

Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Metro

Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008



Submitted by the 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, 2008**

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Comprehensive Annual Financial Report

Introductory Section



Metro

Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

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metro.net

January 9, 2009

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

Dear Honorable Board of Directors:

Subject: Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2008, is submitted herewith. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LACMTA's management. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

LACMTA 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.

KPMG LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on LACMTA's financial statements for the fiscal year ended June 30, 2008. The independent auditors' 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 25, 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

LACMTA 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. LACMTA 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 providers of public transportation in the United States, LACMTA's coordinated systems have nearly half a billion bus and rail boardings a year.

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

Balancing LACMTA's FY09 Budget – LACMTA began this process after adoption of the FY08 budget. The first step in the process was to revise the Ten-Year Forecast using known parameters and future assumptions agreed to by the Executive Management. The Ten-Year Forecast included revenue and expense forecasts and trend analysis for all funds and major programs. The Ten-Year Forecast identified potential situations where deficits might be experienced and the trend indicated that expenses will be increasing at a greater rate than revenues.

The \$3.4 billion FY09 adopted budget is \$268 million or 8.5% more than LACMTA FY08 budget. The increase is largely for transportation subsidies for municipal bus operators, paratransit service, Metrolink commuter rail, preparation to start the new Metro Gold Line service to East Los Angeles and rehabilitation of older Metro rail cars.

Budgetary Controls – LACMTA's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved and 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. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

The Board 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 the Long Range Transportation Plan (LRTP) and the more detailed Short Range Transportation Plan (SRTP).

Local Economy

Los Angeles County covers a geographical area of 4,084 square miles, and had a June 30, 2008 estimated population of 10.4 million; an increase of 16% since 1990. California is the nation's most populous state and about 28% of the state's population lives in Los Angeles County.

Economy - The economy of Los Angeles County ("County") is technology driven, including bio-medical, digital information, and environmental technology. Creativity is another key driver when fused with technology creates a vibrant industrial environment. The gross product of the County in 2007 was \$464.4 billion which makes the County 18th largest national economy in the world if the County were a country. There is a diverse economic base in the County. The leading industries with their respective jobs are: 1) Business & Professional Services, 194,200; 2) Creative Industries, 346,003; 3) Financial Services, 84,800; 4) Health Services/Bio-Med, 323,400; 5) Motion Picture/TV Production, 163,000; 6) Technology, 215,000; 7) Wholesale Trade/Logistics, 135,200; and, 8) Tourism, 54,800. Los Angeles is the largest major manufacturing center in the U.S., with 446,484 workers in these activities in 2007. International trade is also a major component of the area's economy. Major investments are being made in port and transportation facilities. Transportation service in the County is extensive. 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).

The County continues to face challenging economic conditions. The economic growth for California was recently stymied by the sub-prime meltdown that set off record mortgage foreclosures. The latest report for the County shows a reduction of 61.2% in single and 39.3% in multifamily housing construction permits from the prior year. Business investment in nonresidential structures has been growing but at a decelerating rate. Projects in the private sector include the "LA Live" with the Convention Center hotel in downtown Los Angeles and the W Hotel project in Hollywood. Some new attractions include the "Simpson's" ride at Universal Studios and the Grammy Museum at "LA Live". The "Grand Avenue Plan" is also scheduled for construction by early 2009 if funding is available.

Nonfarm employment in the County realized a modest performance in 2008 and expected to improve slightly in 2009. The largest job losses in 2008 have been concentrated in construction with a loss of 10,000 jobs, finance and insurance with a loss of 5,000 jobs, and manufacturing with a loss of 5,000 jobs. Employment gains are expected to be recognized in health services with a gain of 8,500 jobs, government with a gain of 6,000 jobs, and professional, scientific and technical services with a gain of 5,000 jobs.

The Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County areas for June 2008 rose by 1.1% over May in a one-month period while the CPI for June 2008 relative to June 2007 rose by 5%. The on-going fluctuation in energy prices will continue to reflect the prevailing conditions of the economy.

The total personal income in the County should grow by 5.0% in 2009, compared with the 3.8% increase in the consumer price index for the area. Per capita personal income in 2008 is expected to be \$39,636, which would rank fourth in the region. The retail environment will remain difficult with a 1.1% decline in sales volume in 2008 and continue to decline through 2009.

Long-term Financial Planning

Long-term financial planning is accomplished in three stages at LACMTA: 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 Board 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 Board. 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 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 LACMTA 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 LACMTA 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 LACMTA by the financial marketplace. These standards are consistent with the Board-approved Debt Policy.

Major Initiatives

In FY09, LACMTA is budgeted to buy CNG fueled high capacity buses and expects to receive 130 new buses in this fiscal year and an additional 130 in FY10. These new buses will be put into service to complete the "New Service Program", a program of 28 Rapid Bus lines throughout the County. The final six lines operated by LACMTA will complete their first full year of operation in FY09 along some of the County's heaviest traveled transportation corridors. Three additional lines will be put into service by municipal bus operators before June 2009. By then, 500 Rapid buses will serve 28 transit corridors covering 420 route miles and 35 cities throughout the County.

Another major initiative for FY09 is the opening of the Gold Line Eastside extension and the extensive safety training for the community along the new rail lines.

LACMTA 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 Freeway Service Patrol to help stranded motorists.

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, 2007. This was the ninth consecutive year that LACMTA 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 LACMTA's current report continues to conform to the Certificate of Achievement program requirements and will be submitted to the GFOA for consideration.

Acknowledgments

I wish to thank the entire staff of the Accounting Department and our fellow staff 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, 2007

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.



Charles S. Cox

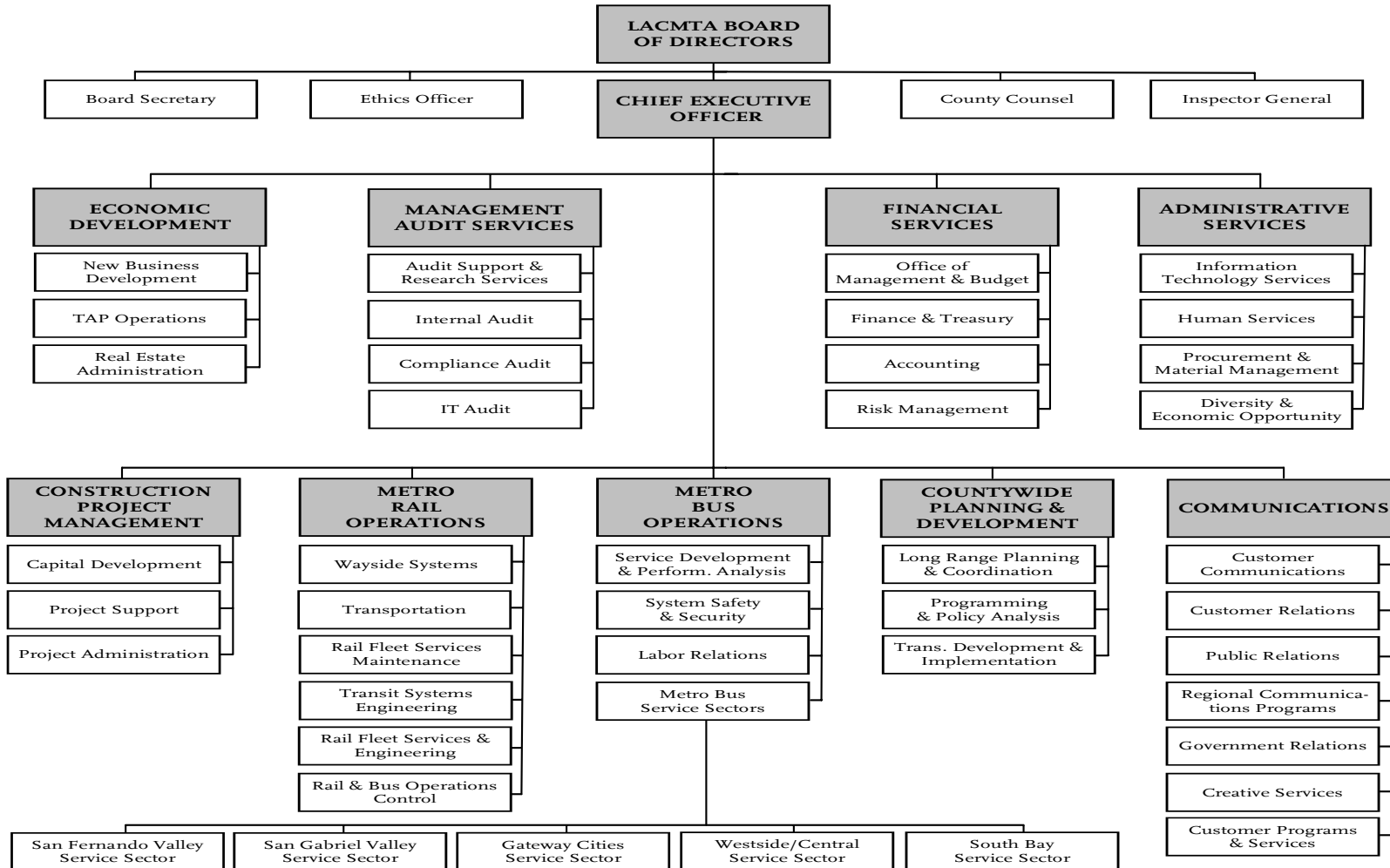
President

Jeffrey R. Emer

Executive Director

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Management Organization Chart



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board of Directors

(Updated as of July 2008)



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



Don Knabe
1st Vice Chair
LA County Supervisor
4th Supervisorial District



Ara Najarian
2nd Vice Chair
City Council Member
City of Glendale



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



Pam O'Connor
City Council Member
City of Santa Monica



Bernard Parks
Mayor Appointee
City of Los Angeles



Zev Yaroslavsky
LA County Supervisor
3rd Supervisorial District



Douglas Failing
Ex-officio Member
Appointed by Governor

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Appointed Officials

Roger Snoble
Chief Executive Officer

Charles Safer
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

Karen Gorman
Acting Inspector General

Executive Staff

Mike Cannell
General Manager, Rail Operations

Carolyn Flowers
Chief Operations Officer

Ruthe Holden
Chief Auditor

Carol Inge
Chief Planning 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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Comprehensive Annual Financial Report

Financial Section



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

We have audited the accompanying 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 (LACMTA), as of and for the year ended June 30, 2008, which collectively comprise LACMTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LACMTA's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the defined benefit pension plan financial statements of the United Transportation Union Plan (UTU), the Transportation Communication Union Plan (TCU), the Amalgamated Transit Union Plan (ATU), the Non-Contract Employees Plan (NCE), and the American Federation State County Municipal Employees Plan (AFSCME), which are reported in LACMTA's Employee Retirement Trust Funds and represent 58%, 58%, and 4% of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information, respectively. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for UTU, TCU, ATU, NCE, and AFSCME, are based solely on the reports of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate

remaining fund information of the Los Angeles County Metropolitan Transportation Authority, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note U in the notes to the financial statements, the LACMTA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2009 on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 25, the schedule of funding progress for pension plans and other postemployment benefits on pages 99 and 100, respectively, and the budgetary comparison information on pages 101 through 106 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 LACMTA's basic financial statements. The accompanying introductory section, statistical section and the other supplementary information on pages 107 through 143 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

January 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Provide an overview of LACMTA's financial activities;
- Highlight significant financial issues;
- Discuss changes in LACMTA'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 27). All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- LACMTA's total assets exceeded its liabilities as of June 30, 2008 by \$6,657,713. Of this amount, \$208,604 is reported as unrestricted net assets.
- Total net assets increased by \$225,822 (3.5 percent) this year over last year. Business-type net assets increased by \$237,193 (5.8 percent) and governmental net assets decreased by \$11,371 (0.5 percent). The increase in the business-type activities net assets is primarily due to implementation of GASB 45 (OPEB), increase in passenger fare revenues and operating subsidies. Net assets in the governmental activities decreased due to write off of investment in other agencies.
- At year-end, the governmental funds reported fund balances totaling \$1,605,095. Of this amount, \$659,697 is reserved for encumbrances and other commitments, and \$945,398 is unreserved fund balance available for spending at LACMTA's discretion.
- LACMTA's total liabilities decreased by \$259,488 (4.7 percent) during the year. The decrease in liabilities is primarily due to implementation of GASB 45 (OPEB) and redemption and payment of bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LACMTA's basic financial statements. LACMTA'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 LACMTA's finances in a manner similar to private-sector entities.

The statement of net assets (page 27) presents information on all of LACMTA'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 28 to 29) 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 LACMTA'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 LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA'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. LACMTA uses fund accounting to ensure and demonstrate compliance with legal requirements. All of LACMTA's funds are divided into three categories: proprietary, governmental, and fiduciary.

Proprietary Funds

LACMTA 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. LACMTA uses the Enterprise fund to account for its transit operations: bus, rail, and regional programs. The basic proprietary fund financial statements are on pages 37 to 39.

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 30 to 31 and 34 to 35.

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 33 and 36 are shown to facilitate the comparison between the government funds and the government-wide financials.

LACMTA maintains ten individual governmental funds, six of which are considered major funds. Individual fund data for the major funds are presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for the non-major governmental funds are presented on pages 107 to 108.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major special revenue fund on pages 101-106, and for each non-major fund on pages 109 to 111 and the aggregate remaining special revenue funds on page 112.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. The basic fiduciary fund statements can be found on pages 40 to 41. They include the five employee pension funds administered by LACMTA, the Other Postemployment Benefits Trust Fund 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 LACMTA's finances. The notes to the financial statements are on pages 43 to 98.

Other Information

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 99 and other supplementary and statistical information beginning on page 107.

Government-wide Financial Analysis

Statement of Net Assets

As mentioned earlier, net assets can serve as an indicator of financial health. LACMTA's assets exceeded liabilities by \$6,657,713 at the end of the fiscal year, a 0.9 percent increase over the previous year. The increase is primarily due to asset acquisitions funded by Prop 1B Public Transportation Modernization, Improvement, and Service Enhancement Account.

The following table is a summary of the statement of net assets as of June 30, 2008 and 2007.

Los Angeles County Metropolitan Transportation Authority						
Summary Statement of Net Assets						
	Business-type Activities		Governmental Activities		Total	
	2008	2007	2008	2007	2008	2007
Current & other assets	\$ 2,290,578	\$ 2,351,110	\$ 1,730,528	\$ 1,742,206	\$ 4,021,106	\$ 4,093,316
Capital assets	7,148,257	7,109,646	772,838	772,905	7,921,095	7,882,551
Total assets	<u>9,438,835</u>	<u>9,460,756</u>	<u>2,503,366</u>	<u>2,515,111</u>	<u>11,942,201</u>	<u>11,975,867</u>
Current liabilities	497,736	532,759	95,908	92,887	593,644	625,646
Non-current liabilities	4,631,383	4,855,474	59,461	62,856	4,690,844	4,918,330
Total liabilities	<u>5,129,119</u>	<u>5,388,233</u>	<u>155,369</u>	<u>155,743</u>	<u>5,284,488</u>	<u>5,543,976</u>
Investment in capital assets net of related debt	3,911,725	3,671,581	772,838	772,905	4,684,563	4,444,486
Restricted for debt service	321,823	289,669	-	-	321,823	289,669
Restricted for other purpose	-	-	1,442,723	1,289,360	1,442,723	1,289,360
Unrestricted	76,168	111,273	132,436	297,103	208,604	408,376
Total net assets	<u>\$ 4,309,716</u>	<u>\$ 4,072,523</u>	<u>\$ 2,347,997</u>	<u>\$ 2,359,368</u>	<u>\$ 6,657,713</u>	<u>\$ 6,431,891</u>

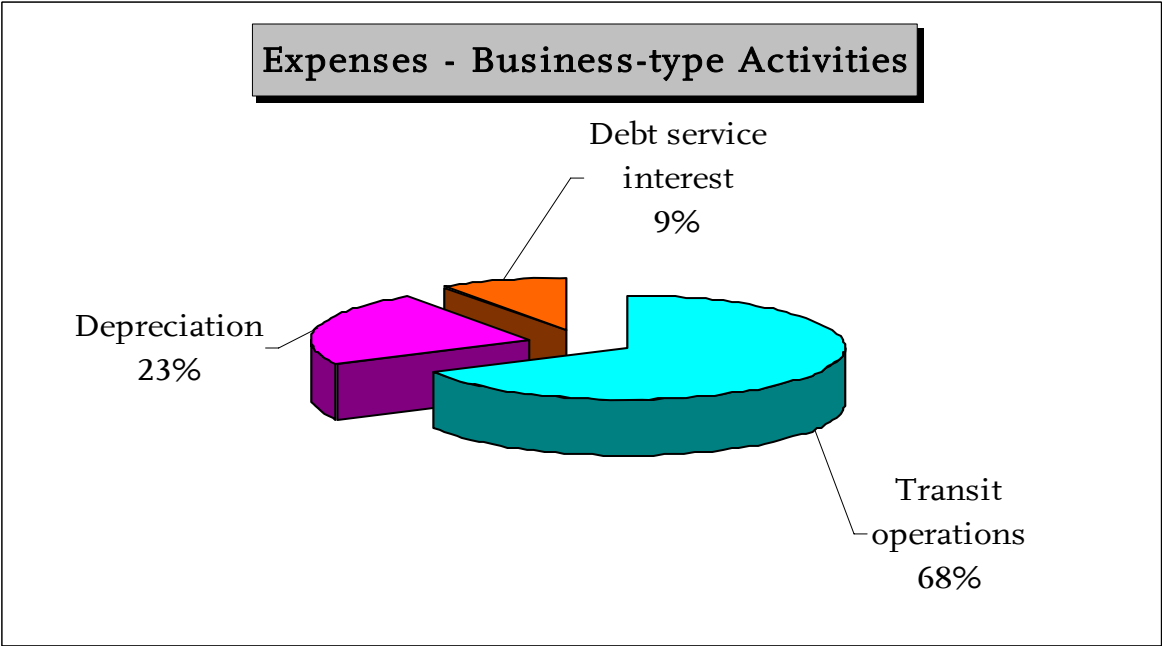
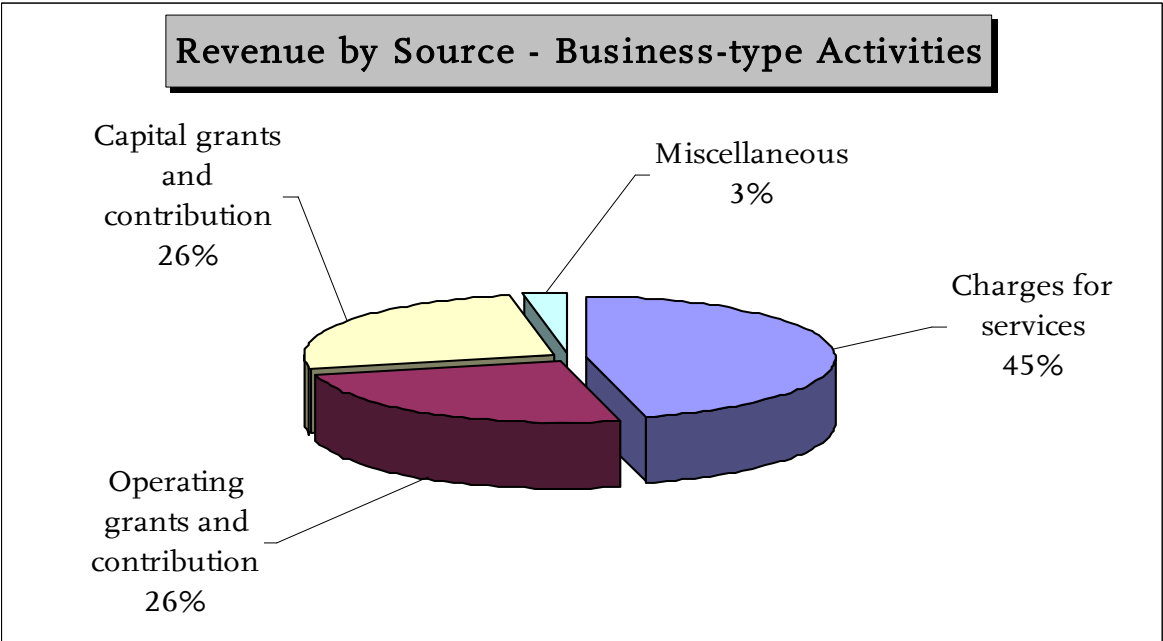
Statement of Activities

The following table is a summary of the statement of activities for the year ended June 30, 2008 and 2007.

