2006 [5]	2007
PASSENGER FARES:										
Heavy Rail	$ 1,103	$ 3,518	$ 6,835	$ 9,944	$ 12,187	$ 16,152	$ 16,895	$ 16,298	$ 24,015	$ 23,739
Light Rail	5,159	9,669	10,083	16,839	18,332	17,088	18,900	19,912	22,657	20,752
Bus*	216,238	215,668	216,516	186,746	210,625	214,186	185,659	233,028	233,900	248,877
OPERATING COSTS: *(excluding depreciation)*										
Heavy Rail	$ 32,166	$ 37,988	$ 46,548	$ 54,501	$ 62,229	$ 67,100	$ 65,829	$ 76,373	$ 77,541	$ 87,368
Light Rail	51,440	61,731	61,387	68,546	83,689	86,200	111,654	126,123	132,397	144,466
Bus*	633,767	702,395	668,021 (1)	623,194	715,360	740,468	707,369	772,907	841,210	892,512
PASSENGER MILES:										
Heavy Rail	24,118	28,718	74,729	126,461	163,931	151,901	152,629	173,935	193,020	194,032
Light Rail	170,541	176,191	208,824	213,339	228,780	225,712	241,217	268,981	297,477	291,158
Bus*	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	1,497,245
REVENUE VEHICLE MILES:										
Heavy Rail	1,646	1,815	3,568	5,540	5,877	5,987	5,399	5,877	5,867	5,986
Light Rail	4,532	4,500	4,658	4,401	8,114	6,783	7,704	8,114	8,047	8,688
Bus*	78,071	81,830	85,655	80,282	88,709	88,809	82,498	92,054	92,937	84,700
BUSES AND RAIL CARS:										
Heavy Rail	3	6	10	10	10	10	10	10	10	10
Light Rail	6	6	6	8	12	12	12	12	12	12
Bus*	2,783	2,799	2,426	2,913	3,012	2,774	2,714	2,856	2,870	2,710
PASSENGER STATIONS:										
Heavy Rail	8	1	1 (4)	1	1	1	1	1	1	1
Light Rail	3	3	3	3	3	3	4	4	4	4

Source: National Transit Database Report

Note

** Includes Purchased Transportation and Orange Line*

(1) The agency acquired 438 buses during this period

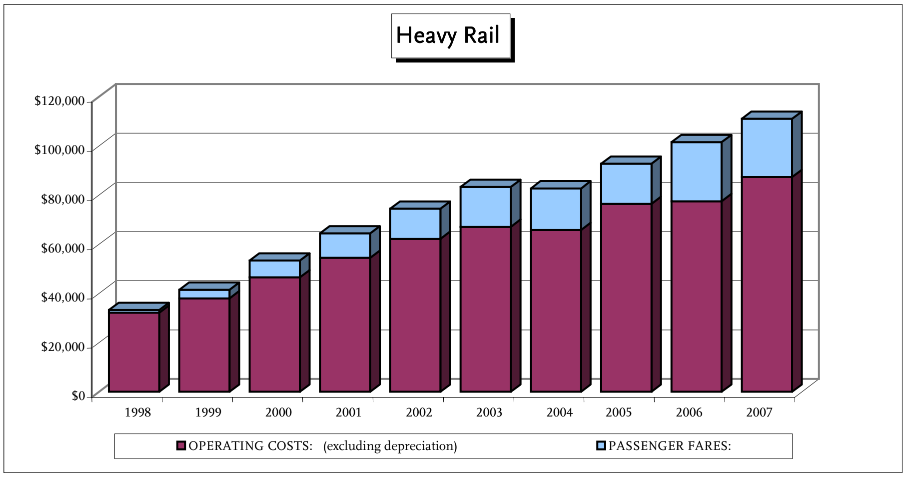
(2)There was a 35 days strike during this period thereby reducing miles and revenue fares.

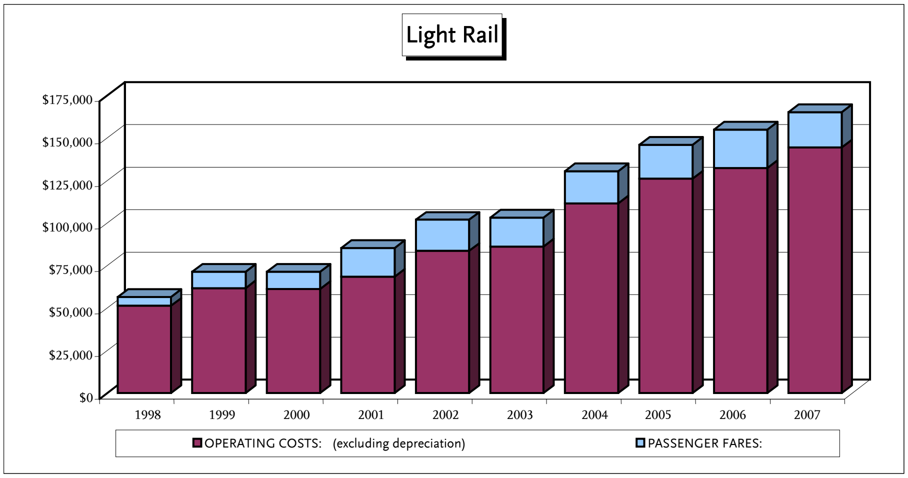
(3)There was a 33 days strike during this period thereby reducing miles and revenue fares.

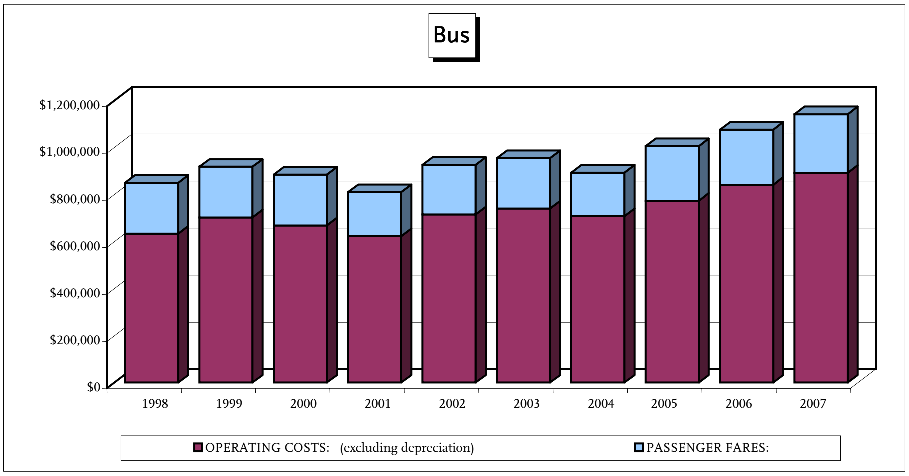
(4) More stations added due to opening of new segment