Los Angeles County Metropolitan Transportation Authority						
Change in Net Assets						
	Business-type		Governmental		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 357,857	\$ 313,000	\$ 10,915	\$ 13,311	\$ 368,772	\$ 326,311
Operating grants and contributions	198,443	186,003	191,046	343,003	389,489	529,006
Capital grants and contributions	200,575	302,613	-	-	200,575	302,613
General revenues						
Sales tax	-	-	1,801,291	1,908,416	1,801,291	1,908,416
Miscellaneous	20,823	35,111	110,055	80,922	130,878	116,033
Total revenues	777,698	836,727	2,113,307	2,345,652	2,891,005	3,182,379
Program Expenses:						
Transit operations						
Operations	1,172,846	1,127,289	-	-	1,172,846	1,127,289
Depreciation	410,476	405,731	-	-	410,476	405,731
Debt service interest	163,921	158,629	-	-	163,921	158,629
Transit operators programs	-	-	209,299	235,476	209,299	235,476
Local cities programs	-	-	318,492	320,629	318,492	320,629
Regional multimodal capital programs	-	-	316,631	103,286	316,631	103,286
Paratransit programs	-	-	14,355	12,440	14,355	12,440
Other transportation subsidies	-	-	57,711	49,997	57,711	49,997
General government	-	-	167,191	133,684	167,191	133,684
Total expenses	1,747,243	1,691,649	1,083,679	855,512	2,830,922	2,547,161
Increase (decrease) in net assets before transfers:	(969,545)	(854,922)	1,029,628	1,490,140	60,083	635,218
Transfers	1,040,999	944,260	(1,040,999)	(944,260)	-	-
Increase (decrease) in net assets	71,454	89,338	(11,371)	545,880	60,083	635,218
Net assets -beginning of year, as reported	4,072,523	3,983,185	2,359,368	1,813,488	6,431,891	5,796,673
Adjustment due to implementation of GASB 45 (OPEB)	165,739	-	-	-	165,739	-
Net assets - beginning of year, as restated	4,238,262	3,983,185	2,359,368	1,813,488	6,597,630	5,796,673
Net assets - end of year	\$ 4,309,716	\$ 4,072,523	\$ 2,347,997	\$ 2,359,368	\$ 6,657,713	\$ 6,431,891

Transit operations recovered 30.5 percent of total operating expenses from operating revenues, excluding depreciation and interest, compared to 27.8 percent in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources.

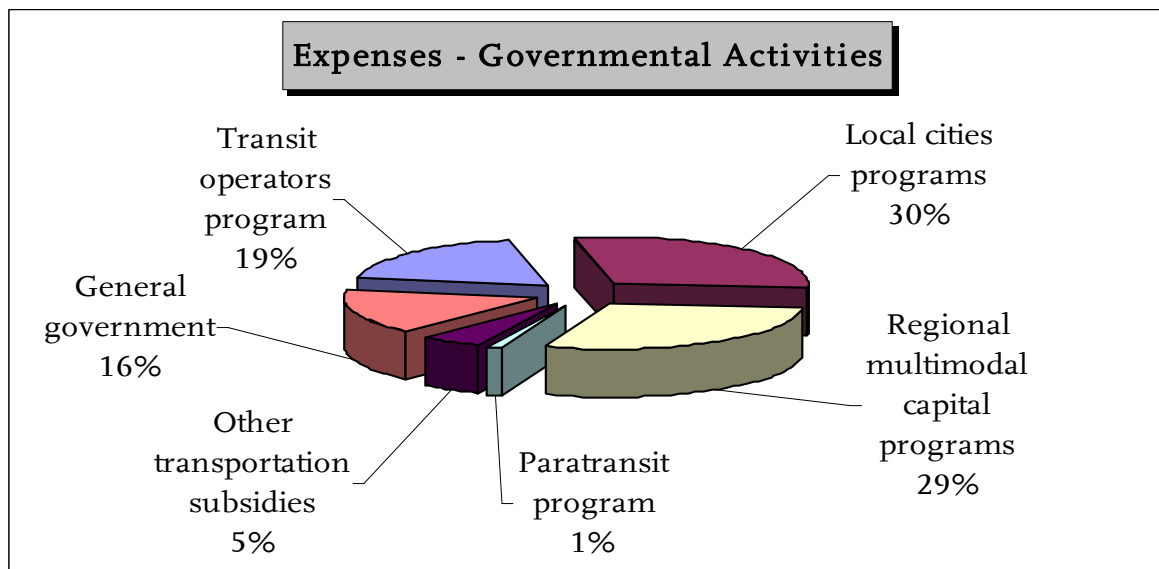
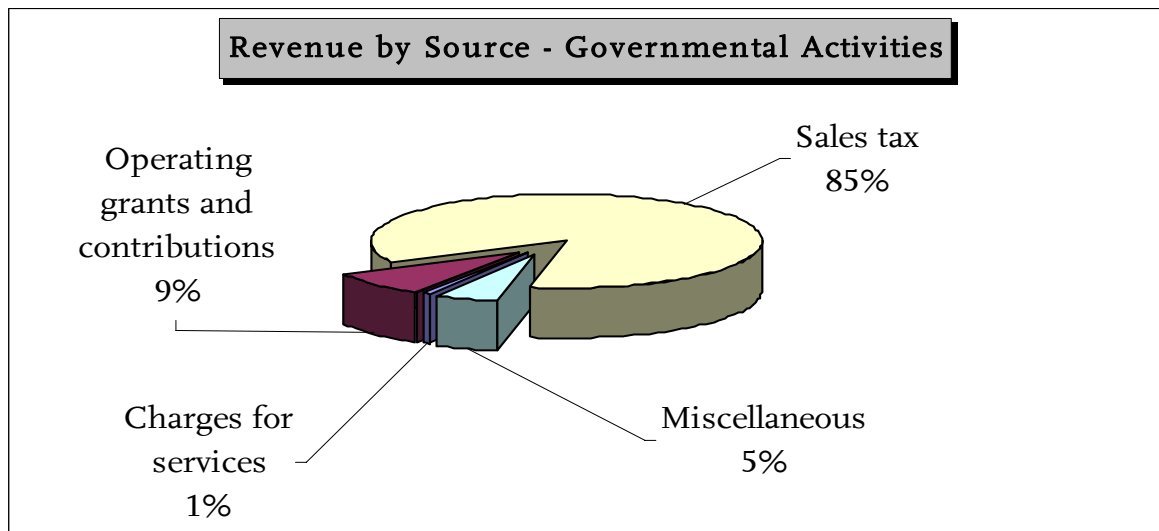
Below are graphical depictions of the components of business-type revenues and expenses.



Governmental activities decreased LACMTA's net assets by \$11,371.

Most of the governmental activities are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales tax. Subsidies totaling \$916,488 to other agencies represented the largest governmental expenses, 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. Additionally, the increase in regional multimodal capital program expenses is the result of LACMTA's writing-off its investments in other agencies during fiscal year 2008 given potential contingencies associated with rail accidents of the Southern California Regional Rail Authority.

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



Financial Analysis of LACMTA'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 \$237,193 primarily due to implementation of GASB 45 (OPEB), increase in passenger fare revenues and operating subsidies.

LACMTA 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 FY08 and FY07.

Los Angeles County Metropolitan Transportation Authority				
(Amounts not in thousands)				
Cost per Revenue Service Hour*				
	2008	2007	Variance	% Variance
Bus	\$ 119.93	\$ 118.87	\$ 1.06	0.89%
Rail	367.66	360.18	7.48	2.08%
Subsidy Per Passenger Boarding				
	2008	2007	Variance	% Variance
Bus	\$ 1.65	\$ 1.62	\$ 0.03	1.85%
Rail	2.10	2.19	-0.09	-4.11%

**Refer to the attached schedules beginning on page 138*

The FY08 cost per revenue service hour (RSH) and subsidy per passenger boarding for bus has a very minimal increase from FY07.

Rail cost per revenue service hour (RSH) shows a slight unfavorable variance of 2.08 percent compared with FY07 due to increases in labor costs, services, and other expenses.

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.

LACMTA's governmental funds ended the fiscal year with \$1,605,095 in total fund balances. Approximately 41.1 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

General fund balance decreased by \$6,639 primarily due to increased funding for bus operations, bus and facilities maintenance. During the fiscal year, \$5,280 in professional service was spent in administering the Rideshare Services program.

Proposition A fund balance decreased by \$108,067 mainly due to increased funding for bus and rail capital and operating expenses. Of the \$196,639 fund balance, \$76,562 is reserved for future programs.

Proposition C fund balance increased by \$189,793 primarily due to funds received from Proposition A and reduced funding for bus and rail capital and operating expenses. Of the \$578,028 fund balance, \$338,445 is reserved for future programs.

Proposition 1B Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) funding became available this fiscal year. Initial funds received from the State amounted to \$161,771 inclusive of interest income earned. The fund provided \$69,378 for bus procurement and rehabilitation, and \$39,751 for the Exposition Light Rail Project. \$52,624 remains in the fund balance at the end of the year.

The TDA fund balance increased by \$28,342 as expenditures for administration of bus operations and the bus midlife program were lower than planned due to project delays. Approximately 91.3 percent of the \$201,386 fund balance is reserved for future projects.

The STA fund balance decreased by \$25,640 because of lower sales tax remittances received from the State. Approximately 82.7 percent of the \$44,436 fund balance is reserved for future projects. STA sales tax revenues were under budget by \$35,084 due to a delay by the State in distributing the last quarter allocation.

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 2.6 percent of LACMTA's total governmental funds revenues, while expenditures represent 2.2 percent of total governmental funds expenditures.

During the year, the original budget was increased by \$384. The components of the budget increase were \$200 for Transit Planning and \$184 for Employee Activities.

Revenues

The primary sources of revenues are the federal alternative fuel tax credit receipts, rental income from inactive rights-of-way, joint development projects, investment income, Federal, State, and local grants, and high occupancy vehicles (HOV) lane fines.

Investment income is \$3,959 greater than budgeted levels due to higher rates of return than originally anticipated. Federal alternative fuel tax credit increased by \$4,565 due to higher volume of consumption of compressed natural gas (CNG) compared to budget.

Expenditures

The general fund provides resources to pay for bus and rail operations, joint development administration, property management expenditures, administration of LACMTA's rideshare services, and other general expenditures.

Administration and other expenditures is \$2,836 lower than budget due mainly to lesser joint development and property administration expenditures than the anticipated programmed levels.

Capital Assets and Long-term Debt Administration

Capital Assets

As of June 30, 2008, LACMTA had \$7,921,095 (net of accumulated depreciation) invested in capital assets, as shown below, a 0.5 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	
	2008	2007	2008	2007	2008	2007
Land	\$ 624,384	\$ 616,722	\$ 772,794	\$ 772,794	\$ 1,397,178	\$ 1,389,516
Buildings	4,137,078	4,277,648	-	-	4,137,078	4,277,648
Equipment	184,091	214,946	-	-	184,091	214,946
Vehicles	936,482	923,365	44	111	936,526	923,476
Constructions in progress	1,266,222	1,076,965	-	-	1,266,222	1,076,965
Total Capital Assets	\$ 7,148,257	\$ 7,109,646	\$ 772,838	\$ 772,905	\$ 7,921,095	\$ 7,882,551

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. As of June 30, 2008, \$753.7 million has been expended

The Exposition Light Rail Project is an \$862 million project. The project is 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, 2008, \$158.2 million has been expended.

The Universal Fare System (UFS) is a \$97.6 million project designed to improve LACMTA's fare collection on the bus and rail systems. Installation of UFS fareboxes and ticket vending machines on LACMTA was completed. Other transit operators will operate the UFS equipment as part of the regional system known as TAP (Transit Access Pass). TAP will utilize non-contact smart cards to provide seamless fare collection among the region's transit operators. As of June 30, 2008, all equipment and communication infrastructure are fully in placed and functional.

LACMTA entered into a \$68 million contract to enhance UFS operation by adding an advanced gating system and related services to deter fare evasion, improve system security and capture ridership data. Design and preliminary engineering work for the gating project started in February 2008. As of June 30, 2008, \$600 thousand has been expended.

A major bus acquisition project during FY08 was the purchase of 95 60-foot CNG high capacity articulated buses. All buses were received and put into service as of June 30, 2008. As of June 30, 2008, \$85.5 million has been expended.

LACMTA entered into a Light Rail Vehicle Base Contract to acquire fifty (50) light rail vehicles (LRV), including spare parts, special tools and equipment. As of June 30, 2008, eleven (11) vehicles were received and four (4) were already in revenue service. As of June 30, 2008, \$65.3 million has been expended.

LACMTA started the Solar Panel Energy project, a 417 (not in thousands) kilowatt solar panel system with an estimated 1,600 (not in thousands) individual solar panels. At the completion of this energy saving project, LACMTA will receive a rebate of \$1.6 million from the Gas Company. As of June 30, 2008, \$3.3 million has been expended.

Additional information on capital assets can be found on page 61.

Long-term Debt Administration

At the end of the fiscal year, LACMTA had a total long-term debt of \$4,473,055 of which \$2,950,825 bonds collateralized by sales tax revenue, and \$845,150 were lease/leaseback obligations.

The remainder of the long-term debt consisted of commercial paper, general revenue bonds, and other debt as shown below.

Los Angeles County Metropolitan Transportation Authority Long-term Debt						
	Business-type Activities		Governmental Activities		Total	
	2008	2007	2008	2007	2008	2007
Sales tax revenue bonds and refunding bonds	\$ 2,950,825	\$ 3,061,630	\$ -	\$ -	\$ 2,950,825	\$ 3,061,630
Lease/Leaseback to service obligations	845,150	813,702	-	-	845,150	813,702
Capital grant receipts revenue bonds	216,685	239,710	-	-	216,685	239,710
General revenue bonds	220,610	236,290	-	-	220,610	236,290
Commercial paper notes	184,310	188,925	-	-	184,310	188,925
Other debt	29,106	17,550	26,369	27,276	55,475	44,826
Total long-term liabilities	<u>\$ 4,446,686</u>	<u>\$ 4,557,807</u>	<u>\$ 26,369</u>	<u>\$ 27,276</u>	<u>\$ 4,473,055</u>	<u>\$ 4,585,083</u>

During the fiscal year, LACMTA refinanced \$132,745 of Proposition C bonds by issuing the 2008-A Series Bonds to take advantage of the favorable interest rates.

Bond Ratings

LACMTA's bonds are rated by Standard and Poor's, Moody's, and Fitch as specified in the following schedule of ratings:

Bonds Issue Type	Standard & Poor's	Moody's	Fitch
Proposition A Combined First Tier Senior Lien Bonds	AAA	Aa3	AA-
Proposition C Second Senior Sales Tax Revenue Bonds	AA	A1	AA-
General Revenue Bonds	A	A2	n/a
Capital Grant Receipts Revenue Bonds	A	A2	n/a

Additional information on LACMTA's long-term debt can be found on pages 67 to 79.

Economic Factors and Next Year's Budget

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

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

LACMTA uses forecasts from various governmental sources as a basis of its future funding assumptions. The budget for FY09 takes into account challenges and opportunities in a sluggish economy. Local sales tax comprises the single largest revenue sources for LACMTA, and represents 64 percent of LACMTA's total FY09 estimated revenues. Sales tax revenues are budgeted to increase by 1.1 percent, which is the 20-year historical average for sales tax growth in Los Angeles County. From this revenue base, LACMTA 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 LACMTA'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.

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Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
June 30, 2008
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 85,123	\$ 1,008,347	\$ 1,093,470
Investments	22,699	644,058	666,757
Receivables (net of allowance for doubtful accounts)	76,441	153,989	230,430
Internal balances	77,228	(77,228)	-
Inventories	78,036	-	78,036
Prepaid and other current assets	3,615	14	3,629
Designated and restricted assets:			
Cash and cash equivalents – designated	1,316	-	1,316
Cash and cash equivalents – restricted	201,694	1,095	202,789
Investments – designated	316,894	-	316,894
Investments – restricted	538	-	538
Total current assets	863,584	1,730,275	2,593,859
Noncurrent assets:			
Investments - restricted	417,983	-	417,983
Lease accounts	845,150	-	845,150
Net OPEB assets	121,602	-	121,602
Deferred charges	42,259	253	42,512
Capital assets			
Land and construction in progress	1,890,606	772,794	2,663,400
Other capital assets, net of depreciation	5,257,651	44	5,257,695
Total noncurrent assets	8,575,251	773,091	9,348,342
Total assets	9,438,835	2,503,366	11,942,201
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	127,198	91,949	219,147
Accrued interest payable	69,262	-	69,262
Claims payable	75,310	-	75,310
Compensated absences payable	53,212	-	53,212
Bonds and notes payable	143,865	960	144,825
Deferred revenue and credits	25,208	2,157	27,365
Other current liabilities	3,681	842	4,523
Total current liabilities	497,736	95,908	593,644
Noncurrent liabilities:			
Claims payable	243,304	-	243,304
Compensated absences payable	21,615	-	21,615
Net pension obligation	937	-	937
Bonds and notes payable	4,302,821	25,409	4,328,230
Deferred revenue and credits	62,706	34,052	96,758
Total noncurrent liabilities	4,631,383	59,461	4,690,844
Total liabilities	5,129,119	155,369	5,284,488
NET ASSETS			
Invested in capital assets, net of related debt	3,911,725	772,838	4,684,563
Restricted for debt service	321,823	-	321,823
Restricted for other purposes	-	1,442,723	1,442,723
Unrestricted	76,168	132,436	208,604
Total net assets	\$ 4,309,716	\$ 2,347,997	\$ 6,657,713

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, 2008
(Amounts expressed in thousands)

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Business-type activities:			
Transit operations	\$ 1,747,243	\$ 357,857	\$ 198,443
Total business-type activities	1,747,243	357,857	198,443
Governmental activities:			
Transit operators programs	209,299	-	-
Local cities programs	318,492	-	-
Regional multimodal capital programs	316,631	-	166,744
Paratransit programs	14,355	-	-
Other transportation subsidies	57,711	-	1,482
General government	167,191	10,915	22,820
Total governmental activities	1,083,679	10,915	191,046
Total	\$ 2,830,922	\$ 368,772	\$ 389,489

General revenues:

 Sales tax
 Investment income
 Miscellaneous
Transfers
Total general revenues
Change in net assets