(5) Orange Line opened in Oct 05

Graphical Presentation of Table 13
Passenger Fares and Operating Costs by Mode



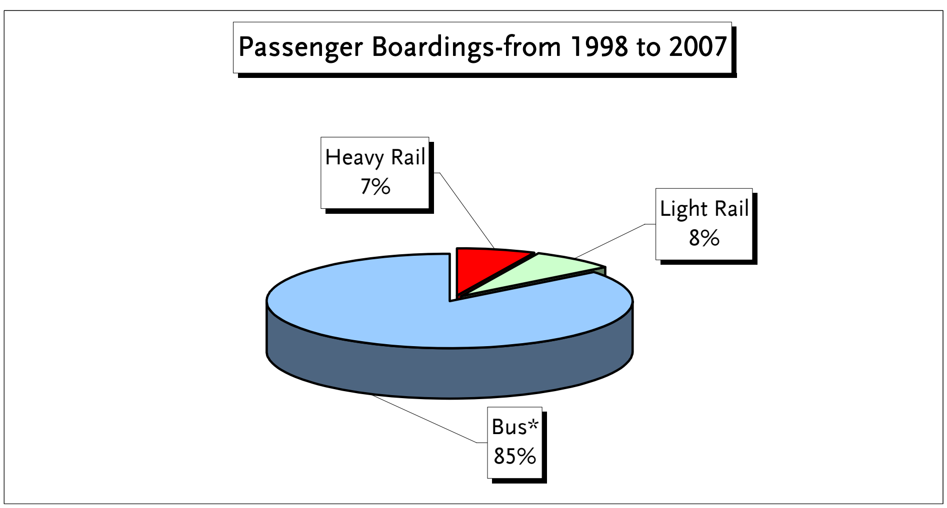




Los Angeles County Metropolitan Transportation Authority *Table 14*
Business-type Activities - Transit Operations
Passenger Boardings by Mode
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Heavy Rail	Light Rail	Bus*	Total
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
2007	40,883	41,345	413,645	495,873

** includes purchased transportation*



Source: National Transit Database Report

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

Table 15

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General & Administrative	Depreciation	Total
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	173,567	345,298	1,396,446
2007	605,438	231,722	84,609	203,371	405,731	1,530,871

Source: National Transit Database Report

Los Angeles County Metropolitan Transportation Authority
Full-Time Equivalent Metro Employees by Function
Last Eight Fiscal Years
(Not in thousands)

Table 16

	FTE'S							
	2000	2001	2002	2003	2004	2005	2006	2007
Function								
Metro Operations	6,814	7,298	7,344	7,591	7,540	7,591	7,641	7,701
Countywide Planning & Development	190	135	144	134	130	110	104	104
Construction Project Management	153	146	153	156	135	106	88	86
Communications	169	211	209	262	256	235	215	214
Support Services	945	891	904	876	831	788	757	750
Chief Executive Office	92	111	110	115	98	76	67	67
Board of Directors	61	63	61	52	55	47	46	45
Total	8,424	8,855	8,925	9,186	9,045	8,953	8,918	8,967

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

Los Angeles County Metropolitan Transportation Authority *Table 17*
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)									
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%	22%	7%	50%	100%	
2005	32%	16%	48%	21%	24%	7%	52%	100%	P
2006	*	*	*	*	*	*	*	*	
2007	*	*	*	*	*	*	*	*	
Metro (2)									
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%	55%	3%	17%	75%	100%	
2007	25%	3%	28%	43%	13%	16%	72%	100%	

(1) APTA 2007 Public Transportation Fact Book -Table 52, p. 38
(2) National Transit Database Report
* *data not available*
P *preliminary*

Los Angeles County Metropolitan Transportation Authority *Table 18*
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)							
1998	46%	18%	9%	16%	11%	100%	
1999	46%	18%	9%	15%	12%	100%	
2000	45%	19%	9%	15%	12%	100%	
2001	44%	18%	10%	15%	13%	100%	
2002	45%	18%	10%	15%	12%	100%	
2003	45%	18%	9%	15%	13%	100%	
2004	45%	18%	10%	14%	13%	100%	
2005	46%	17%	10%	13%	14%	100%	P
2006	*	*	*	*	*	*	
2007	*	*	*	*	*	*	
Metro (2)							
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%	
2007	53%	20%	7%	17%	3%	100%	

(1) APTA 2007 Public Transportation Fact Book Table 46 p. 35
(2) National Transit Database Report
* *data not available*
** *Excluding Depreciation*
P *preliminary*

Los Angeles County Metropolitan Transportation Authority
Schedule of Sources and Uses of Propositions A and C, TDA Administration Fund
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

			Revenues					
Project	Task Description	Expenditures	Proposition A Admin	Proposition C Admin	TDA Admin	TDA Planning and Programming	Other Sources	Total
Fund Balance - beginning of year			$ 3,556	$ -	$ -	$ -	$ (3,527)	$ 29
Revenues for the Year			-	-	-	-	4,882	4,882
Transfers In			32,412	10,014	2,272	3,096	-	47,794
Available Funds			35,968	10,014	2,272	3,096	1,355	52,705
100002	Governmental and Oversight Activities							
	General Oversight	$ 15,440	15,440	-	-	-	-	15,440
	Transportation Foundation	24	24	-	-	-	-	24
	Legal Expenses	1,572	1,572	-	-	-	-	1,572
	Treasury Oversight	232	232	-	-	-	-	232
100002 Total		17,268	17,268	-	-	-	-	17,268
100012	Prop A & C Audit							
	Prop A & C Audit	47	24	23	-	-	-	47
100012 Total		47	24	23	-	-	-	47
100050	Administration Subsidy CFP							
	General and Administrative Costs	3,936	2,433	1,503	-	-	-	3,936
100050 Total		3,936	2,433	1,503	-	-	-	3,936
100060	Administration - General Planning							
	General and Administrative Costs	3,167	1,417	1,750	-	-	-	3,167
100060 Total		3,167	1,417	1,750	-	-	-	3,167
400228	Regional Downtown Connector - Planning							
	Administration	41	41	-	-	-	-	41
	Professional Services	114	114	-	-	-	-	114
400228 Total		155	155	-	-	-	-	155
400232	Eastside Extension							
	Administration	164	-	-	-	-	164	164
	Professional Services	78	-	-	-	-	78	78
400232 Total		242	-	-	-	-	242	242
405510	Other P&P Planning							
	Call/MOU Tech. Support	48	24	24	-	-	-	48
	Consolidated Audit Services	417	105	135	177	-	-	417
	Triennial Audit Management	527	-	-	527	-	-	527
	Prop A/C Administration	193	97	96	-	-	-	193
	Grants Administration	899	515	159	225	-	-	899
	TDA Article 3 & 8	143	-	-	143	-	-	143
	TIP Administration	1,205	602	603	-	-	-	1,205
	STIP PPM - FY05	2,086	855	-	1,011	220	-	2,086
	Government Coordination/ Outreach	316	-	316	-	-	-	316
	Bus System Improvement Plan	118	118	-	-	-	-	118
	Station Planning/ Joint Development	311	-	-	-	311	-	311
	Bike parking Racks & Lockers	55	-	-	-	55	-	55
	Art Program	160	-	160	-	-	-	160
	Public Outreach	32	-	32	-	-	-	32
	General Planning	741	-	-	-	741	-	741
	MTA / OCTA Commuter Rail Plan	60	-	60	-	-	-	60
	Increase Customer Awareness Program	1,950	108	1,842	-	-	-	1,950
405510 Total		9,261	2,424	3,427	2,083	1,327	-	9,261
405511	Transit Planning							
	Long Range Plan Update	1,266	638	-	-	628	-	1,266
	Smart Shuttle	32	32	-	-	-	-	32
	Municipal Funding & Coordination	303	101	101	101	-	-	303
	Admin NTD Report - Local Cities	264	88	88	88	-	-	264
	Restructuring Study	178	-	-	-	178	-	178
	Bus Service Improverments	2,600	24	2,576	-	-	-	2,600
	Metro Rapid Bus	102	-	91	-	11	-	102
	(BSP) Bus Service Efficiency & Effectiveness	32	15	17	-	-	-	32
	Transit Planning	549	-	-	-	549	-	549
	Rapid Bus Planning (BRT) Research	21	-	21	-	-	-	21
	Eastside Extension Pedestrian Crossing	37	-	-	-	37	-	37
	ADA Compliance	30	-	-	-	30	-	30
	Research & Development	357	130	-	-	227	-	357
	GIS Work for Planning Studies	148	138	-	-	10	-	148
	Metro Access - South Bay- Pedestrian/Bicycle	99	-	-	-	99	-	99
405511 Total		6,018	1,166	2,894	189	1,769	-	6,018
405518	Red Line Westside Extension							
	Administration	175	-	-	-	-	175	175
	Professional Services	62	-	-	-	-	62	62
405518 Total		237	-	-	-	-	237	237
407001	SR91/ I-605 Corridor							
	Professional Services	39	-	39	-	-	-	39
407001 Total		39	-	39	-	-	-	39
407005	Modeling Gold Line Foothill Extension							
	Professional Services	124	124	-	-	-	-	124
407005 Total		124	124	-	-	-	-	124
407008	Gateway Cog Regional Studies							
	Professional Services	17	-	17	-	-	-	17
407008 Total		17	-	17	-	-	-	17
609911	Transportation Academies / TOP / FTA							
	TOP	39	39	-	-	-	-	39
609911 Total		39	39	-	-	-	-	39
Total Expenditures		$ 40,550	25,050	9,653	2,272	3,096	479	40,550
FUND BALANCE - END OF YEAR			$ 10,918	$ 361	$ 0	$ (0)	$ 876	$ 12,155