Net assets – beginning of year, as previously reported
 Adjustment due to implementation of GASB 45 (OPEB)
Net assets – beginning of year, as restated
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
\$ 200,575	\$ (990,368)	\$ -	\$ (990,368)
200,575	(990,368)	-	(990,368)
-	-	(209,299)	(209,299)
-	-	(318,492)	(318,492)
-	-	(149,887)	(149,887)
-	-	(14,355)	(14,355)
-	-	(56,229)	(56,229)
-	-	(133,456)	(133,456)
-	-	(881,718)	(881,718)
\$ 200,575	(990,368)	(881,718)	1,872,086
-	-	1,801,291	1,801,291
15,586	70,782	86,368	86,368
5,237	39,273	44,510	44,510
1,040,999	(1,040,999)	-	-
1,061,822	870,347	1,932,169	1,932,169
71,454	(11,371)	60,083	60,083
4,072,523	2,359,368	6,431,891	6,431,891
165,739	-	165,739	165,739
4,238,262	2,359,368	6,597,630	6,597,630
\$ 4,309,716	\$ 2,347,997	\$ 6,657,713	\$ 6,657,713

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2008
(Amounts expressed in thousands)

	<u>Special</u>		
	<u>General Fund</u>	<u>Proposition A</u>	<u>Proposition C</u>
ASSETS			
Cash and cash equivalents	\$ 67,178	\$ 85,835	\$ 301,679
Investments	66,351	84,852	297,947
Receivables:			
Accounts	3,513	-	-
Interest	862	1,028	3,678
Intergovernmental	5,624	-	707
Sales tax	-	40,020	40,066
Due from other funds	5,725	-	-
Restricted assets:			
Cash and cash equivalents	974	-	121
TOTAL ASSETS	<u>\$ 150,227</u>	<u>\$ 211,735</u>	<u>\$ 644,198</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,982	\$ 15,096	\$ 66,170
Due to other funds	-	-	-
Deferred Revenue	-	-	-
Other liabilities – current	842	-	-
TOTAL LIABILITIES	<u>2,824</u>	<u>15,096</u>	<u>66,170</u>
FUND BALANCES			
Reserved for:			
Memoranda of understanding	-	76,562	338,445
Encumbrances	2,890	-	-
Unreserved, reported in:			
General fund	144,513	-	-
Special revenue funds	-	120,077	239,583
TOTAL FUND BALANCES	<u>147,403</u>	<u>196,639</u>	<u>578,028</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 150,227</u>	<u>\$ 211,735</u>	<u>\$ 644,198</u>

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

Revenue		Funds			Total Governmental Funds
PTMISEA	TDA	STA	Nonmajor Governmental Funds		
\$ 83,361	\$ 190,373	\$ 81,771	\$ 198,150	\$	1,008,347
-	-	-	194,908		644,058
-	-	-	-		3,513
149	748	370	2,371		9,206
-	-	-	3,008		9,339
-	19,470	32,375	-		131,931
-	-	-	568		6,293
-	-	-	-		1,095
\$ 83,510	\$ 210,591	\$ 114,516	\$ 399,005	\$	1,813,782
\$ -	\$ -	\$ -	\$ 8,701	\$	91,949
30,886	9,205	37,705	5,725		83,521
-	-	32,375	-		32,375
-	-	-	-		842
30,886	9,205	70,080	14,426		208,687
-	183,814	36,752	-		635,573
-	-	-	21,234		24,124
-	-	-	-		144,513
52,624	17,572	7,684	363,345		800,885
52,624	201,386	44,436	384,579		1,605,095
\$ 83,510	\$ 210,591	\$ 114,516	\$ 399,005	\$	1,813,782

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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, 2008
 (Amounts expressed in thousands)

Fund Balance – total governmental funds (page 31)	\$ 1,605,095
Government capital assets are not financial resources and, therefore, are not reported in the funds.	772,838
Deferred revenues recognized in the Balance Sheet but not reported in the Statement of Net Assets – Governmental Activities. These revenues are not available in the current period.	32,375
Governmental funds account for cost 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.	267
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(26,369)
Government funds report revenue only to the extent that it increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. The amount of revenue pertaining to future periods	<u>(36,209)</u>
Net Assets of governmental activities (page 29)	<u><u>\$ 2,347,997</u></u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	<u>Special</u>		
	<u>General Fund</u>	<u>Proposition A</u>	<u>Proposition C</u>
REVENUES			
Sales tax	\$ -	\$ 683,352	\$ 683,530
Intergovernmental	6,514	-	7,999
Investment income	8,235	11,741	23,840
Net decline in fair value of investments	(224)	(228)	(1,030)
Lease and rental	10,915	-	-
Licenses and fines	657	-	-
Other	28,413	-	246
TOTAL REVENUES	54,510	694,865	714,585
EXPENDITURES			
Current:			
Administration and other	17,401	-	45,556
Transportation subsidies	190	243,397	381,868
Debt and interest expenditures:			
Principal	907	-	-
Interest and fiscal charges	1,310	-	-
TOTAL EXPENDITURES	19,808	243,397	427,424
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,702	451,468	287,161
OTHER FINANCING SOURCES (USES)			
Transfers in	2,426	-	65,127
Transfers out	(43,767)	(559,535)	(162,495)
TOTAL OTHER FINANCING SOURCES (USES)	(41,341)	(559,535)	(97,368)
NET CHANGE IN FUND BALANCES	(6,639)	(108,067)	189,793
Fund balances – beginning of year	154,042	304,706	388,235
FUND BALANCES – END OF YEAR	\$ 147,403	\$ 196,639	\$ 578,028

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

Revenue		Funds				
PTMISEA	TDA	STA	Nonmajor Governmental Funds	Total Governmental Funds		
\$ -	\$ 340,548	\$ 61,486	\$ -	\$ 1,768,916		
160,993	-	-	19,059	194,565		
778	9,047	3,875	15,453	72,969		
(18)	-	-	(687)	(2,187)		
-	-	-	-	10,915		
-	-	-	7,750	8,407		
-	-	-	47	28,706		
161,753	349,595	65,361	41,622	2,082,291		
-	-	-	67,133	130,090		
-	116,555	13,592	3,845	759,447		
-	-	-	-	907		
-	-	-	-	1,310		
-	116,555	13,592	70,978	891,754		
161,753	233,040	51,769	(29,356)	1,190,537		
-	-	-	50,159	117,712		
(109,129)	(204,698)	(77,409)	(1,678)	(1,158,711)		
(109,129)	(204,698)	(77,409)	48,481	(1,040,999)		
52,624	28,342	(25,640)	19,125	149,538		
-	173,044	70,076	365,454	1,455,557		
\$ 52,624	\$ 201,386	\$ 44,436	\$ 384,579	\$ 1,605,095		

**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, 2008
(Amounts expressed in thousands)**

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Net change in fund balances – total governmental funds (page 35)	\$ 149,538
Government funds account for principal payment as expenditures. The payment of principal of long-term debts consumes current financial resources but has no effect on net assets. Principal payments included in the fund statements.	907
Government funds account for costs of refunding bond obligation as expenditures. However, in the statement of net assets, these costs are reported as prepayments and amortized over the life of the bonds. This is the current amount of deferred charges.	(14)
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
Revenues reported in the statement of revenues, expenditures, and changes in fund balances provide current financial resources to government funds. These are long-term receivable collected in the current period, and therefore recognized as revenues in the statement of activities in the current period.	(3,521)
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances . These deferred revenues are not reported in the current period because they pertain to future periods.	32,375
Government funds do not account for write off of long-term investment in other agencies.	(192,746)
Government funds do not account for depreciation of capital assets. Depreciation expense is accounted for in the government-wide financial statement.	<u>(67)</u>
Change in net assets of governmental activities (page 29)	<u>\$ (11,371)</u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Proprietary Fund – Enterprise Fund
June 30, 2008
(Amounts expressed in thousands)

ASSETS

Current assets:	
Cash and cash equivalents	\$ 85,123
Investments	22,699
Receivables (net of allowance for doubtful accounts)	76,441
Inventories	78,036
Due from other funds	77,228
Prepaid and other current assets	3,615
Designated and restricted assets:	
Cash and cash equivalents – designated	1,316
Cash and cash equivalents – restricted	201,694
Investments – designated	316,894
Investments – restricted	538
Total current assets	<u>863,584</u>
Noncurrent assets:	
Investments – restricted	417,983
Lease accounts	845,150
Net OPEB assets	121,602
Deferred charges	42,259
Capital assets:	
Land and construction in progress	1,890,606
Other capital assets, net of depreciation	5,257,651
Total noncurrent assets	<u>8,575,251</u>
Total assets	<u>9,438,835</u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	127,198
Accrued interest payable	69,262
Claims payable	75,310
Compensated absences payable	53,212
Bonds and notes payable	143,865
Deferred revenue and credits	25,208
Other current liabilities	3,681
Total current liabilities	<u>497,736</u>
Noncurrent liabilities:	
Claims payable	243,304
Compensated absences payable	21,615
Net pension obligation	937
Bonds and notes payable	4,302,821
Deferred revenues and credits	62,706
Total noncurrent liabilities	<u>4,631,383</u>
Total liabilities	<u>5,129,119</u>

NET ASSETS

Invested in capital assets, net of related debt	3,911,725
Restricted for debt service	321,823
Unrestricted	76,168
Total net assets	<u>\$ 4,309,716</u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expense, and Changes in Fund Net Assets
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

OPERATING REVENUES:	
Passenger fares	\$ 336,961
Route subsidies	242
Auxiliary transportation	20,654
TOTAL OPERATING REVENUES	<u>357,857</u>
OPERATING EXPENSES:	
Salaries and wages	443,313
Fringe benefits	350,074
Professional and technical services	119,109
Material and supplies	75,657
Casualty and liability	41,110
Fuel, lubricants, and propulsion power	80,239
Depreciation	410,476
Other	60,757
TOTAL OPERATING EXPENSES	<u>1,580,735</u>
OPERATING LOSS	<u>(1,222,878)</u>
NON-OPERATING REVENUES (EXPENSES):	
Local grants	800
Federal grants	197,643
Investment income	15,586
Interest expense	(163,921)
Loss on disposition of capital assets	(2,587)
Other revenue	5,237
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>52,758</u>
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	<u>(1,170,120)</u>
CAPITAL GRANTS AND CONTRIBUTIONS:	
Local grants	1,039
State grants	108,587
Federal grants	90,949
Transfers in – Capital	408,334
CAPITAL GRANTS AND CONTRIBUTIONS	<u>608,909</u>
TRANSFERS IN	633,515
TRANSFERS OUT	<u>(850)</u>
CHANGE IN NET ASSETS	71,454
Net assets – beginning of year, as reported	4,072,523
Adjustment due to implementation of GASB 45 (OPEB)	165,739
Net assets – beginning of year, as restated	<u>4,238,262</u>
NET ASSETS – END OF YEAR	<u>\$ 4,309,716</u>

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, 2008
(Amounts expressed in thousands)

Cash flows from operating activities	
Receipts from customers	\$ 365,651
Payments to suppliers	(504,318)
Payments to employees	(907,383)
Net cash flows from operating activities	<u>(1,046,050)</u>
Cash flows from non-capital financing activities	
Transfer from other funds	802,788
Federal operating grant	197,643
Net cash flows from non-capital financing activities	<u>1,000,431</u>
Cash flows from capital and related financing activities	
Proceeds from the issuance of debts	265,603
Capital contributions	781,820
Payments for matured bonds and notes payable	(376,724)
Acquisition and construction of capital assets	(467,399)
Interest paid	(150,275)
Net cash flows from capital and related financing activities	<u>53,025</u>
Cash flows from investing activities	
Proceeds from sales and maturity of investments	18,450,690
Purchase of investments	(18,535,712)
Investment earnings	19,255
Net cash flows from investing activities	<u>(65,767)</u>
Net increase in cash and cash equivalents	(58,361)
Cash and cash equivalents – beginning of year	346,494
Cash and cash equivalents – end of year	<u>\$ 288,133</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (1,222,878)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	410,476
Increase in receivables	(1,947)
Decrease in prepaid and other assets	3,614
Decrease in inventories	2,648
Increase in net OPEB assets	(121,602)
Decrease in accounts payable and accrued liabilities	(11,691)
Increase in compensated absences payable	3,938
Increase in claims payable	20,758
Decrease in net pension obligation	(36)
Decrease in post employment benefits payable	(207)
Decrease in due to other funds	(139,101)
Increase in other current liabilities	236
Increase in deferred revenues and credits	9,742
Total adjustments	<u>176,828</u>
Net cash used for operating activities	<u>\$ (1,046,050)</u>
Non-cash investing, capital and financing transactions	
Capital asset write off	\$ 3,525
Net increase in fair value of investments	96

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Fiduciary Funds
June 30, 2008
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Funds	Agency Fund
ASSETS			
Cash and cash equivalents	\$ 3,485	\$ 7,367	\$ 6,592
Investments:			
Bonds	283,842	45,133	25,493
Domestic stocks	130,096	38,818	-
Non-domestic stocks	15,852	8,718	-
Pooled investments	378,607	72,420	-
Receivables:			
Member contributions	986	78	-
Member transfer receivable	992	-	-
Securities sold	42,089	-	-
Receivable from sponsors	283	128	-
Interest and dividends	10,187	475	211
Special assessments receivable	-	-	1,819
Special assessments receivable - deferred	-	-	11,045
Prepaid items and other assets	39	-	369
Total assets	866,458	173,137	45,529
LIABILITIES			
Accounts payable and other liabilities	946	455	781
Sponsor contributions paid in advance	65	-	-
Accrued interest payable	-	-	564
Benefits and member contributions refunds payable	992	-	-
Deferred credits	-	-	151
Securities purchased	98,545	-	-
Bonds payable	-	-	43,535
Special assessments payable – deferred	-	-	498
Total liabilities	100,548	455	45,529
NET ASSETS			
Held in trust for pension, OPEB benefits and other purposes	\$ 765,910	\$ 172,682	\$ -

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, 2008
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 35,542	\$ 183,712
Member	21,515	609
Total contributions	<u>57,057</u>	<u>184,321</u>
From investing activities:		
Net decline in fair value of investments	(68,248)	(99)
Investment income	23,311	5,691
Investment expense	(2,733)	(337)
Other income	708	-
Total investing activities income	<u>(46,962)</u>	<u>5,255</u>
Total additions	<u>10,095</u>	<u>189,576</u>
DEDUCTIONS		
Retiree benefits	59,228	16,894
Administrative expenses	1,206	-
Total deductions	<u>60,434</u>	<u>16,894</u>
Net increase (decrease)	(50,339)	172,682
Net assets – beginning of the year	816,249	-
NET ASSETS – END OF YEAR	<u>\$ 765,910</u>	<u>\$ 172,682</u>

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

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

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

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Los Angeles County Metropolitan Transportation Authority (LACMTA) 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 LACMTA'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 LACMTA and because LACMTA'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 LACMTA's operations, and data from these units are combined with LACMTA's financial data.

LACMTA administers the activities of the Public Transportation Service Corporation (PTSC), the LACMTA Leasing Authority, the Service Authority for Freeway Emergencies (SAFE), and the Exposition Metro Line Construction Authority (EXPO), and therefore includes the activities of these organizations in the accompanying financial statements. PTSC, LACMTA Leasing Authority, and EXPO provide services exclusively to LACMTA, and LACMTA 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 LACMTA'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, LACMTA entered into an Acquisition Agreement under which the planning, programming, administrative, operational management, and construction functions of LACMTA were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by LACMTA.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

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 8.6 miles from Metro Rail Station at 7th and Flower Street in downtown Los Angeles to Washington and National Boulevards in Culver City.

B. Government-wide and Fund Financial Statements

LACMTA's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

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.

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, LACMTA 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.

Interest associated with the current fiscal period are subject to accrual and 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. LACMTA also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. LACMTA 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, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes, investment, and miscellaneous revenues.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

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 LACMTA'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 LACMTA's policy to use restricted resources first. Unrestricted resources are used as they are needed.

Fund Accounting

LACMTA 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 LACMTA'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 LACMTA's only proprietary fund.

LACMTA'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.

LACMTA reports all operations-related transactions, including capital and related debt, in the Enterprise fund.

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 interests are reported as contributions from the governmental funds.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

Governmental funds are used to account for LACMTA's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. LACMTA 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. The general fund is one of LACMTA's major governmental funds.

Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes. The following are LACMTA's other major governmental funds:

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 LACMTA.

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.

Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) - This fund is part of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This fund is intended to fund projects, to protect the environment and public health, conserve energy, reduce congestion, and to provide alternative mobility and access choices for Californians.

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 LACMTA, 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

The LACMTA also has the following nonmajor special revenue funds:

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.

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 program, 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 LACMTA 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 LACMTA administers, and are accounted for in essentially the same manner as the proprietary funds.

Other Postemployment Benefits (OPEB) trust funds account for the resources held in trust by LACMTA for the benefits of members and beneficiaries not offered as an integral part of a pension plan.

Agency funds are custodial in nature and do not present results of operations. These include two benefit assessment districts.

D. Assets, Liabilities, and Net Assets

Deposits and Investments

LACMTA's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less at the date of acquisition. Investments include instruments or deposits beyond the 90-day original maturities. State statutes and LACMTA's policy allows LACMTA to invest in US Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment pool. LACMTA's investments are reported at fair value which is the quoted market price.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

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 doubtful accounts.

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 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 externally restricted for debt service, construction, and asset acquisitions. Designated assets are separate unrestricted funds designated by management to pay for 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 LACMTA 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

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 in Years
Buildings and structures	30
Rail cars	25
Buses	12
Equipment and other furnishings	10
Other vehicles	5

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 LACMTA'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.

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 LACMTA 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 LACMTA 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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In February of each year, all LACMTA 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 LACMTA'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, cost center, expense type, and project. 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.

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

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.

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III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of June 30, 2008 the following are LACMTA's cash deposits and investments:

	Business-type Activities	Governmental Activities	Total
Cash Deposits and Investments:			
Cash deposits	\$ 10,203	\$ 449	\$ 10,652
Certificates of deposit	303	-	303
Bankers acceptance	3,265	62,865	66,130
Commercial paper	6,689	180,878	187,567
Guaranteed investment contracts	68,183	-	68,183
Investment pools	41,994	320,988	362,982
Medium-term notes	98,505	82,561	181,066
Mortgage-backed securities	12,410	13,636	26,046
Pooled funds and mutual funds	384,298	119,485	503,783
Repurchase agreements	1,289	31,011	32,300
US Agency securities	366,332	560,545	926,877
US Treasury obligations	52,776	281,082	333,858
Total fair value	<u>\$ 1,046,247</u>	<u>\$ 1,653,500</u>	<u>\$ 2,699,747</u>

Reported in the Statement of Net Assets and Balance Sheet:

Cash and cash equivalents	\$ 85,123	\$ 1,008,347	\$ 1,093,470
Investments	22,699	644,058	666,757
Cash and cash equivalents-designated	1,316	-	1,316
Cash and cash equivalents-restricted	201,694	1,095	202,789
Investments-designated	316,894	-	316,894
Investments-restricted	418,521	-	418,521
Total	<u>\$ 1,046,247</u>	<u>\$ 1,653,500</u>	<u>\$ 2,699,747</u>

LACMTA internally 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 internally 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 receivables/payables. Interest income earned and expenses incurred as a result of investing are allocated to the various funds based on their monthly equity balances. For purposes of the statement of net assets, balance sheets and statement of cash flows, all highly liquid investments, including restricted/designated assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

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All investments are stated at fair value. Net changes in the fair value of investments are shown in the statement of activities and the statements of revenues, expenditures, and changes in fund balances.