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
BUS
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

Expenditure Type	Year- to - Date Actual	Year- to - Date Budget	Variance Amount	Variance %	Prior Year Total	Variance Amount	Variance %
Labor (Union Group)							
UTU	$ 230,244	$ 232,525	$ 2,281	0.98%	$ 214,650	$ 15,594	7.26%
ATU	88,131	83,937	(4,194)	-5.00%	81,194	6,937	8.54%
NC	21,409	20,262	(1,147)	-5.66%	19,740	1,669	8.45%
TCU	15,455	15,059	(396)	-2.63%	14,238	1,217	8.55%
AFSCME	29,759	30,591	832	2.72%	26,949	2,810	10.43%
TEAMSTER	1,419	1,889	470	24.88%	938	481	51.28%
Total	386,417	384,263	(2,154)	-0.56%	357,709	28,708	8.03%
Fringe Benefits	213,643	198,236	(15,407)	-7.77%	184,024	29,619	16.10%
Services							
Security	21,585	22,272	687	3.08%	21,452	133	0.62%
Maintenance	10,306	11,073	767	6.93%	7,410	2,896	39.08%
Professional and technical	4,615	7,484	2,869	38.34%	2,040	2,575	126.23%
Others	4,733	6,168	1,435	23.27%	3,849	884	22.97%
Total	41,239	46,997	5,758	12.25%	34,751	6,488	18.67%
Materials & Supplies							
Fuel and lubricants	50,677	63,846	13,169	20.63%	56,095	(5,418)	-9.66%
Revenue vehicle parts	53,853	51,298	(2,555)	-4.98%	59,822	(5,969)	-9.98%
Office supplies and others	9,248	8,933	(315)	-3.53%	7,955	1,293	16.25%
Total	113,778	124,077	10,299	8.30%	123,872	(10,094)	-8.15%
Utilities							
Propulsion power	-	-	-	-	-	-	-
Electricity and others	962	762	(200)	-26.25%	796	166	20.85%
Total	962	762	(200)	-26.25%	796	166	20.85%
Casualty & Liability	45,309	47,522	2,213	4.66%	45,241	68	0.15%
Interest Expense	233	233	-	0.00%	233	-	0.00%
Others	17,869	12,886	(4,983)	-38.67%	7,017	10,852	154.65%
Support Project (100030)	60,126	54,195	(5,931)	-10.94%	52,770	7,356	13.94%
Total Metro Operated	879,576	869,171	(10,405)	-1.20%	806,413	73,163	9.07%
CRSH - Metro Bus Operated	123.43	120.70	(2.73)	-2.26%	112.97	10.46	9.26%
Purchased Transportation (50801)	34,195	35,585	1,390	3.91%	33,587	608	1.81%
All Bus Operating Expenses	$ 913,771	$ 904,756	$ (9,015)	-1.00%	$ 840,000	$ 73,771	8.78%
Cost of Revenue Per Service Hour	$ 118.87	$ 116.72	$ (2.15)	-1.84%	$ 109.09	$ 9.78	8.97%
Revenue Service Hours (Metro Only)*	7,126,339	7,201,077	74,738	1.04%	7,138,590	(12,251)	-0.17%
RSH Contract Services **	560,915	550,285	(10,630)	-1.93%	561,281	(366)	-0.07%
Total Revenue Service Hours*	7,687,254	7,751,362	64,108	0.83%	7,699,871	(12,617)	-0.16%

* Not in thousands

* * Includes revenue service hours of 49,351 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, 2007
(Amounts expressed in thousands)