LACMTA's most recent investment policy, adopted by the Board of Directors on January 24, 2008, requires LACMTA'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 LACMTA to meet operating requirements which might be reasonably anticipated. **Yield** – LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes LACMTA's investment policy. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of LACMTA's bond trust agreements.

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Ratings
Bonds issued by LACMTA	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

LACMTA's investment policy prohibits investing in derivatives or reverse repurchase agreements.

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

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

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

Cash Deposits

As of June 30, 2008, LACMTA's carrying amount of cash is comprised of \$752 in cash on hand, \$9,634 in checking accounts and \$266 in debt service accounts for a combined total of \$10,652. LACMTA's total bank balance was \$31,169 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 collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

Short-term Investments

As of June 30, 2008, LACMTA had the following short-term investments:

Investment Type	Fair Value	Weighted Average Duration (in years) per Investment Type	Concentration of Investments	Ratings
Bankers acceptance	\$ 64,549	0.003457	3.12%	A-1 to A-1 +
Certificates of deposit	303	0.000006	0.01%	Not Rated
Commercial paper	187,567	0.018408	9.07%	A-1 to AAA
Investment pools	362,982	0.000481	17.55%	Not Rated
Medium-term notes	179,100	0.085474	8.65%	A to AAA
Medium-term notes*	1,966	0.000027	0.10%	BBB+
Mortgage-backed securities	26,046	0.026745	1.26%	AAA
Pooled funds and mutual funds	127,950	0.004142	6.18%	Not Rated to AAA
Repurchase agreements	32,300	0.000043	1.56%	Not Rated
US Agency securities	752,997	0.482363	36.40%	AAA
US Treasury obligations	333,075	0.307543	16.10%	AAA
Total	\$ 2,068,835		100.00%	
Portfolio weighted average duration		0.928689		

**These medium-term notes has an A-rated long-term corporate credit ratings by S & P at the time of purchased in October 2006 and subsequently downgraded to "BBB+" as of June 30, 2008*

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

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LACMTA's investments with the California Local Agency Investment Fund (LAIF) totaled \$80,000, Los Angeles County Investment Pool (LACIP) totaled \$272,982, and the Investment Trust of Cal (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 for LAIF. The County Board of Supervisors provides regulatory oversight for LACIP. While CalTrust is administered and supervised by a Board of Trustees comprised of experienced investment officers and policy-makers of the public agency members, 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, 2008 for the benefit of LACMTA in accordance with the provisions of the various bond trust agreements. Investments are 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	\$ 1,581	0.000272	0.25%	A1+
Guaranteed investment contracts	68,183	0.977448	10.99%	AA to AAA
Pooled funds and mutual funds	375,833	0.001661	60.61%	AAA
US Agency securities	173,880	0.096468	28.02%	AAA
US Treasury obligations	783	0.001423	0.13%	AAA
Total	<u>\$ 620,260</u>		<u>100.00%</u>	
Portfolio weighted average maturities		1.077272		

Risk

In accordance with GASB Statement No. 40, investments are also required with certain disclosures regarding policies and practices with respect to the risk associated with their credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk are discussed in the following next paragraphs:

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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. LACMTA 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, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA does not have any holdings meeting or exceeding these threshold levels.

As of June 30, 2008, LACMTA doesn't have any investments with more than 5 percent of the total investments under one issuer.

Custodial Credit Risk

LACMTA 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 the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110 percent of the deposit or by pledging first trust deed mortgage notes having a value of 150 percent of a governmental unit's total deposits. LACMTA 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 LACMTA's name and maintained for the benefit of the LACMTA in the trust department or safekeeping department of a financial institution as established by a written third party safekeeping agreement between LACMTA and the financial institution.

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA 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. LACMTA 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, 2008 there is no exposure to currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

B. Lease Accounts

LACMTA entered into various lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings, and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust except for \$48,607 of Guaranteed Investment Certificates held in LACMTA's name. As of June 30, 2008, these lease/leaseback agreements totaled \$845,150.

C. Interfund Receivables, Payables and Transfers

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

As of June 30, 2008, the special revenue funds are indebted to the enterprise fund in the amount of \$77,228.

<u>Business-type Activities</u>	<u>Governmental Activities</u>	
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	TDA	\$ 8,637
Enterprise	STA	37,705
Enterprise	PTMISEA	30,886
Total		<u>\$ 77,228</u>

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Transfers in and out by fund are as follows:

Transfers Out	Transfers In				Total
	Enterprise Fund	General Fund	Proposition C Fund	Other Special Revenue Funds	
General Fund	\$ 43,237	\$ -	\$ 530	\$ -	\$ 43,767
Prop A	462,544	2,265	61,911	32,815	559,535
Prop C	150,358	161	-	11,976	162,495
PTMISEA	109,087	-	42	-	109,129
TDA	199,214	-	116	5,368	204,698
STA	77,409	-	-	-	77,409
Other Special Revenue	-	-	1,678	-	1,678
Enterprise Fund	(850)*	-	850	-	-
Total	\$ 1,040,999	\$ 2,426	\$ 65,127	\$ 50,159	\$ 1,158,711

* Enterprise fund bond proceeds are 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. These transfers represent operating and capital subsidies given out from one fund to another fund.

D. Receivables

Receivables as of June 30, 2008, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts, are as follows:

Receivables	Activities	Activities	Total
Accounts	\$ 24,330	\$ 3,513	\$ 27,843
Notes	726	-	726
Interest	5,505	9,206	14,711
Intergovernmental	49,105	9,339	58,444
Sales Tax	-	131,931	131,931
Gross Receivables	79,666	153,989	233,655
Less: Allowances for doubtful accounts	(3,225)	-	(3,225)
Net Receivables	\$ 76,441	\$ 153,989	\$ 230,430

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Receivables as of June 30, 2008 for governmental activities by individual major funds and nonmajor funds are as follows:

Receivables	General Fund	Proposition A Fund	Proposition C Fund	PTMISEA Fund	TDA Fund	STA Fund	Nonmajor Governmental Funds	Total
Accounts	\$ 3,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,513
Interest	862	1,028	3,678	149	748	370	2,371	9,206
Intergovernmental	5,624	-	707	-	-	-	3,008	9,339
Sales Tax	-	40,020	40,066	-	19,470	32,375	-	131,931
Total	<u>\$ 9,999</u>	<u>\$ 41,048</u>	<u>\$ 44,451</u>	<u>\$ 149</u>	<u>\$ 20,218</u>	<u>\$ 32,745</u>	<u>\$ 5,379</u>	<u>\$ 153,989</u>

E. Investments in Other Agencies

LACMTA has historically recorded its estimated equity share of the net assets of the Southern California Regional Rail authority (SCRRA) as an investment in other agencies. Given the potential contingencies associated with rail accidents of SCRRA, LACMTA's investment in SCRRA was written off during fiscal year 2008.

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F. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 616,722	\$ 8,092	\$ (430)	\$ -	\$ 624,384
Construction in progress	1,076,965	346,596	(207)	(157,132)	1,266,222
Total capital assets, not being depreciated	1,693,687	354,688	(637)	(157,132)	1,890,606
Capital assets, being depreciated:					
Buildings	6,230,951	-	(7,689)	81,796	6,305,058
Equipment	649,495	6,181	(215,022)	23,339	463,993
Vehicles	1,837,588	92,008	(24,501)	51,997	1,957,092
Total capital assets, being depreciated	8,718,034	98,189	(247,212)	157,132	8,726,143
Less accumulated depreciation for:					
Buildings	(1,953,303)	(222,174)	7,497	-	(2,167,980)
Equipment	(434,549)	(58,627)	213,274	-	(279,902)
Vehicles	(914,223)	(129,675)	23,288	-	(1,020,610)
Total accumulated depreciation	(3,302,075)	(410,476)	244,059	-	(3,468,492)
Total capital assets, being depreciated, net	5,415,959	(312,287)	(3,153)	157,132	5,257,651
Business-type activities capital assets, net	\$ 7,109,646	\$ 42,401	\$ (3,790)	\$ -	\$ 7,148,257
Governmental Activities					
Capital assets, not being depreciated:					
Land	772,794	-	-	-	772,794
Capital assets, being depreciated:					
Freeway Service Patrol SAFE Vehicles	368	-	-	-	368
Less accumulated depreciation	(257)	(67)	-	-	(324)
Total capital assets, being depreciated, net	111	(67)	-	-	44
Governmental-type activities capital assets, net	\$ 772,905	\$ (67)	\$ -	\$ -	\$ 772,838

Depreciation expense charged to functions/programs are as follows:

<u>Business-type Activities</u>		
Bus Operations		\$ 139,842
Rail Operations		270,634
Total - Business-type Activities		410,476
<u>Governmental Activities</u>		
Congestions Relief (SAFE)		67
Total depreciation expense		\$ 410,543

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G. Risk Management

The primary emphasis of risk management activities at LACMTA is to prevent or minimize the risk of injury to persons and damage to, or loss of property. Where losses cannot be prevented, LACMTA 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. The consideration of the effect of potential self-insured or assumed losses is part of LACMTA's financial planning process.

For its construction projects, LACMTA 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 LACMTA 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 of 3.0 percent. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2008 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 LACMTA employees and third party administrators.

Prior to September 1, 1998, LACMTA 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 LACMTA for workers' compensation claims. Effective September 1, 2001, the workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2008, a designated investment has been set aside in the amount of \$220,022 equal to the workers' compensation liabilities.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to \$4,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of \$95,500 in excess of self-insurance retentions for every policy year. LACMTA is self-insured for losses in excess of \$95,500 for each policy year. As of June 30, 2008, a designated investment has been set aside in the amount of \$98,592, equal to the property and casualty liabilities.

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Furthermore, LACMTA has an all-risk property insurance program that covers all LACMTA 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. LACMTA 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 reserves for the years ended June 30, 2008 and 2007:

	Property and Casualty		Workers' Compensation		Total	
	2008	2007	2008	2007	2008	2007
Unpaid claims and claims adjustment reserve-beginning of year	\$ 96,782	\$ 64,770	\$ 201,074	\$ 205,091	\$ 297,856	\$ 269,861
Provisions for insured events	34,774	54,276	41,749	20,240	76,523	74,516
Interest Income	6,457	3,867	13,088	11,334	19,545	15,201
Total incurred claims and claims adjustment expense	138,013	122,913	255,911	236,665	393,924	359,578
Payment attributable to insured events	(39,421)	(26,131)	(35,889)	(35,591)	(75,310)	(61,722)
Total unpaid claims and claim adjustment reserves-end of year	\$ 98,592	\$ 96,782	\$ 220,022	\$ 201,074	\$ 318,614	\$ 297,856

As of June 30, 2008, \$75,310 of the total claims liability is considered current.

H. Compensated Absences

LACMTA 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 leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions. Under the July 2006 to June 2009 contracts, vacation periods are not cumulative, however, employees may carry forward vacation pay 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 is paid off on May 31. 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.

LACMTA, PTSC and EXPO have a combined vacation and sick leave program for its non-represented and AFSCME represented employees. Under this program, vacation and sick leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year.

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Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remained on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100 percent at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75 percent conversion rate when an employee reaches the age of 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75 percent, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50 to 75 percent depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75 percent. Upon death, payment of frozen sick leave will be at 100 percent to the employee's beneficiary.

The following is a summary of the compensated absences payable as of June 30, 2008:

	Balance June 30, 2007	Earned	Used	Balance June 30, 2008	Due Within One Year
Union Employees:					
Vacation leave	\$ 24,689	\$ 24,515	\$ (23,311)	\$ 25,893	\$ 25,723
Sick leave	22,709	6,869	(5,825)	23,753	6,080
TOWP	5,253	5,977	(5,530)	5,700	5,661
Sub-total	52,651	37,361	(34,666)	55,346	37,464
Non-Union Employees:					
Vacation leave	674	24	(17)	681	18
Sick leave	3,295	122	(155)	3,262	192
TOWP	14,269	16,638	(15,369)	15,538	15,538
Sub-total	18,238	16,784	(15,541)	19,481	15,748
Total	\$ 70,889	\$ 54,145	\$ (50,207)	\$ 74,827	\$ 53,212

I. Termination Benefits

LACMTA 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" LACMTA should accrue the entire severance costs including certain benefits in the period in which LACMTA becomes obligated to provide benefits to affected staff. There was no severance liability outstanding as of June 30, 2008.

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J. Leases

Operating Leases

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

The carrying value of the land held for lease as of June 30, 2008 is \$42,943 and is included under the Land caption in the Capital Assets section of the Notes to the Financial Statements found on page 61.

The following is a schedule by years of minimum future rentals to be received on non cancelable operating leases as of June 30, 2008:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 1,540
2010	2,061
2011	2,063
2012	2,116
2013	2,116
Thereafter	165,862
Total	<u>\$ 175,758</u>

LACMTA is committed under various leases as “lessee” to lease for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008, totaled \$2,603. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 2,308
2010	1,683
2011	1,253
2012	716
2013	246
Total	<u>\$ 6,206</u>

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Capital Leases

Compressed Natural Gas (CNG) Fueling Facilities

LACMTA 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 capital assets. 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:

	<u>Vehicles</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 32,512	\$ 35,051	\$ 67,563
Less: Accumulated Depreciation	(16,176)	(23,754)	(39,930)
Net	<u>\$ 16,336</u>	<u>\$ 11,297</u>	<u>\$ 27,633</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	2.89% - 7.00%	\$ 10,529

The lease payment schedule to maturity is as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,792	\$ 320
2010	2,603	209
2011	2,313	124
2012	1,990	55
2013	831	11
Total	<u>\$ 10,529</u>	<u>\$ 719</u>

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K. Long-term Obligations

LACMTA's bond and note obligations as of June 30, 2008 are as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
<u>Business-type Activities</u>					
General revenue bonds	\$ 236,290	\$ -	\$ (15,680)	\$ 220,610	\$ 13,840
Capital grant receipts revenue bonds	239,710	-	(23,025)	216,685	-
Capitalized lease	13,210	-	(2,681)	10,529	2,792
Sales tax revenue bonds and refunding bonds	3,061,630	128,745	(239,550)	2,950,825	110,320
Sales tax revenue bonds – local allocation	4,340	-	(2,170)	2,170	2,170
Lease/leaseback to service obligations	813,702	76,451*	(45,003)	845,150	14,215
Commercial paper notes	188,925	44,000	(48,615)	184,310	-
Notes Payable	-	16,407	-	16,407	528
Business-type Activities Long-term Liabilities	<u>4,557,807</u>	<u>265,603</u>	<u>(376,724)</u>	<u>4,446,686</u>	<u>143,865</u>
<u>Governmental Activities</u>					
Redevelopment and housing bonds	27,276	-	(907)	26,369	960
Total Long-term Liabilities	<u>\$ 4,585,083</u>	<u>\$ 265,603</u>	<u>\$ (377,631)</u>	<u>\$ 4,473,055</u>	<u>\$ 144,825</u>

* represents leaseback accretion

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method.

All bonded indebtedness, except for the taxable commercial paper, is subject to the Federal arbitrage regulation.

General Revenue Bonds

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

General Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	1.29% - 4.56%	\$ 220,610

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

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,840	\$ 7,795
2010	18,050	7,113
2011	19,020	6,347
2012	5,650	5,842
2013	6,075	5,637
2014-2018	37,525	24,544
2019-2023	51,525	16,794
2024-2028	68,925	6,303
Total	<u>\$ 220,610</u>	<u>\$ 80,375</u>

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 percent to 5.00 percent, and Series 2005B-1 and Series 2005B-2 are Auction Rate Securities. The bond proceeds were 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 LACMTA, 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	3.13% - 5.00%	\$ 216,685

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Annual debt service requirements for the Capital Grant Receipts Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 9,352
2010	42,325	8,208
2011	65,605	6,224
2012	68,365	3,434
2013	40,390	943
Total	<u>\$ 216,685</u>	<u>\$ 28,161</u>

Sales Tax Revenue and Refunding Bonds

LACMTA has outstanding sales tax revenue and sales tax revenue refunding bonds, each secured by either LACMTA'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 LACMTA's debt service costs when more favorable interest rates are available.

In June 2008, LACMTA issued a 2008-A Proposition C Sales Tax Revenue Second Senior, Refunding Bonds with the total principal amount of \$128,745. The proceeds were used to refund \$132,745 principal amount of the Proposition C Sales Tax Revenue Bonds, Second senior Bonds Series 1998-A and pay the costs associated with issuing the Series 2008-A Bonds.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	2.50% - 9.00%	\$ 2,950,825

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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	Interest
2009	\$ 110,320	\$ 133,514
2010	118,695	127,185
2011	124,605	121,083
2012	130,435	114,698
2013	136,995	108,166
2014-2018	798,695	434,343
2019-2023	877,395	230,530
2024-2028	448,390	84,243
2029-2033	147,530	28,715
2034-2036	57,765	3,894
Total	<u>\$ 2,950,825</u>	<u>\$ 1,386,371</u>

Sales Tax Revenue Bonds – Local Allocation

The City of Los Angeles requested LACMTA 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. The City of Los Angeles Bonds were fully paid in July 2008.

Sales Tax Revenue bonds – local allocation currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.00% - 4.30%	\$ 2,170

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	\$ 2,170	\$ 47
Total	<u>\$ 2,170</u>	<u>\$ 47</u>

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Lease/leaseback and Lease-to-service Obligations

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

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses and rail cars. The leveraged lease agreements provided for LACMTA’s right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and 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 lease account in the Enterprise fund. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as business-type long-term debt. These debts will be repaid from earnings on the related investments together with the principal amounts of the investments.

The lease obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	1.85% - 7.38%	\$ 845,150

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

Year Ending June 30	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 14,215	\$ 6,824
2010	49,265	34,031
2011	71,992	18,829
2012	42,514	17,328
2013	5,909	14,934
2014-2018	340,839	192,406
2019-2023	76,334	307,606
2024-2028	90,513	160,642
2029-2032	153,569	217,603
Total	<u>\$ 845,150</u>	<u>\$ 970,203</u>

Commercial Paper Notes

LACMTA 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 LACMTA 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 LACMTA 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. LACMTA 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 LACMTA. 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 LACMTA 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

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at rates specified in the applicable Reimbursement Agreement. The letters of credit supporting the taxable commercial paper program expires in May 2010, while the letters of credit supporting the tax-exempt commercial paper program expires in July 2010.

In November 2007, the Proposition C CPN program was expanded to include a tax-exempt component in addition to the taxable component, to reduce interest cost. Of the total outstanding taxable commercial paper notes, \$44 million were converted into tax-exempt CPN.

As of June 30, 2008, \$184,310 of commercial paper notes were outstanding, tax-exempt and taxable commercial paper notes were \$153,948 and \$30,362, respectively.

Notes Payable

In February 2008, LACMTA entered into a financing, acquisition and control account agreement for the acquisition and installation of the solar energy generation and conservation equipment at the Metro Support Services Center (MSSC) in the amount of \$16,407. The contract to design, build and provide maintenance oversight for the installation of the equipment was awarded on February 2008 and the project is expected to be completed by February 2009.

The Notes Payable currently outstanding as of June 30, 2008 is as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.04%	\$ 16,407

The payment schedule to maturity is as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	\$ 528	\$ 681
2010	953	639
2011	1,695	572
2012	1,765	502
2013	1,838	429
2014-2018	9,628	952
Total	\$ 16,407	\$ 3,775

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Redevelopment and Housing Bonds

LACMTA 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 CRA.

The 2007-A multifamily housing refunding bonds were issued to redeem the 1993 Series that funded the development in a historic central location in downtown Los Angeles served by and accessible to the Metro Red Line.

The 2002-A redevelopment bonds were issued to refund the 1993-A bonds that assisted 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 Metro Red Line. Both projects were undertaken with a commitment to promote the use of mass transit and reduce traffic congestion.

The projects were completed and LACMTA is making debt service payments related to these bonds. Under a reimbursement agreement collateralized by real property of the Grand Central Square Housing Project, the developer issued two promissory notes with a combined value of \$41,112 due in fiscal year 2027.

Housing and Redevelopment bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	2.50% - 5.38%	\$ 26,369

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 960	\$ 1,293
2010	654	1,252
2011	1,050	1,208
2012	1,015	1,163
2013	1,060	1,117
2014-2018	6,100	4,769
2019-2023	7,755	3,060
2024-2027	7,775	833
Total	<u>\$ 26,369</u>	<u>\$ 14,695</u>

Interest Rate Swap Agreements

LACMTA has entered into various interest swap agreements in conjunction with the issuance of variable rate bonds. In these transactions, LACMTA 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. LACMTA has entered into these swap agreements at a cost anticipated to be less than what LACMTA would have paid to issue fixed-rate debt. As of June 30, 2008, LACMTA had seven (7) outstanding interest rate swaps found on page 77.

LACMTA'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.

LACMTA'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.

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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, LACMTA 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. As of June 30, 2008, no collateral was required to be posted by LACMTA or any of its counterparty.

Basis Risk – The variable interest rate paid by the counterparty under the swap agreement and the variable interest rate paid by LACMTA 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 LACMTA 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 LACMTA. Prior to entering into an interest rate swap, LACMTA and its swap advisor need to review the historical trading differentials between LACMTA's outstanding variable rate bonds and the proposed index. This would allow LACMTA to structure its interest rate swaps to minimize basis risk. In addition, LACMTA should monitor 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 LACMTA or the counterparty could be required to make a termination payment. LACMTA'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 LACMTA or the counterparty. Termination Events include: a downgrade of LACMTA's rating to below "BBB," an event of taxability, a liquidity facility put, or conversion of bonds to fixed rate. As of June 30, 2008, LACMTA 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, LACMTA 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.

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Rollover Risk – When the notional amount under the swap agreement terminates prior to the final maturity of the hedged bonds, LACMTA 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, 2008, LACMTA 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, LACMTA 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 LACMTA 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. LACMTA periodically evaluates the expected availability of liquidity support for hedged and unhedged variable rate debt. As of June 30, 2008, LACMTA has sufficient liquidity support.

Below is the list of LACMTA’s outstanding interest rate swap agreements as of June 30, 2008.

Bond Series	Notional Amount	Fixed Rate Paid	Variable Rate Received	Fair Value	Effective Date	Termination Date	Counterparty
Prop-A Series-1992-A	\$ 49,300	5.86%	70% of USD-LIBOR	\$ (2,889)	6/17/1992	7/1/2012	AIG Financial Products Corp
Prop C Series 1993-A	194,465	5.16%	70% of USD-LIBOR	(27,584)	6/30/1993	7/1/2020	AIG Financial Products Corp
Prop C Series 2003-B	167,500	3.44%	68% of USD -LIBOR	(2,791)	10/9/2003	7/1/2023	Wachovia Bank
Prop C Series 2003-C	211,500	3.38%	68% of USD-LIBOR	(3,028)	10/9/2003	7/1/2025	Goldman Sachs Mitsui Marine Derivative Products, L.P.
Gateway Series 2004	180,900	3.50%	64% LIBOR+0.21%	(2,835)	9/22/2004	7/1/2027	Bank of Montreal
Prop A Series 2005-C1/C2	131,825	3.36%	63% LIBOR+0.14%	(1,819)	8/23/2005	7/1/2031	Bank of Montreal
Prop A Series 2005-C3/C4	131,575	3.36%	63% LIBOR+0.14%	(1,637)	8/23/2005	7/1/2031	Deutsche Bank AG
Total	\$1,067,065			\$ (42,583)			

LACMTA 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, and consequently, resulted to negative fair values at valuation date.

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, 2008, LACMTA is not aware of any event that has occurred that would lead to a termination event with respect to any of its existing swaps.

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In June 2008, LACMTA agreed with the swap counterparty to the Prop A 1992-A and Prop C 1993-A swaps to amend the variable rate to be 67% of one-month LIBOR. Previously the variable rate was either equal to the actual bond rate, or alternatively to 60% of one-month LIBOR when any of the bonds had failed to be remarketed and were tendered to the liquidity bank. The 1992 bonds had been tendered to the liquidity bank in April and the tender of the 1993 bonds was imminent as of June 24, 2008. The new rate of 67% is greater than the 60% LACMTA would currently be receiving for both bond issues and is slightly greater than the historic range of 63% to 65% of one-month LIBOR that LACMTA have typically experienced, potentially yielding a slight favorable variance in the future.

As of June 30, 2008, the annual debt service requirements of the variable rate obligations and net swap payments for the Proposition A Series 1992-A, Proposition C Series 1993-A, Proposition C Series 2003-B, Proposition C Series 2003-C Gateway Series 2004 and Proposition A Series 2005-C are as follows:

Variable-rate Bonds				
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2009	\$ 15,605	\$ 47,013	\$ 22,437	\$ 85,055
2010	25,520	45,667	21,740	92,927
2011	26,975	44,285	21,049	92,309
2012	28,330	42,827	20,318	91,475
2013	29,935	41,287	19,547	90,769
2014-2018	301,625	171,902	81,738	555,265
2019-2023	379,975	80,865	39,495	500,335
2024-2028	243,550	19,661	10,412	273,623
2029-2032	15,550	471	299	16,320
Total	\$ 1,067,065	\$ 493,978	\$ 237,035	\$ 1,798,078

As rates vary, variable rate bond interest payments and net swap payments will vary.

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 70.

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Counterparty Ratings

The current ratings of the counterparties on LACMTA's existing swaps as of June 30, 2008 are as follows:

Counterparty	Bond Issue	Long-term Ratings	
		Moody's	S&P
AIG Financial Products Corp.	Proposition A Series 1992-A	Aa3	AA-
AIG Financial Products Corp.	Proposition C Series 1993-A	Aa3	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

Subsequent to June 30, 2008, there have been several rating upgrades/downgrades of swap counterparties. As of January 8, 2009, the Moody's rating of AIG Financial Products Corp. had been downgraded from Aa3 to A3 and its S&P rating had been downgraded from AA- to A-. Wachovia Bank's S&P rating had been upgraded from AA to AA+. Deutsche Bank AG - New York Branch's S&P rating had been downgraded from AA to A+.

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

In June 2008, LACMTA executed the refunding of a portion of the Proposition C Bonds, Series 1998-A, by issuing \$132,745 of the Proposition C Bonds, Series 2008-A. The amount of remaining Proposition C Bonds, Series 1998-A, outstanding as of June 30, 2008 totaled \$ 86,965.

The net cash flow savings that resulted from the FY08 bond refunding are as follows:

Refunding Debt	Prior Cash Flow	Refunded Cash Flow	Net Cash Flow Savings	Present Value of Net Cash Flow Savings
Proposition C 2008-A Refunding Bonds	\$ 193,606	\$ 185,640	\$ 7,966	\$ 5,954

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L. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2008 are as follows:

<u>Project</u>	<u>Contract Commitments</u>	
	<u>Total</u>	<u>Remaining</u>
Rail Projects	\$ 970,028	\$ 576,301
Bus Acquisition and Others	497,436	267,573
Total	<u>\$ 1,467,464</u>	<u>\$ 843,874</u>

LACMTA has entered into various Memoranda of Understanding (MOU) to fund local transportation projects. For this purpose, LACMTA has reserved Propositions A and C, TDA, and STA funds totaling \$635,573 as of June 30, 2008.

M. Pensions

LACMTA 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 (CalPERS). 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 (CalPERS)

CalPERS is an agent multiple-employer public retirement system.

Most full-time employees of PTSC are covered members under CalPERS 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 CalPERS 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 a request from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

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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, 2008, the contribution rate of covered payroll was 14.64 percent. This rate includes the mandatory employee contribution of 7.0 percent that is currently paid by PTSC.

Total Annual Required Contributions (ARC) for the years ended June 30, 2008, 2007, and 2006 were \$17,468, \$18,026, and \$17,299, respectively, all of which were attributable to the PTSC and paid in full. Such contributions were made in accordance with the latest CalPERS actuarial valuation. These pension contributions for normal costs include the employees' portion, and for the years ended June 30, 2008, 2007, and 2006, were \$8,353, \$8,567, and \$8,013, respectively. At June 30, 2008, 2007, and 2006, there was no Net Pension Obligations (NPO).

The valuation date was June 30, 2006 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 2007/2008 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 3.0 percent; and projected salary increases of 3.25% to 14.5% dependent on age, service, and type of employment.

LACMTA-administered Plans

LACMTA 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 while its ten (10) years for UTU, ATU, and TCU employees. All contract and non-contract retirement benefits are based on the individual employee's years of service, age, final compensation, bargaining units, and 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.

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LACMTA'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. LACMTA 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 LACMTA 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 LACMTA and employees, by plan, for the years ended June 30, 2008, 2007, and 2006, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
<u>2008</u>						
Employer	\$ 14,495	\$ 2,446	\$ 14,541	\$ 2,652	\$ 1,121	\$ 35,255
Employee	15,872	1,873	3,639	-	-	21,384
Total	\$ 30,367	\$ 4,319	\$ 18,180	\$ 2,652	\$ 1,121	\$ 56,639
<u>2007</u>						
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
<u>2006</u>						
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

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The annual pension cost, annual amount contributed and net pension obligation for the years ended June 30, 2008, 2007, and 2006 are as follows:

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
<u>2008</u>						
Annual Pension Cost	\$ 14,460	\$ 2,446	\$ 14,541	\$ 2,652	\$ 1,121	\$ 35,220
Annual Amount Contributed	14,495	2,446	14,790	2,652	1,121	35,504
Net Pension Obligation	937	-	-	-	-	937
<u>2007</u>						
Annual Pension Cost	16,055	2,952	14,291	2,849	1,525	37,672
Annual Amount Contributed	16,092	2,952	14,424	2,849	1,525	37,842
Net Pension Obligation	973	-	-	-	-	973
<u>2006</u>						
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

The components of the net pension obligation for UTU employees for years ended June 30, 2008, 2007, and 2006 are as follows:

	Annual Required Contribution (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)
<u>2008</u>	\$ 14,495	\$ 973	\$ 78	\$ -	\$ (114)	\$ 937
<u>2007</u>	16,092	1,010	81	-	(118)	973
<u>2006</u>	13,113	2,056	174	(972)	(248)	1,010

LACMTA's contributions to the Plans for the year ended June 30, 2008, were made in accordance with the actuarially determined requirements computed as of December 31, 2006. Actuarially computed costs are determined using the projected unit credit method. The total annual required contributions (ARC) for all plans for the years ended June 30, 2008, 2007, and 2006 were \$35,255, \$37,710, and \$31,516, respectively. Annual pension cost which is equivalent to ARC plus interest on Net Pension Obligation (NPO) less amortization of NPO amounted to \$35,220, \$37,672, and \$31,443 for years ended June 30, 2008, 2007, and 2006 respectively. The net pension obligations for the UTU Plan for the years ended June 30, 2008, 2007, and 2006 were \$937, \$973, and \$1,010, respectively. There was no NPO at June 30, 2008, 2007, and 2006, for the TCU, ATU, Non-Contract, and AFSCME.

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The required contribution rate by employees for years ended June 30, 2008, 2007, and 2006, were between 0 and 8.51 percent, 0 and 8.49 percent, and 0 and 7.06 percent, respectively, of their annual wages. The employer rate is equal to the ARC. The method of $\frac{1}{2}$ book value + $\frac{1}{2}$ 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 1 year every year (currently 15 years for fiscal year ending June 30, 2008). The key actuarial assumptions are: 8.0 percent investment rate of return including a 3.0 percent rate for inflation; projected salary increases tied to age-based rates and no postemployment benefit increases.

N. Other Postemployment Benefits (OPEB)

LACMTA has implemented the new reporting requirements of GASB 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*” for the fiscal year ended June 30, 2008. Prior to the implementation of GASB 45, LACMTA restricted the cash required to cover the present value of future health care and life insurance benefits for employees projected to retire in the current fiscal year. Expenses for the current fiscal year were met on a pay-as-you-go basis. With the implementation of GASB 45, the \$165 million accumulated for postemployment benefits was used to establish an OPEB trust (see note T).

The OPEB trust was established effective August 1, 2007, with the intent to accumulate funds to fulfill future OPEB obligations under all retiree medical and life insurance programs, including future contractual contributions to the three union trusts that provide benefits to LACMTA employees. Similar to pension fund assets, the OPEB trust is invested in equity securities, long-term fixed income investments and real estate, and accordingly is expected to generate higher investment earnings than previously earned in the Enterprise Fund.

Plan Description

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (“Plan”). The Plan is a single-employer, defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA to Non-contract employees and employees represented by AFSCME and the Teamsters and the contractual obligations to the respective Union Health & Welfare Trusts for employees represented by ATU, TCU and UTU. Generally, eligibility for coverage is based on employee’s service and age. An annual stand-alone financial report is issued for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

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Enrollment

The numbers of participants (not in thousands) by employee group as of January 1, 2007 (the effective date of the bi-annual OPEB valuation) are as follows. There have been no significant changes in the number of employees covered since that date.

Participant	Union Health & Welfare Trusts				Total
	LACMTA	ATU	TCU	UTU	
Active Employees	1,816	2,095	706	4,822	9,439
Retirees under 65	241	474	144	991	1,850
Retirees over 65	468	435	115	-	1,018
Total Active and Retirees	2,525	3,004	965	5,813	12,307

Funding Policy

Member Contribution

Contributions made by Non-contract/AFSCME/Teamsters retirees is established and approved by the Board of Directors. Generally, contribution is calculated as a percent of the premium cost based on service. The benchmark is 25 years or more to qualify for the active employee contribution rate. For each year of service less than 25 years, the retiree pays an additional 4 percent of LACMTA's cost for each complete year of service less than 25 years. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rate. ATU retirees' contributions are \$80/month pre-65 years of age and \$60 per month post-65 years of age. TCU retiree contributions are \$35 per month for single coverage; \$50 per month for retiree plus dependent coverage. UTU retiree contributions are \$50 per month. Contributions made by employees represented by ATU, UTU and TCU are directly remitted to their respective Union Health and Welfare Trusts.

LACMTA Contribution

LACMTA's funding policy is to make annual contributions to cover the pay-as-you-go costs and partial payments against the actuarially required contribution. Actuarially computed costs are determined using the projected unit credit method.

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Since LACMTA is funding the pay-as-you-go cost, but less than the ARC, contributions were determined reflecting a “partial” funding approach. LACMTA elected to use a blended discount rate of 5.0 percent which implicitly assumes the level of funding in excess of current year costs of pay-as-you-go that represents approximately one-third of the ARC in excess of the current year costs and the investment policy of the trust to support a long-term expected rate of return on assets of 7.0 percent. The ARC calculation also uses a 20-year rolling amortization that meets the requirements of GASB 45.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members.

The most significant actuarial assumptions include: a) 5 percent discount rate, compounded annually, b) increase in future payroll of 3 percent per year, c) mortality using RP-2000 Mortality Table (male and female with blue collar adjustments) with mortality improvements projected to year 2010, d) health care cost trend rate of 7.5 percent and, e) an inflation rate of 2.5 percent. The trend assumptions are comprised of three elements: 1) initial trend rate, 2) ultimate trend rate and 3) the grade-down period. The trend rate assumptions exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. The initial trend rate is the expected increase in health care costs into the second year of the valuation (i.e. the first assumed annual increase in starting per capita rates). The assumed ultimate trend rate and grade-down period are based on macroeconomic principles reflecting assumed long term general information, nominal gross domestic product growth rates, and the excess of national health expenditures over other goods and services, and an adjustment for an assumed impact of population growth. LACMTA’s contractual contributions which are assumed to increase in years after the current contract, in accordance with medical trend and retirees contributions, are assumed to increase at the same rate as medical costs.

This is the initial valuation of LACMTA’s postretirement medical and life insurance benefits. LACMTA (a Phase 1 employer) has adopted a January 1, 2007 valuation date to determine the Annual Required Contributions (ARC) for the fiscal year beginning July 1, 2007 and July 1, 2008. The next required valuation date is January 1, 2009 for the fiscal year beginning July 1, 2009. LACMTA has opted to set up an OPEB transition liability on the balance sheet of zero at the start of this transition year and apply the measurement and recognition requirements of GASB 45 statement on a prospective basis.

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The following table below summarizes the valuation results as of the valuation date of January 1, 2007

Summary of Costs

Normal Cost	\$ 26,113
▪ Percentage of Total Payroll	4.91%
Amortization of Unfunded Actuarial Accrued Liability	\$ 45,941
▪ Percentage of Total Payroll	8.64%
ARC with 20-year Level Percent of Payroll Amortization	\$ 72,054
▪ Percentage of Total Payroll	13.55%

Annual OPEB Cost and Net OPEB (asset) obligation

The Annual Required Contributions (ARC) represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts “required” but not actually set aside to pay for these benefits are accumulated as part of the Net OPEB obligation.

LACMTA’s annual OPEB cost for the year, the amount actually paid on behalf of the plan and changes in the LACMTA’s Net OPEB obligation (asset) to the plan for the year ended June 30, 2008 are as follows:

Annual Required Contribution	\$ 72,054
Interest on Net OPEB obligation	-
Adjustment to ARC	-
Total Annual OPEB Cost	72,054
Less Contributions made	193,656
Increase in Net OPEB obligation (asset)	\$ (121,602)
Net OPEB obligation - beginning of year	-
Net OPEB obligation (asset) - end of year	\$ (121,602)

Funding Progress

The LACMTA’s funding progress information as of June 30, 2008 is illustrated as follows:

Actuarial Valuation Date	Projected Unit Credit Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/07 Total	\$ 733,442	\$ -	\$ 733,442	- %	\$ 531,567	137.98%

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O. Deferred Compensation and 401(k) Savings Plan

Deferred Compensation Plan

LACMTA 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 a lesser of \$15,500 (not in thousands) or 100 percent of their earnings in calendar year 2008. 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, 2008), 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, LACMTA has no liability for any 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. LACMTA does not match employees’ contribution to the deferred compensation plan. As of June 30, 2008, the deferred compensation plans had assets (at fair value) totaling \$195,892.

401 (k) Savings Plan

LACMTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). 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 2008. 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, 2008).

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, LACMTA has no liability for any losses under the plans, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan’s assets and liability to employees are not reported in the fiduciary fund. LACMTA does not match employees’ contribution to the 401(k) savings plan. As of June 30, 2008, the 401(k) savings plan had assets (at fair value) totaling \$236,056.

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Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is \$41,000 (not in thousands), or \$51,500 (not in thousands) if an employee falls within the catch up provision.

P. Fiduciary Fund Type

Included in the fiduciary fund type are accounts related to the Benefit Assessment Districts (BAD) Downtown - A1 and Alvarado - A2 which are accounted for as agency fund. 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 stations) 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 \$41,380 and A2 Bonds with a balance of \$2,155 are solely payable from assessments paid by owners of assessable property within Districts A1 and A2.