	Year - to - Date		Variance		Prior Year	Variance	
Expenditure Type	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	$ 13,284	$ 13,820	$ 536	3.88%	$ 12,318	$ 966	7.84%
ATU	30,707	29,845	(862)	-2.89%	28,959	1,748	6.04%
NC	10,779	10,720	(59)	-0.55%	10,481	298	2.84%
TCU	7,806	7,455	(351)	-4.71%	7,257	549	7.57%
AFSCME	11,730	11,372	(358)	-3.15%	10,957	773	7.05%
TEAMSTER	2,246	1,670	(576)	-34.49%	1,898	348	18.34%
Total	76,552	74,882	(1,670)	-2.23%	71,870	4,682	6.51%
Fringe Benefits	41,867	36,489	(5,378)	-14.74%	37,314	4,553	12.20%
Services							
Security	38,552	39,372	820	2.08%	37,261	1,291	3.46%
Maintenance	11,914	13,647	1,733	12.70%	9,768	2,146	21.97%
Professional and technical	2,255	4,027	1,772	44.00%	2,485	(230)	-9.26%
Others	1,395	1,908	513	26.89%	1,601	(206)	-12.87%
Total	54,116	58,954	4,838	8.21%	51,115	3,001	5.87%
Materials and Supplies							
Fuel and lubricants	199	183	(16)	-8.74%	167	32	19.16%
Revenue vehicle parts	8,822	9,605	783	8.15%	10,730	(1,908)	-17.78%
Office supplies and others	4,800	4,547	(253)	-5.56%	4,792	8	0.17%
Total	13,821	14,335	514	3.59%	15,689	(1,868)	-11.91%
Utilities							
Propulsion power	19,640	21,294	1,654	7.77%	17,542	2,098	11.96%
Electricity and others	855	926	71	7.67%	795	60	7.55%
Total	20,495	22,220	1,725	7.76%	18,337	2,158	11.77%
Casualty & Liability	5,780	5,103	(677)	-13.27%	5,450	330	6.06%
Others	3,904	3,360	(544)	-16.19%	3,391	513	15.13%
Support Project (100040)	11,577	14,073	2,496	17.74%	10,885	692	6.36%
Metro Operated	$ 228,112	$ 229,416	$ 1,304	0.57%	$ 214,051	$ 14,061	6.57%
Cost of Revenue per Service Hour*	$ 360.18	$ 349.98	$ (10.20)	-2.91%	$ 355.51	$ 4.67	1.31%
Revenue Vehicle Hours*	633,334	655,511	22,177	3.38%	602,091	31,243	5.19%

* Not in thousands

Los Angeles County Metropolitan Transportation Authority

Cost Per Revenue Service Hours

Heavy Rail

For the Year Ended June 30, 2007

(Amounts expressed in thousands)