As these revenue bonds are not LACMTA's obligations, they have not been included in the accompanying financial statements.

Q. Joint Powers

LACMTA 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 (LACMTA), 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.

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As of June 30, 2008, LACMTA 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, 2007 (most recent data available) was as follows:

Current Assets	\$	145,691
Capital Assets, net		732,142
Other Assets		10,329
Total Assets		888,162
Total Liabilities		122,236
Net Assets	\$	765,926
Total Revenues		243,858
Total Expenses		(188,316)
Increase in Net Assets	\$	55,542

Additional detailed financial information is available from, Office of Finance and Administration, SCRRA, 700 South Flower Street, 26th Floor, Los Angeles, CA 90017.

R. Compressed Natural Gas (CNG) Hedging

LACMTA 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, 2008, LACMTA has six (6) outstanding commodity swaps. (see page 91)

In each of the swap agreements, LACMTA 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 LACMTA will pay to purchase its natural gas. If the variable rates LACMTA 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.

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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, LACMTA 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. LACMTA 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 LACMTA either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty or LACMTA suffers degraded credit quality, illiquidity, bankruptcy or failure to perform. LACMTA mitigates this risk by establishing minimum credit quality criteria, establishing maximum credit limits, and requiring collateral on counterparty downgrade and employing credit rating surveillance. LACMTA monitors the credit ratings of the counterparties on a quarterly basis. LACMTA calculates quarterly its termination exposure for all existing and proposed swaps at market value.

LACMTA's outstanding natural gas commodity swap agreements as of June 30, 2008 are shown below:

Execution Date	Counterparty	Fixed Rate Paid (per therm)	Variable Rate Received	Fair Value	Start Date	End Date	Notional Amount (in therms)*
06/22/2007	Bear Energy LP	\$ 0.8210	NGI SoCal Border	\$ 8,450	7/1/2008	6/30/2009	25,550
08/15/2007	BP Corp. North America	0.8165	NGI SoCal Border	4,517	7/1/2008	6/30/2009	13,505
12/14/2007	Barclays Capital	0.7420	NGI SoCal Border	5,782	7/1/2008	6/30/2009	14,543
02/26/2008	Bank of America	0.8500	NGI SoCal Border	1,855	7/1/2009	6/30/2010	8,760
05/20/2008	BP Corp. North America	1.0120	NGI SoCal Border	697	7/1/2009	6/30/2010	8,760
06/17/2008	BP Corp. North America	1.0650	NGI SoCal Border	318	7/1/2009	6/30/2010	8,760
			Total	\$ 21,619			79,878

* - not in thousands

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 future pricing.

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Counterparty Ratings

The current ratings of the counterparties on LACMTA's existing natural gas commodity swaps as of June 30, 2008 were as follows:

Counterparty or Guarantor	Long-term Ratings		
	Moody's	S&P	Fitch
Bank of America, N.A	Aaa	AA+	AA+
Barclays Bank PLC	Aa1	AA	AA
Bear Energy/ JP Morgan	Aa2	AA-	AA-
BP Corp.	Aa2	AA+	AA+

Subsequent to June 30, 2008, there have been several rating downgrades of the counterparties. As of January 8, 2009, Bank of America, N.A., Moody's rating had been downgraded from Aaa to Aa1 and its Fitch rating had been downgraded from AA+ to AA-; Barclays Bank PLC, S&P rating had been downgraded from AA to AA- and BP Corp., S&P rating had been downgraded from AA+ to AA.

S. Litigation and Other Contingencies

Litigation

LACMTA 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 LACMTA.

Federal, State and Other Governmental Funding

LACMTA 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, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

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Excise Tax on Lease/Leaseback Transactions

On May 17, 2006, President Bush signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA). 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. On February 7, 2007, the Internal Revenue Service (IRS) released Notice 2007-18, which addresses how the provisions of new section 4965 will be applied. This provision could impact LACMTA'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, LACMTA believes that the New Excise Tax will not have a material adverse effect on its financial results or condition.

T. Adjustment due to Implementation of GASB 45 (OPEB)

LACMTA implemented GASB 45 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*) for the fiscal year ended June 30, 2008. As a result of implementing this new GASB standard, the activity formerly reported in the postemployment benefits are now reported in the OPEB Trust Fund. Therefore, the beginning net assets was restated by \$165,739 to reflect the implementation of GASB 45 prospectively which requires reporting of the liability associated with other postemployment benefits and the OPEB liability at transition was zero. Additional information on OPEB disclosures can be found on pages 84 to 87.

U. 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 Postemployment Benefit Plans Other Than Pension Plans.* This statement establishes uniform financial reporting standards for other postemployment 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. LACMTA established the OPEB Trust Fund on August 1, 2007. The OPEB Trust Fund was included in the Statement of Net Assets – Fiduciary Funds and Statement of Changes in Net Assets – Fiduciary Funds found on pages 40 to 41.

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June 30, 2008

In July 2004, GASB issued Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.”* This statement addresses how the State and local governments should account for and report costs and obligations related to postemployment 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. LACMTA implemented GASB 45 for the fiscal year ended 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. LACMTA 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. LACMTA plans to implement the new reporting requirement for 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. LACMTA implemented GASB 50 for the fiscal year ended June 30, 2008.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
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. LACMTA 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. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2009, as applicable.

In June 2008, GASB issued Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments.*” This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by synthetically fixing prices. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swap options, forward contracts, and futures contracts. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. LACMTA plans to implement the new reporting requirements of GASB 53 for fiscal year ending June 30, 2010.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

V. Subsequent Events

New Transportation Sales Tax

Measure R was approved by 2/3 of the Los Angeles County voters in the November 2008 election. Measure R is an ordinance authorizing an additional 1/2 of 1% sales tax to fund traffic relief and rail expansion according to an expenditure plan contained in the ordinance. The Measure R sales tax will become effective July 1, 2009 and remain in effect for 30 years.

Lease/leaseback and Lease-to-service Obligations

American International Group (AIG) provided a fixed income investment product known as a payment undertaking agreement that was used in seven of the lease transactions in order to invest proceeds to fund all the scheduled rent payments and early buyout option payments. Under the leveraged lease documents, AIG is required to be replaced or credit enhanced if any of its credit ratings fall below either Aa2/AA or A2/A, depending on the transaction. AIG also provided credit support in the form of letters of credit for three transactions and are required to be replaced if any of its credit ratings fall below either A2 or A. On September 15, 2008 AIG was downgraded to "A-" by S&P, requiring replacement of the payment undertaking agreements and credit enhancement, as appropriate, and in two instances required AIG to post collateral. For five of the transactions collateral was posted at inception. Most products specified in the documents as acceptable replacement facilities are not available in the current market. Since LACMTA was unable to provide acceptable replacement facilities within either 30 or 60 days, as applicable, the investor then has the option to exercise any of several remedies, including termination of the lease in which case LACMTA would be required to pay a termination amount that may be substantial. If termination payments were due on each of the seven leases the total payment is estimated to be as much as \$166 million, plus legal costs. LACMTA is taking steps to locate qualifying replacement facilities and also to reach an agreement with each investor to implement alternative strategies to replace or provide credit enhancement for the AIG facilities, or to terminate on cost neutral terms. LACMTA is also pursuing Federal legislative or administrative solutions.

As part of a nationwide coalition comprised of over 30 transit agencies affected by similar lease transactions, LACMTA is seeking either a Federal legislative or administrative solution. Such a solution would be implemented by the Federal Reserve or U.S. Treasury to provide a guaranty of the performance of the providers of the payment agreements and credit support facilities in the lease transactions. A guaranty program could be implemented under existing authority or as part of any new bailout or economic stimulus legislation.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

Long-term Debt

In September 2008, LACMTA issued a \$289,150 Proposition A Sales Tax Revenue Refunding Bonds, Series 2008-A and 2008-B. The proceeds were used to: (a) refund all of the outstanding Proposition A Sales Tax Revenue Refunding Bonds Series 2005-C1, 2005-C2, 2005-C3, and 2005-C4, which were outstanding in the aggregate principal amount of \$263,075; (b) make a deposit to the Reserve Fund and pay the premium for the municipal bond debt service reserve policy provided by Financial Security Assurance Inc.; and (c) pay the cost of issuing the Series 2008-A and 2008-B Bonds.

In October 2008, LACMTA redeemed \$ 31,575 of the Capital Grant Receipts Revenue Bonds Series 2005 B1 and \$31,550 Series 2005 B2 for the total amount of \$63,125. A mandatory redemption of \$42,325, and \$20,800, would have been required in December 2009 and December 2010, respectively. LACMTA redeemed the bonds earlier to reduce its future debt service requirements.

Impact of Bond Insurer Rating Downgrades on LACMTA's Auction Rate Securities and Variable Rate Demand Bonds

Beginning in February 2008, the auction rate securities market and the variable rate demand bond market experienced increased volatility due to, among other things, the deteriorating financial strength and credit ratings downgrades of virtually all of the previously AAA-rated monoline bond insurers. The credit ratings downgrades resulted from the significant actual and potential losses of the insurers resulting from their exposure to sub-prime mortgage securities. LACMTA had approximately \$1.1 billion of auction rate securities and variable rate demand bonds outstanding as of November 1, 2008, all of which have experienced increased rates. Approximately \$263,075 of auction rate securities were refunded through the issuance of Proposition A Sales Tax Revenue Refunding Bonds, Series 2008-A and 2008-B. Another \$21,100 of auction rate securities was refunded through the issuance of the 13th Sub-series of the Proposition A commercial paper program. LACMTA is actively pursuing alternative options to restructure the balance of the affected bonds. LACMTA is re-evaluating its restructuring alternatives following a number of potential liquidity providers pulling out of the market in October 2008. The current plan anticipates that the restructuring activities will have been substantially completed by the end of June 2009. The scheduled restructuring could be delayed unless there are some improvements in the availability of bank liquidity facilities or lowering of yields on fixed rate municipal bonds. LACMTA has included increased estimates of interest expense in its adopted budget for Fiscal Year 2009, in order to account for continued higher interest rates in the auction rate securities and variable rate demand bond markets.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

Recent Changes in the Economic Environment and its Impact to LACMTA

The sub-prime mortgage market collapse triggered the breakdown of many financial institutions such as the American International Group Inc. (AIG), Lehman Brothers Holdings, Inc., and Washington Mutual Bank. The financial crisis ultimately exposed investors to lose holdings with various ailing financial institutions. The federal government quickly stepped in by taking control and enacted the Emergency Economic Stabilization Act of 2008 that infused \$700 billion into various failing financial institutions. These steps taken by the government alleviated the viability of troubled financial institutions and to some degree also secured the assets of investors.

LACMTA's investment portfolio is reasonably diversified. While LACMTA is susceptible to the current global financial crisis, a majority of its investments have minimal exposure to credit, market, and liquidity risks. In the opinion of management, the current financial crisis has limited effect on LACMTA's financial condition.



Comprehensive Annual Financial Report

Required Supplementary Section

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress – Pension Plans
For the Year Ended June 30, 2008
(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 *						
06/30/07	\$ 247,609	\$ 246,342	\$ 1,267	99.49%	\$ 115,303	1.10%
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%
LACMTA **						
UTU						
12/31/07	439,532	310,067	129,465	70.54%	188,648	68.63%
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%
TCU						
12/31/07	72,981	53,142	19,839	72.82%	26,735	74.21%
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%
ATU						
12/31/07	257,642	181,305	76,337	70.37%	100,643	75.85%
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%
Non-Contract						
12/31/07	121,427	105,987	15,440	87.28%	7,291	211.77%
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%
AFSCME						
12/31/07	46,482	41,364	5,118	88.99%	7,095	72.14%
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%
TOTAL						
12/31/07	\$ 938,064	\$ 691,865	\$ 246,199	73.75%	\$ 330,412	74.51%
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%

Annual Financial Report can be obtained by writing to:

**CalPERS, PO BOX 942709, Sacramento, CA 94229-2709*

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress – OPEB
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

The schedule of Funding Progress below shows the first year actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the OPEB fund established by LACMTA.

Actuarial Valuation Date	Projected Unit Credit Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
LACMTA 01/01/07	\$ 104,433	\$ -	\$ 104,433	- %	\$ 144,609	72.22%
ATU 01/01/07	351,541	-	351,541	- %	122,385	287.24%
TCU 01/01/07	62,883	-	62,883	- %	31,242	201.28%
UTU 01/01/07	214,585	-	214,585	- %	233,331	91.97%
Total	<u>\$ 733,442</u>	<u>\$ -</u>	<u>\$ 733,442</u>	<u>- %</u>	<u>\$ 531,567</u>	<u>137.98%</u>

*Annual Financial Report can be obtained by writing to:
Finance Department, METRO, One Gateway Plaza, Los Angeles, CA 90012-2952*

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, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 5,987	\$ 6,465	\$ 6,514	\$ 49
Investment Income	4,052	4,052	8,235	4,183
Net decline in fair value of investments	-	-	(224)	(224)
Lease and rental	13,075	13,075	10,915	(2,160)
Licenses and fines	500	500	657	157
Fuel tax credit and other	22,892	22,892	28,413	5,521
TOTAL REVENUES	46,506	46,984	54,510	7,526
EXPENDITURES				
Current:				
Administration and other	19,575	20,237	17,401	2,836
Transportation subsidies	-	-	190	(190)
Debt and interest expenditures				
Principal	825	825	907	(82)
Interest and fiscal charges	1,439	1,439	1,310	129
TOTAL EXPENDITURES	21,839	22,501	19,808	2,693
EXCESS OF REVENUES OVER EXPENDITURES	24,667	24,483	34,702	10,219
OTHER FINANCING SOURCES (USES)				
Transfers in	7,017	7,017	2,426	(4,591)
Transfers out	(49,805)	(50,005)	(43,767)	6,238
TOTAL OTHER FINANCING SOURCES AND USES	(42,788)	(42,988)	(41,341)	1,647
NET CHANGE IN FUND BALANCES	(18,121)	(18,505)	(6,639)	11,866
Fund balances – beginning of year	154,042	154,042	154,042	-
FUND BALANCES – END OF YEAR	\$ 135,921	\$ 135,537	\$ 147,403	\$ 11,866

*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, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 694,193	\$ 694,193	\$683,352	\$ (10,841)
Investment income	1,200	1,200	11,741	10,541
Net decline in fair value of investments	-	-	(228)	(228)
TOTAL REVENUES	695,393	695,393	694,865	(528)
EXPENDITURES				
Current:				
Transportation subsidies	256,279	257,488	243,397	14,091
TOTAL EXPENDITURES	256,279	257,488	243,397	14,091
EXCESS OF REVENUES OVER EXPENDITURES	439,114	437,905	451,468	13,563
OTHER FINANCING SOURCES (USES)				
Transfers out	(514,118)	(520,688)	(559,535)	(38,847)
TOTAL OTHER FINANCING SOURCES AND USES	(514,118)	(520,688)	(559,535)	(38,847)
NET CHANGE IN FUND BALANCES	(75,004)	(82,783)	(108,067)	(25,284)
Fund balances – beginning of year	304,706	304,706	304,706	-
FUND BALANCES – END OF YEAR	\$ 229,702	\$ 221,923	\$196,639	\$ (25,284)

* 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, 2008
(Amounts expressed in thousands)

	Budgeted Amounts *		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 694,281	\$ 694,281	\$ 683,530	\$ (10,751)
Intergovernmental	25,449	31,287	7,999	(23,288)
Investment Income	2,342	2,342	23,840	21,498
Net decline in fair value of investments	-	-	(1,030)	(1,030)
Other	-	-	246	246
TOTAL REVENUES	722,072	727,910	714,585	(13,325)
EXPENDITURES				
Current:				
Administration and other	57,146	65,629	45,556	20,073
Transportation subsidies	452,372	452,372	381,868	70,504
TOTAL EXPENDITURES	509,518	518,001	427,424	90,577
EXCESS OF REVENUES OVER EXPENDITURES	212,554	209,909	287,161	77,252
OTHER FINANCING SOURCES (USES)				
Transfers in	14,804	16,154	65,127	48,973
Transfers out	(275,679)	(210,753)	(162,495)	48,258
TOTAL OTHER FINANCING SOURCES USES	(260,875)	(194,599)	(97,368)	97,231
NET CHANGE IN FUND BALANCES	(48,321)	15,310	189,793	174,483
Fund balances – beginning of year	388,235	388,235	388,235	-
FUND BALANCES – END OF YEAR	\$ 339,914	\$ 403,545	\$ 578,028	\$ 174,483

* Budget prepared in accordance with GAAP

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
PTMISEA Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts *		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 160,993	\$ 160,993	\$ -
Investment income	-	-	778	778
Net decline in fair value of investments	-	-	(18)	(18)
TOTAL REVENUES	-	160,993	161,753	760
EXPENDITURES				
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	160,993	161,753	760
OTHER FINANCING SOURCES AND (USES)				
Transfers out	-	(77,500)	(109,129)	(31,629)
TOTAL OTHER FINANCING SOURCES AND USES	-	(77,500)	(109,129)	(31,629)
NET CHANGE IN FUND BALANCES	-	83,493	52,624	(30,869)
Fund balances – beginning of year	-	-	-	-
FUND BALANCES – END OF YEAR	\$ -	\$ 83,493	\$ 52,624	\$ (30,869)

* Budget prepared in accordance with GAAP

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Transportation Development Act Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 352,373	\$352,373	\$ 340,548	\$ (11,825)
Investment income	1,000	1,000	9,047	8,047
TOTAL REVENUES	353,373	353,373	349,595	(3,778)
EXPENDITURES				
Current:				
Transportation subsidies	113,783	113,783	116,555	(2,772)
TOTAL EXPENDITURES	113,783	113,783	116,555	(2,772)
EXCESS OF REVENUES OVER EXPENDITURES	239,590	239,590	233,040	(6,550)
OTHER FINANCING SOURCES (USES)				
Transfers in	635	635	-	(635)
Transfers out	(264,118)	(236,528)	(204,698)	31,830
TOTAL OTHER FINANCING SOURCES AND USES	(263,483)	(235,893)	(204,698)	31,195
NET CHANGE IN FUND BALANCES	(23,893)	3,697	28,342	24,645
Fund balances – beginning of year	173,044	173,044	173,044	-
FUND BALANCES – END OF YEAR	\$ 149,151	\$176,741	\$ 201,386	\$ 24,645

* 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, 2008
(Amounts expressed in thousands)

	<u>Budgeted Amounts*</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 57,058	\$ 96,570	\$ 61,486	\$ (35,084)
Investment income	1,688	1,688	3,875	2,187
TOTAL REVENUES	58,746	98,258	65,361	(32,897)
EXPENDITURES				
Current:				
Transportation subsidies	11,324	16,709	13,592	3,117
TOTAL EXPENDITURES	11,324	16,709	13,592	3,117
EXCESS OF REVENUES OVER EXPENDITURES	47,422	81,549	51,769	(29,780)
OTHER FINANCING SOURCES (USES)				
Transfers out	(69,280)	(85,527)	(77,409)	8,118
TOTAL OTHER FINANCING SOURCES AND USES	(69,280)	(85,527)	(77,409)	8,118
NET CHANGE IN FUND BALANCES	(21,858)	(3,978)	(25,640)	(21,662)
Fund balances – beginning of year	70,076	70,076	70,076	-
FUND BALANCES – END OF YEAR	\$ 48,218	\$ 66,098	\$ 44,436	\$ (21,662)

* Budget prepared in accordance with GAAP



Comprehensive Annual Financial Report

Other Supplementary Section

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Amounts expressed in thousands)