	Year - to - Date		Variance		Prior Year	Variance	
Expenditure Type	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	$ 4,073	$ 4,001	$ (72)	-1.80%	$ 3,637	$ 436	11.99%
ATU	12,322	11,392	(930)	-8.16%	11,078	1,244	11.23%
NC	2,804	2,987	183	6.13%	2,817	(13)	-0.46%
TCU	3,566	3,014	(552)	-18.31%	3,047	519	17.03%
AFSCME	3,381	3,417	36	1.05%	3,136	245	7.81%
TEAMSTER	1,222	791	(431)	-54.49%	1,040	182	17.50%
Total	27,368	25,602	(1,766)	-6.90%	24,755	2,613	10.56%
Fringe Benefits	15,729	12,692	(3,037)	-23.93%	13,087	2,642	20.19%
Services							
Security	14,718	14,894	176	1.18%	13,157	1,561	11.86%
Maintenance	5,795	6,753	958	14.19%	4,601	1,194	25.95%
Professional and technical	814	1,760	946	53.75%	816	(2)	-0.25%
Others	254	237	(17)	-7.17%	320	(66)	-20.63%
Total	21,581	23,644	2,063	8.73%	18,894	2,687	14.22%
Materials & Supplies							
Fuel and lubricants	79	73	(6)	-8.22%	79	-	0.00%
Revenue vehicle parts	2,955	3,311	356	10.75%	3,860	(905)	-23.45%
Office supplies and others	2,253	1,977	(276)	-13.96%	2,242	11	0.49%
Total	5,287	5,361	74	1.38%	6,181	(894)	-14.46%
Utilities							
Propulsion power	7,209	9,239	2,030	21.97%	7,630	(421)	-5.52%
Electricity and others	190	234	44	18.80%	191	(1)	-0.52%
Total	7,399	9,473	2,074	21.89%	7,821	(422)	-5.40%
Casualty & Liability	2,790	2,769	(21)	-0.76%	2,773	17	0.61%
Others	1,451	1,286	(165)	-12.83%	1,203	248	20.62%
Support Project (100040)	3,948	4,799	851	17.73%	3,749	199	-5.31%
Metro Operated	$ 85,553	$ 85,626	$ 73	0.09%	$ 78,463	$ 7,090	9.04%
Cost of Revenue per Service Hour*	$ 325.17	$ 319.70	(5.47)	-1.71%	$ 305.57	$ 19.60	6.41%
Revenue Vehicle Hours*	263,099	267,831	4,732	1.77%	256,773	6,326	2.46%

* Not in thousands

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
Light Rail
For the Year Ended June 30, 2007
(Amounts expressed in thousands)

Expenditure Type	Year - to - Date Actual	Year - to - Date Budget	Variance Amount	Variance %	Prior Year Total	Variance Amount	Variance %
Labor (Union Group)							
UTU	$ 9,211	$ 9,819	$ 608	6.19%	$ 8,681	$ 530	6.11%
ATU	18,385	18,453	68	0.37%	17,881	504	2.82%
NC	7,975	7,733	(242)	-3.13%	7,664	311	4.06%
TCU	4,240	4,441	201	4.53%	4,210	30	0.71%
AFSCME	8,349	7,955	(394)	-4.95%	7,821	528	6.75%
TEAMSTER	1,024	879	(145)	-16.50%	858	166	19.35%
Total	49,184	49,280	96	0.19%	47,115	2,069	4.39%
Fringe Benefits	26,138	23,797	(2,341)	-9.84%	24,227	1,911	7.89%
Services							
Security	23,834	24,478	644	2.63%	24,104	(270)	-1.12%
Maintenance	6,119	6,894	775	11.24%	5,167	952	18.42%
Professional and technical	1,441	2,267	826	36.44%	1,669	(228)	-13.66%
Others	1,141	1,671	530	31.72%	1,281	(140)	-10.93%
Total	32,535	35,310	2,775	7.86%	32,221	314	0.97%
Materials & Supplies							
Fuel and lubricants	120	110	(10)	-9.09%	88	32	36.36%
Revenue vehicle parts	5,867	6,294	427	6.78%	6,870	(1,003)	-14.60%
Office supplies and others	2,547	2,570	23	0.89%	2,550	(3)	-0.12%
Total	8,534	8,974	440	4.90%	9,508	(974)	-10.24%
Utilities							
Propulsion power	12,431	12,055	(376)	-3.12%	9,912	2,519	25.41%
Electricity and others	665	692	27	3.90%	604	61	10.10%
Total	13,096	12,747	(349)	-2.74%	10,516	2,580	24.53%
Casualty and Liability	2,990	2,334	(656)	-28.11%	2,677	313	11.69%
Others	2,453	2,074	(379)	-18.27%	2,188	265	12.11%
Support Project (100040)	7,629	9,274	1,645	17.74%	7,136	493	6.90%
Metro Operated	$ 142,559	$ 143,790	$ 1,231	0.86%	$ 135,588	$ 6,971	5.14%
Cost of Revenue per Service Hour*	$ 385.05	$ 370.90	$ (14.15)	-3.82%	$ 392.65	$ (7.60)	-1.93%
Revenue Vehicle Hours*	370,235	387,680	17,445	4.50%	345,318	24,917	7.22%

* Not in thousands

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