	Special Revenue Funds				Total Nonmajor Governmental Funds
	TCRP	Service Authority For Fwy Emergency	Propositions A and C, TDA Administration	Other	
ASSETS					
Cash and cash equivalents	\$ 164,860	\$ 19,666	\$ 11,840	\$ 1,784	\$ 198,150
Investments	162,790	18,705	11,665	1,748	194,908
Receivables					
Interest	2,019	248	104	-	2,371
Intergovernmental	-	-	1,537	1,471	3,008
Due from other funds	-	-	568	-	568
TOTAL ASSETS	\$ 329,669	\$ 38,619	\$ 25,714	\$ 5,003	\$ 399,005
LIABILITIES					
Accounts payable and accrued liabilities	\$ 47	\$ 2,185	\$ 5,019	\$ 1,450	\$ 8,701
Due to other funds	-	-	5,725	-	5,725
TOTAL LIABILITIES	47	2,185	10,744	1,450	14,426
FUND BALANCES					
Reserved for:					
Encumbrances	-	4,276	3,555	13,403	21,234
Unreserved, reported in:					
Special revenue funds	329,622	32,158	11,415	(9,850)	363,345
TOTAL FUND BALANCES	329,622	36,434	14,970	3,553	384,579
TOTAL LIABILITIES AND FUND BALANCES	\$ 329,669	\$ 38,619	\$ 25,714	\$ 5,003	\$ 399,005

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Special Revenue Funds				Total Nonmajor Governmental Funds
	TCRP	Service Authority For Fwy Emergency	Propositions A and C, TDA Administration	Other	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 11,840	\$ 7,219	\$ 19,059
Investment Income	12,781	1,850	814	8	15,453
Net decline in fair value of investments	(593)	(64)	(30)	-	(687)
Licenses and fines	-	7,750	-	-	7,750
Other	-	27	20	-	47
TOTAL REVENUES	12,188	9,563	12,644	7,227	41,622
EXPENDITURES					
Current:					
Administration and other	-	7,181	58,932	1,020	67,133
Transportation subsidies	-	-	614	3,231	3,845
TOTAL EXPENDITURES	-	7,181	59,546	4,251	70,978
EXCESS (DEFICIENCY) OF					
REVENUES OVER EXPENDITURES	12,188	2,382	(46,902)	2,976	(29,356)
OTHER FINANCING SOURCES AND (USES)					
Transfers in	-	-	49,717	442	50,159
Transfers out	-	(1,678)	-	-	(1,678)
TOTAL OTHER FINANCING SOURCES AND USES	-	(1,678)	49,717	442	48,481
NET CHANGE IN FUND BALANCES	12,188	704	2,815	3,418	19,125
Fund balance – beginning of year	317,434	35,730	12,155	135	365,454
FUND BALANCES – END OF YEAR	\$ 329,622	\$ 36,434	\$ 14,970	\$ 3,553	\$ 384,579

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, 2008
 (Amounts expressed in thousands)

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Investment income	\$ -	\$ 12,781	\$ 12,781
Net decline in fair value of investments	-	(593)	(593)
TOTAL REVENUES	-	12,188	12,188
EXPENDITURES	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	12,188	12,188
NET CHANGE IN FUND BALANCES	-	12,188	12,188
Fund balances – beginning of year	-	317,434	317,434
FUND BALANCES – END OF YEAR	\$ -	\$ 329,622	\$ 329,622

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenses, and Changes in Fund Balances-Budget and Actual
Service Authority for Freeway Emergency Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 700	\$ 700	\$ 1,850	\$ 1,150
Net decline in fair value of investments	-	-	(64)	(64)
Licenses and fines	7,000	7,000	7,750	750
Other	-	-	27	27
TOTAL REVENUES	7,700	7,700	9,563	1,863
EXPENDITURES				
Current:				
Administration and other	16,653	16,653	7,181	(9,472)
TOTAL EXPENDITURES	16,653	16,653	7,181	(9,472)
EXCESS OF REVENUES OVER EXPENDITURES	(8,953)	(8,953)	2,382	11,335
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,000)	(3,000)	(1,678)	1,322
TOTAL OTHER FINANCING SOURCES AND USES	(3,000)	(3,000)	(1,678)	1,322
NET CHANGE IN FUND BALANCES	(11,953)	(11,953)	704	12,657
Fund balances – beginning of year	35,730	35,730	35,730	-
FUND BALANCES – END OF YEAR	\$ 23,777	\$ 23,777	\$ 36,434	\$ 12,657

* Budget prepared in accordance with GAAP

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenses, and Changes in Fund Balances-Budget and Actual
Propositions A & C, TDA Administration Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 8,830	\$ 8,891	\$ 11,840	\$ 2,949
Investment income	-	-	814	814
Net decline in fair value of investments	-	-	(30)	(30)
Other	-	-	20	20
TOTAL REVENUES	8,830	8,891	12,644	3,753
EXPENDITURES				
Current:				
Administration and other	57,090	58,039	58,932	(893)
Transportation subsidies	875	875	614	261
TOTAL EXPENDITURES	57,965	58,914	59,546	(632)
EXCESS OF REVENUES OVER EXPENDITURES	(49,135)	(50,023)	(46,902)	3,121
OTHER FINANCING SOURCES (USES)				
Transfers in	49,135	49,335	49,717	382
TOTAL OTHER FINANCING SOURCES AND USES	49,135	49,335	49,717	382
NET CHANGE IN FUND BALANCES	-	(688)	2,815	3,503
Fund balances – beginning of year	12,155	12,155	12,155	-
FUND BALANCES – END OF YEAR	\$ 12,155	\$ 11,467	\$ 14,970	\$ 3,503

* 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 Funds
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	<u>Budgeted Amounts*</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 6,522	\$ 6,522	\$ 7,219	\$ 697
Investment income	-	-	8	8
Other	120	120	-	(120)
TOTAL REVENUES	6,642	6,642	7,227	585
EXPENDITURES				
Current:				
Administration and other	1,510	1,510	1,020	490
Transportation subsidies	5,367	5,367	3,231	2,136
TOTAL EXPENDITURES	6,877	6,877	4,251	2,626
EXCESS OF REVENUES OVER EXPENDITURES	(235)	(235)	2,976	3,211
OTHER FINANCING SOURCES (USES)				
Transfers in	236	236	442	206
TOTAL OTHER FINANCING SOURCES AND USES	236	236	442	206
NET CHANGE IN FUND BALANCES	1	1	3,418	3,417
Fund balances – beginning of year	135	135	135	-
FUND BALANCES – END OF YEAR	\$ 136	\$ 136	\$ 3,553	\$ 3,417

* 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, 2008
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	American Federation of State, County and Municipal Employee Plan	Non-Contract Employee Plan	Total
ASSETS						
Cash and cash equivalents	\$ 1,542	\$ 272	\$ 946	\$ 210	\$ 515	\$ 3,485
Investments						
Bonds	125,608	22,145	77,025	17,138	41,926	283,842
Domestic stocks	57,571	10,150	35,304	7,855	19,216	130,096
Non-domestic stocks	7,015	1,237	4,302	957	2,341	15,852
Pooled Investments	167,545	29,537	102,741	22,859	55,925	378,607
Receivables						
Member contribution	729	84	173	-	-	986
Member transfer receivable	-	-	-	228	764	992
Securities sold	18,626	3,283	11,421	2,542	6,217	42,089
Receivable - LACMTA	-	56	50	9	168	283
Interest and dividends	4,508	795	2,764	615	1,505	10,187
Prepaid items and other assets	17	3	11	2	6	39
Total assets	383,161	67,562	234,737	52,415	128,583	866,458
LIABILITIES						
Sponsor contributions paid in advance	29	3	16	2	15	65
Accounts payable & other liabilities	398	84	249	69	146	946
Benefits & member contributions refunds payable	612	96	284	-	-	992
Securities purchased	43,608	7,689	26,742	5,950	14,556	98,545
Total liabilities	44,647	7,872	27,291	6,021	14,717	100,548
NET ASSETS						
Held in trust for pension benefits	\$ 338,514	\$ 59,690	\$ 207,446	\$ 46,394	\$ 113,866	\$ 765,910

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, 2008
(Amounts expressed in thousands)

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transportation Union Plan	American Federation of State, County and Municipal Employee Plan	Non Contract Employee Plan	Total
ADDITIONS						
Contribution:						
Employer	\$ 14,378	\$ 2,446	\$ 14,790	\$ 1,121	\$ 2,807	\$ 35,542
Member	15,879	1,878	3,758	-	-	21,515
Transfer	(612)	(96)	(284)	228	764	-
Total contributions	29,645	4,228	18,264	1,349	3,571	57,057
From investing activities:						
Net decline in fair value of investments	(30,096)	(5,314)	(18,382)	(4,165)	(10,291)	(68,248)
Investment income	10,304	1,809	6,245	1,427	3,526	23,311
Investment expense	(1,209)	(212)	(737)	(166)	(409)	(2,733)
Other income (expenses)	273	(14)	494	27	(72)	708
Total investing activity income	(20,728)	(3,731)	(12,380)	(2,877)	(7,246)	(46,962)
Total additions	8,917	497	5,884	(1,528)	(3,675)	10,095
DEDUCTIONS						
Retiree benefits	31,417	3,594	14,028	2,375	7,814	59,228
Administrative expenses	390	166	269	160	221	1,206
Total deductions	31,807	3,760	14,297	2,535	8,035	60,434
Net (decrease)	(22,890)	(3,263)	(8,413)	(4,063)	(11,710)	(50,339)
Net assets – beginning of year	361,404	62,953	215,859	50,457	125,576	816,249
NET ASSETS – END OF YEAR	\$ 338,514	\$ 59,690	\$ 207,446	\$ 46,394	\$ 113,866	\$ 765,910

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Assets and Liabilities
Agency Funds – Benefit Assessment Districts
June 30, 2008
(Amounts expressed in thousands)

	July 1, 2007		June 30, 2008	
	Balance	Additions	Deductions	Balance
ASSETS				
Cash and investments	\$ 33,456	\$ 21,024	\$ 22,395	\$ 32,085
Interest receivable	343	211	343	211
Deferred charges	685	1	317	369
Special assessments receivable	1,786	20,396	20,363	1,819
Special assessments receivable – deferred	28,846	-	17,801	11,045
Total assets	\$ 65,116	\$ 41,632	\$ 61,219	\$ 45,529
LIABILITIES				
Accounts payable	\$ 245	\$ 826	\$ 290	\$ 781
Accrued interest payable	950	847	1,233	564
Deferred credits	281	-	130	151
Special assessments payable – deferred	-	989	491	498
Bonds payable	63,640	21,365	41,470	43,535
Total liabilities	\$ 65,116	\$ 24,027	\$ 43,614	\$ 45,529

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Comprehensive Annual Financial Report

Statistical Section

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how LACMTA's financial performance has changed over time.	118
Revenue Capacity These schedules contain information to help the reader assess LACMTA's local revenue sources: sales tax, operating assistance and passenger fares.	122
Debt Capacity These schedules present information to help the reader assess the affordability of LACMTA's current outstanding debts and LACMTA's ability to issue additional debt in the future.	125
Demographic and Economic Information These schedules contain demographic and economic indicators to assist the reader in understanding the environment within which LACMTA's financial activities take place.	129
Operating Information These schedules contain service and facilities statistics to help the reader understand how LACMTA's financial report relates to its services and operating activities and how it compares to the transit industry.	131

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

Table 1

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ 779,120	\$ 779,046	\$ 778,972	\$ 772,905	\$ 772,838
Restricted for other purpose	599,057	653,629		1,289,360	1,442,723
Unrestricted	265,283	214,841	790,380	297,103	132,436
Total governmental activities net assets	<u>1,643,460</u>	<u>1,647,516</u>	<u>2,413,488</u>	<u>2,359,368</u>	<u>2,347,997</u>
Business-type activities:					
Invested in capital assets, net of related debt	3,555,066	3,555,446	3,694,487	3,671,581	3,911,725
Restricted for debt service	266,586	298,187	313,622	289,669	321,823
Unrestricted	(263,936)	(137,312)	(24,924)	111,273	76,168
Total business-type activities net assets	<u>3,557,716</u>	<u>3,716,321</u>	<u>3,983,185</u>	<u>4,072,523</u>	<u>4,309,716</u>
Primary government:					
Invested in capital assets, net of related debt	4,334,186	4,334,492	4,473,459	4,444,486	4,684,563
Restricted for debt service	266,586	298,187	313,622	289,669	321,823
Restricted for other purpose	599,057	653,629	790,380	1,289,360	1,442,723
Unrestricted	1,347	77,529	219,212	408,376	208,604
Total primary government net assets	<u>\$ 5,201,176</u>	<u>\$ 5,363,837</u>	<u>\$ 5,796,673</u>	<u>\$ 6,431,891</u>	<u>\$ 6,657,713</u>

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

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

Table 2

Expenses	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Transit operators programs	\$ 169,882	\$ 221,400	\$ 202,964	\$ 235,476	\$ 209,299
Local cities programs	271,007	303,969	306,532	320,629	318,492
Regional multimodal capital programs	69,393	60,619	117,483	103,286	316,631
Paratransit programs	66,913	35,010	11,397	12,440	14,355
Other transportation subsidies	49,335	55,471	66,234	49,997	57,711
Interest	600	1,540	1,505	1,456	1,408
General government	95,553	101,610	119,157	132,228	165,783
Total governmental activities expenditures	722,683	779,619	825,272	855,512	1,083,679
Business-type activities:					
Transit operations	904,920	987,462	1,053,637	1,136,625	1,183,138
Depreciation	347,629	335,533	345,980	405,731	410,476
Interest	177,935	148,544	167,852	149,293	153,629
Total business-type activities expenses	1,430,484	1,471,539	1,567,469	1,691,649	1,747,243
Total primary government expenses	\$ 2,153,167	\$ 2,251,158	\$ 2,392,741	\$ 2,547,161	\$ 2,830,922
Program Revenues					
Governmental activities:					
Operating grants and contributions	\$ 64,132	\$ 20,054	\$ 30,477	\$ 343,003	\$ 191,046
Charges for services	10,963	10,945	12,742	13,311	10,915
Total governmental activities program revenues	75,095	30,999	43,219	356,314	201,961
Business-type activities:					
Charges for services	233,757	284,682	299,966	313,000	357,857
Operating grants and contributions	116,201	217,043	207,683	186,003	198,443
Capital grants and contributions	470,393	245,860	467,665	302,613	200,575
Total business-type activities program revenues	820,351	747,585	975,314	801,616	756,875
Total primary government program revenues	\$ 895,446	\$ 778,584	\$ 1,018,533	\$ 1,157,930	\$ 958,836
Net (expense)/revenue:					
Governmental activities	\$ (647,588)	\$ (748,620)	\$ (782,053)	\$ (499,198)	\$ (881,718)
Business-type activities	(610,133)	(723,954)	(592,155)	(890,033)	(990,368)
Total primary government net expense	\$ (1,257,721)	\$ (1,472,574)	\$ (1,374,208)	\$ (1,389,231)	\$ (1,872,086)
General Revenues and Other Changes In Net Assets					
Governmental activities:					
Sales taxes	\$ 1,478,408	\$ 1,587,517	\$ 1,738,996	\$ 1,908,416	\$ 1,801,291
Investment income	5,352	14,886	32,764	51,186	70,782
Miscellaneous	19,288	12,847	13,484	29,736	39,273
Transfers	(885,345)	(862,574)	(837,219)	(944,260)	(1,040,999)
Total governmental activities	617,703	752,676	948,025	1,045,078	870,347
Business-type activities:					
Investment income	12,495	15,525	17,418	29,282	15,586
Miscellaneous	209	4,460	4,382	5,829	5,237
Transfers	885,345	862,574	837,219	944,260	1,040,999
Total business-type activities	898,049	882,559	859,019	979,371	1,061,822
Total primary government	\$ 1,515,752	\$ 1,635,235	\$ 1,807,044	\$ 2,024,449	\$ 1,932,169
Change in Net Assets					
Governmental activities	\$ (29,885)	\$ 4,056	\$ 165,972	\$ 545,880	\$ (11,371)
Business-type activities	287,916	158,605	266,864	89,338	71,454
Total primary government	\$ 258,031	\$ 162,661	\$ 432,836	\$ 635,218	\$ 60,083

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

Los Angeles County Metropolitan Transportation Authority
Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Table 3

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Reserved	\$ 8,397	\$ 6,727	\$ 2,320	\$ 3,047	\$ 2,890
Unreserved	138,295	86,626	113,838	150,995	144,513
Total General fund	<u>\$ 146,692</u>	<u>\$ 93,353</u>	<u>\$ 116,158</u>	<u>\$ 154,042</u>	<u>\$ 147,403</u>
All other governmental funds-special revenue funds:					
Reserved	\$ 509,432	\$ 535,519	\$ 473,013	\$ 542,896	\$ 656,807
Unreserved:					
Proposition A Fund	60,178	40,245	130,428	250,696	120,077
Proposition C Fund	(3,858)	19,965	85,824	75,753	239,583
PTMISEA Fund	-	-	-	-	52,624
TCRP Fund	-	-	-	317,434	-
Transportation Development Act Fund	6,728	31,833	53,579	52,292	17,572
State Transit Act Fund	13,960	16,088	32,756	36,505	7,684
Nonmajor Governmental Funds	12,617	9,979	14,809	25,939	363,345
Total all other governmental funds-special revenue funds	<u>\$ 599,057</u>	<u>\$ 653,629</u>	<u>\$ 790,409</u>	<u>\$ 1,301,515</u>	<u>\$ 1,457,692</u>

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

Los Angeles County Metropolitan Transportation Authority
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Table 4

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Sales tax	\$ 1,478,408	\$ 1,587,517	\$ 1,738,996	\$ 1,908,416	\$ 1,768,916
Intergovernmental	64,132	20,054	26,955	343,003	194,565
Investment earnings	5,352	14,886	32,764	51,186	70,782
Lease and rental	10,963	10,945	12,741	11,293	10,915
Licenses and fines	7,794	8,088	8,157	8,246	8,407
Other	9,343	2,608	3,170	26,784	28,706
Total revenues	<u>1,575,992</u>	<u>\$ 1,644,098</u>	<u>1,822,783</u>	<u>2,348,928</u>	<u>2,082,291</u>
Expenditures					
Administration and other	93,368	91,942	93,912	98,720	130,090
Transportation subsidies	620,571	686,070	729,780	754,733	759,447
Interest and fiscal charges	1,444	2,283	2,283	2,226	2,217
Total expenditures	<u>715,383</u>	<u>780,295</u>	<u>825,975</u>	<u>855,679</u>	<u>891,754</u>
Excess of revenues over expenditures	860,609	863,803	996,808	1,493,249	1,190,537
Other financing sources (uses)					
	<u>(885,345)</u>	<u>(862,574)</u>	<u>(837,221)</u>	<u>(944,260)</u>	<u>(1,040,999)</u>
Total other financing sources (uses)	<u>(885,345)</u>	<u>(862,574)</u>	<u>(837,221)</u>	<u>(944,260)</u>	<u>(1,040,999)</u>
Transfers out					
Net change in fund balances	<u>\$ (24,736)</u>	<u>\$ 1,229</u>	<u>\$ 159,587</u>	<u>\$ 548,989</u>	<u>\$ 149,538</u>
Debt service expenditures expressed as a percentage of non-capital expenditures	0.20%	0.29%	0.28%	0.26%	0.25%

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

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

Table 5

Fiscal Year	Proposition A	Proposition C	Transit Development Act	Others	Total
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
2008	683,352	683,530	340,548	61,486	1,768,916

Source: Comprehensive Annual Financial Report

*The substantial increase was due to the State of California voter approved Proposition 42 which requires existing revenues resulting from state sales and use tax on the sale of motor vehicle fuel to be used for transportation purposes as provided by law.

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

Table 6

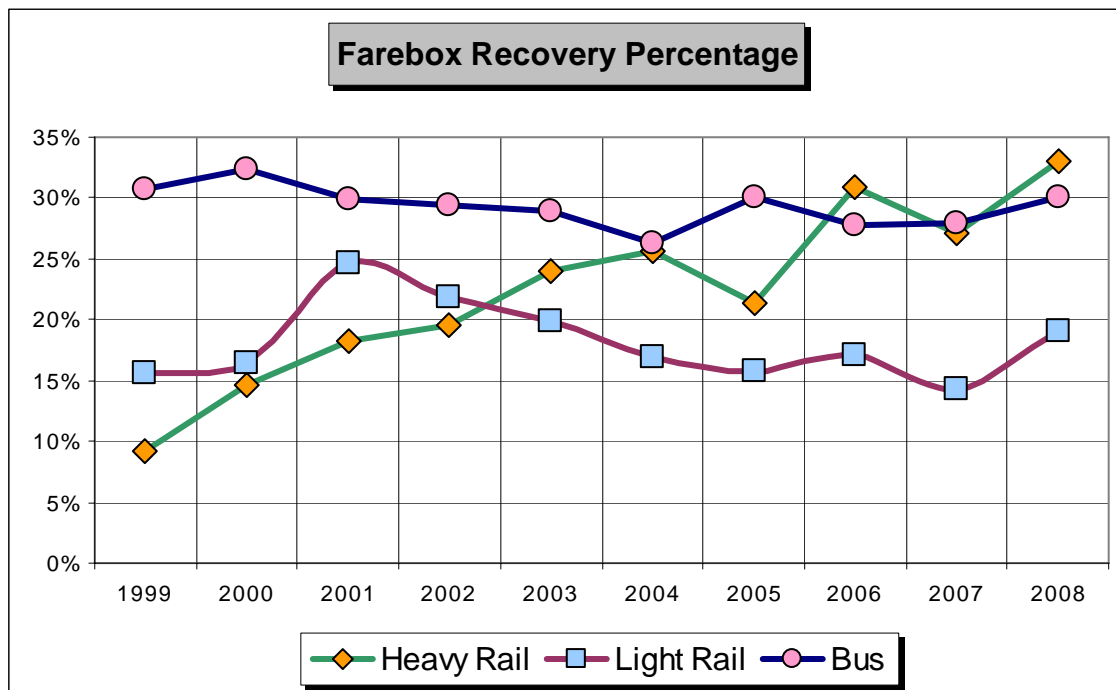
Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies	Auxiliary Transportation and Route Subsidies	Total
1999	\$ 228,854	\$ 55,845	\$ 528,956	\$ 13,422	\$ 827,077
2000	233,436	85,379	470,863	13,864	803,542
2001	213,989	60,128	482,742	12,227	769,086
2002	241,144	110,076	507,060	14,370	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
2008	336,961	197,643	632,665	20,896	1,188,165

Source: Comprehensive Annual Financial Report

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

Table 7

Fiscal Year	Heavy Rail	Light Rail	Bus	All Modes
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%
2008	33%	19%	30%	29%



Source: National Transit Database (NTD)

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Principal	\$ 130,757	\$ 66,135	\$ 78,881	\$ 404,181	\$ 132,998	\$ 368,194	\$ 209,357	\$ 233,522	\$ 195,023	\$ 244,887
Interest and others	169,011	186,437	189,808	169,271	180,984	163,141	134,216	174,312	156,680	161,976
Total debt service expenditures	<u>\$ 299,768</u>	<u>\$ 252,572</u>	<u>\$ 268,689</u>	<u>\$ 573,452</u>	<u>\$ 313,982</u>	<u>\$ 531,335</u>	<u>\$ 343,573</u>	<u>\$ 407,834</u>	<u>\$ 351,703</u>	<u>\$ 406,863</u>
Total general expenditures	\$ 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	\$ 2,716,469
Percent of debt service to general expenditures (%)	23.60%	18.77%	19.80%	36.21%	20.35%	28.53%	17.39%	19.31%	13.66%	14.98%

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)

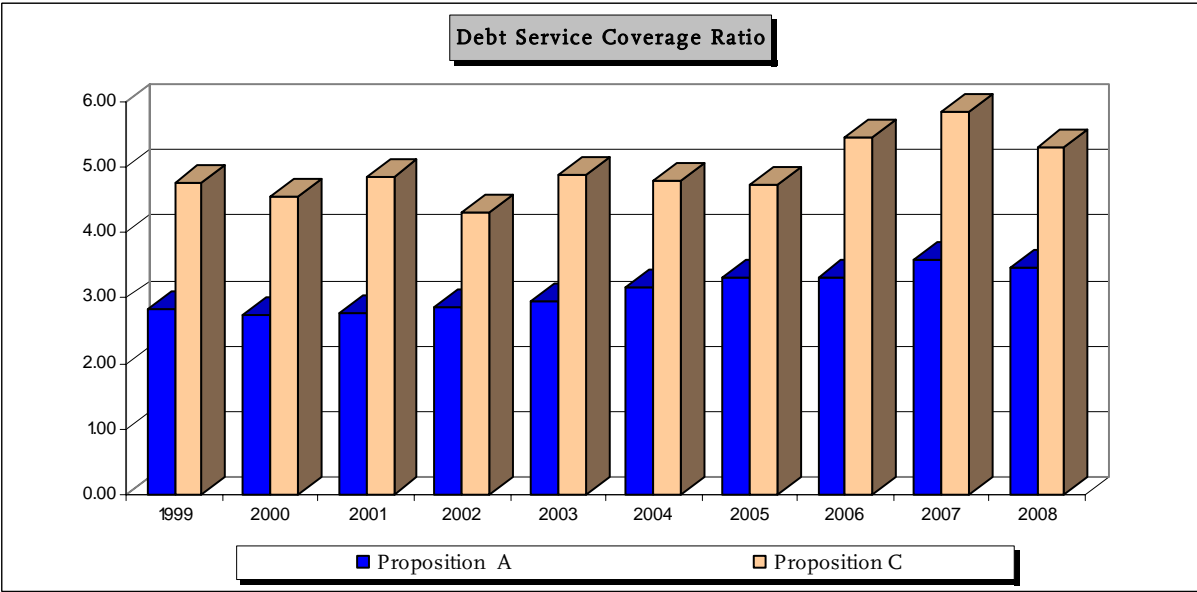
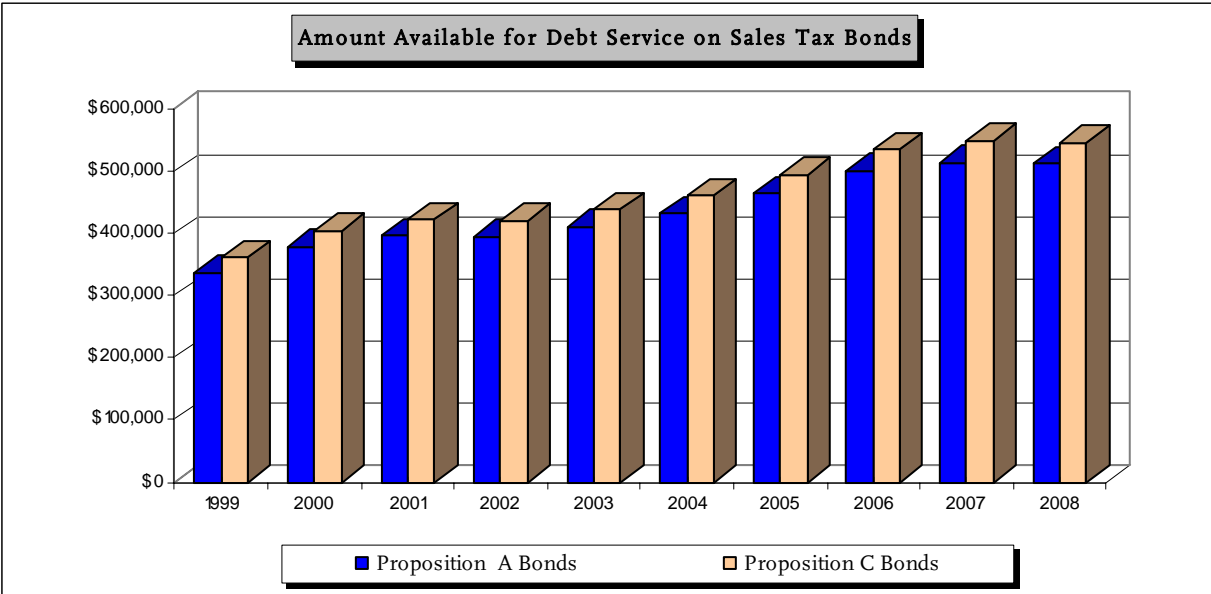
Table 9

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
1999	\$ 449,054	\$ 112,264	\$ 336,790	\$ 118,443	2.85
2000	504,353	126,088	378,265	138,188	2.74
2001	528,299	132,075	396,224	142,427	2.79
2002	525,980	131,495	394,485	138,234	2.86
2003	548,287	137,072	411,215	138,934	2.96
2004	576,651	144,163	432,488	137,142	3.16
2005	619,497	154,874	464,623	140,075	3.32
2006	668,984	167,246	501,738	151,529	3.32
2007	686,167	171,542	514,625	143,017	3.60
2008	683,352	170,838	512,514	148,065	3.47

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
1999	\$ 452,232	\$ 90,446	\$ 361,786	\$ 75,935	4.77
2000	505,949	101,190	404,759	88,801	4.56
2001	528,432	105,686	422,746	87,108	4.86
2002	525,876	105,175	420,701	97,313	4.33
2003	548,264	109,653	438,611	89,607	4.90
2004	576,655	115,331	461,324	96,286	4.80
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
2008	683,530	136,706	546,824	103,089	5.31

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 and Compensated Absences)
Last Eight Fiscal Years
(Amounts expressed in millions except per capita amount)

Table 10

	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities:								
Redevelopment and housing bonds	\$ 31	\$ 30	\$ 30	\$ 30	\$ 28	\$ 28	\$ 27	\$ 26
Total governmental activities	31	30	30	30	28	28	27	26
Business-type activities:								
Sales tax revenue and refunding bonds	3,124	3,059	2,956	2,904	2,996	3,160	3,062	2,951
Sales tax revenue bonds-local allocation	17	15	13	11	8	7	4	2
Lease revenue bonds	22	19	17	14	12	9	-	-
Lease/leaseback obligations	164	329	750	868	888	811	814	845
General revenue bonds	186	186	186	274	269	252	236	221
Commercial paper	233	266	266	348	399	188	189	184
Certificates of participation	163	141	107	6	-	-	-	-
Capitalized lease	-	17	38	32	21	17	13	27
Capital grant receipts revenue bonds	-	-	-	-	-	265	240	217
Total business-type activities	3,909	4,032	4,333	4,457	4,593	4,709	4,558	4,447
Total primary government	\$ 3,940	\$ 4,062	\$ 4,363	\$ 4,487	\$ 4,621	\$ 4,737	\$ 4,585	\$ 4,473
Percentage of Personal Income*	1.34%	1.35%	1.41%	1.36%	1.32%	1.28%	1.23%	1.03%
Per Capita*	\$ 401.35	\$ 418.34	\$ 450.31	\$ 450.00	\$ 463.26	\$ 473.17	\$ 441.66	\$ 454.27

Prior two 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 County of Los Angeles
1999	9,758	33,773	\$ 93,051,927	\$ 263,987,000	28	5.9%
2000	9,519	33,873	106,673,534	279,049,532	29	5.4%
2001	9,657	34,431	107,426,692	294,508,314	30	5.7%
2002	9,816	35,064	108,753,064	301,002,945	31	6.8%
2003	9,961	35,653	113,685,422	309,827,000	32	7.0%
2004	10,078	36,199	122,533,104	327,363,000	33	6.5%
2005	10,163	36,675	130,722,373	342,231,000	34	5.3%
2006	10,223	37,115	136,162,552	369,174,348	37	4.7%
2007	10,276	37,559	138,716,500 ⁽⁵⁾	398,228,369	40*	5.3%
2008	10,364	38,049	137,190,619 ⁽⁶⁾	429,568,942	44*	7.1%

Data Sources:

- (1) California Department of Finance, data estimates as of January 1, 2008
- (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) A FY06 Forecast
- (6) UCL Per Los Angeles Economic Development Corp. (LAEDC) estimate of 1.1% decline from 2007

* Data not available, estimates only based on % change from FY05 to FY06

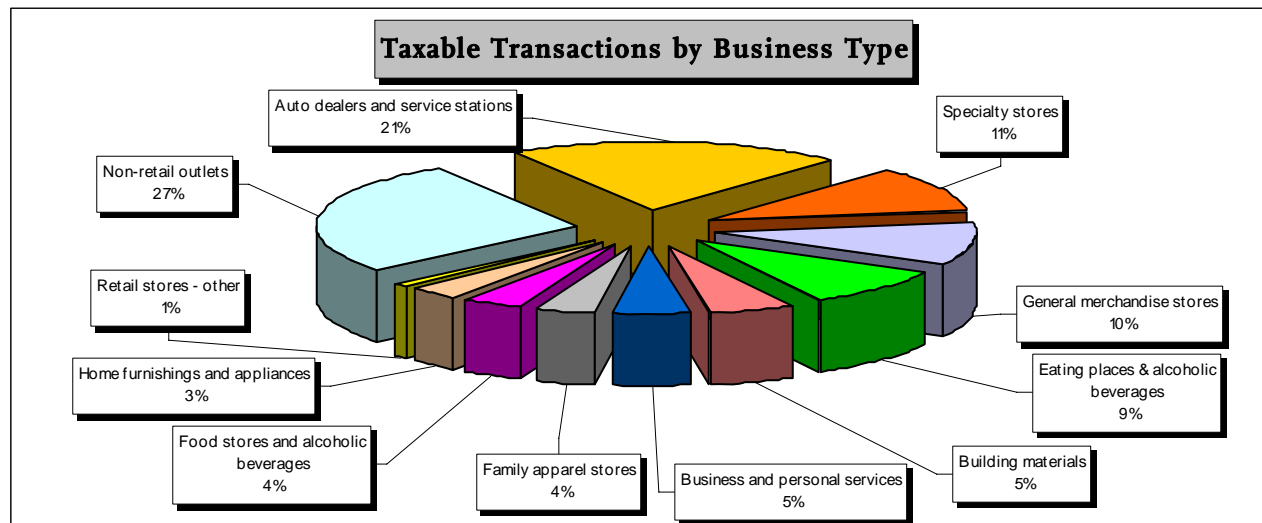
Los Angeles County Metropolitan Transportation Authority
 Los Angeles County Taxable Transactions by Type of Business
 Last Ten Fiscal Years
 (Amounts expressed in millions)

Table 12

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006*	2007*	2008
Non-retail outlets	\$ 25,085	\$ 31,152	\$ 30,457	\$ 29,150	\$ 29,192	\$ 30,761	\$ 35,240	\$ 36,615	\$ 37,395	\$ 36,983
Auto dealers and service stations	19,154	20,594	21,387	22,273	24,307	26,519	26,908	27,958	28,554	28,240
Specialty stores	9,998	11,754	11,542	11,639	12,107	13,027	14,045	14,593	14,904	14,740
General merchandise stores	9,483	10,578	10,860	11,197	11,749	12,592	13,322	13,842	14,137	13,981
Eating places & alcoholic beverages	8,909	9,717	10,081	10,542	11,152	12,036	12,516	13,004	13,281	13,135
Building materials	4,785	4,822	5,070	5,529	6,017	7,311	6,722	6,984	7,133	7,054
Business and personal services	4,283	5,200	5,135	5,056	5,067	5,275	6,017	6,251	6,385	6,314
Family apparel stores	3,442	3,669	3,812	4,037	4,357	4,807	4,836	5,024	5,131	5,075
Food stores and alcoholic beverages	3,515	4,213	4,210	4,235	4,240	4,222	4,938	5,131	5,240	5,183
Home furnishings and appliances	2,928	3,272	3,194	3,378	3,719	4,031	4,114	4,274	4,365	4,317
Retail stores-other	1,469	1,702	1,678	1,718	1,779	1,952	2,064	2,145	2,191	2,167
Total	\$ 93,051	\$ 106,673	\$ 107,426	\$ 108,754	\$ 113,686	\$ 122,533	\$ 130,722	\$ 135,821	\$ 138,716	\$ 137,189

Source: California State Board of Equalization

* UCLA Forecast



Los Angeles County Metropolitan Transportation Authority
 Business-type Activities – Transit Operations
 Operating Indicators by Mode

Table 13

Last Ten Fiscal Years

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

	Fiscal Year									
	1999	2000	2001 ⁽²⁾	2002	2003	2004 ⁽³⁾	2005	2006 ⁽⁵⁾	2007	2008
PASSENGER FARES:										
Heavy Rail	\$ 3,518	\$ 6,835	\$ 9,944	\$ 12,187	\$ 16,152	\$ 16,895	\$ 16,298	\$ 24,015	\$ 23,739	\$ 31,843
Light Rail	9,669	10,083	16,839	18,332	17,088	18,900	19,912	22,657	20,752	29,690
Bus*	215,668	216,516	186,746	210,625	214,186	185,659	233,028	233,900	248,877	275,428
OPERATING EXPENSES: (excluding depreciation)										
Heavy Rail	\$ 37,988	\$ 46,548	\$ 54,501	\$ 62,229	\$ 67,100	\$ 65,829	\$ 76,373	\$ 77,541	\$ 87,368	\$ 95,930
Light Rail	61,731	61,387	68,546	83,689	86,200	111,654	126,123	132,397	144,466	153,267
Bus*	702,395	668,021 ⁽¹⁾	623,194	715,360	740,468	707,369	772,907	841,210	892,512	919,541
PASSENGER MILES:										
Heavy Rail	28,718	74,729	126,461	163,931	151,901	152,629	173,935	193,020	194,032	217,965
Light Rail	176,191	208,824	213,339	228,780	225,712	241,217	268,981	297,477	291,158	306,848
Bus*	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	1,462,317
REVENUE VEHICLE MILES:										
Heavy Rail	1,815	3,568	5,540	5,877	5,987	5,399	5,877	5,867	5,986	6,003
Light Rail	4,500	4,658	4,401	8,114	6,783	7,704	8,114	8,047	8,688	8,812
Bus*	81,830	85,655	80,282	88,709	88,809	82,498	92,054	92,937	84,700	90,282
BUSES AND RAIL CARS:										
Heavy Rail	66	104	104	104	104	104	104	104	104	104
Light Rail	69	69	81	121	121	121	121	121	121	121
Bus*	2,799	2,426	2,913	3,012	2,774	2,714	2,856	2,870	2,733	2,738
PASSENGER STATIONS:										
Heavy Rail	13	16 ⁽⁴⁾	16	16	16	16	16	16	16	16
Light Rail	36	36	36	36	36	49	49	49	49	49

Source: National Transit Database Report

Note

* Includes Purchased Transportation and Orange Line

⁽¹⁾ The agency acquired 438 buses during this period

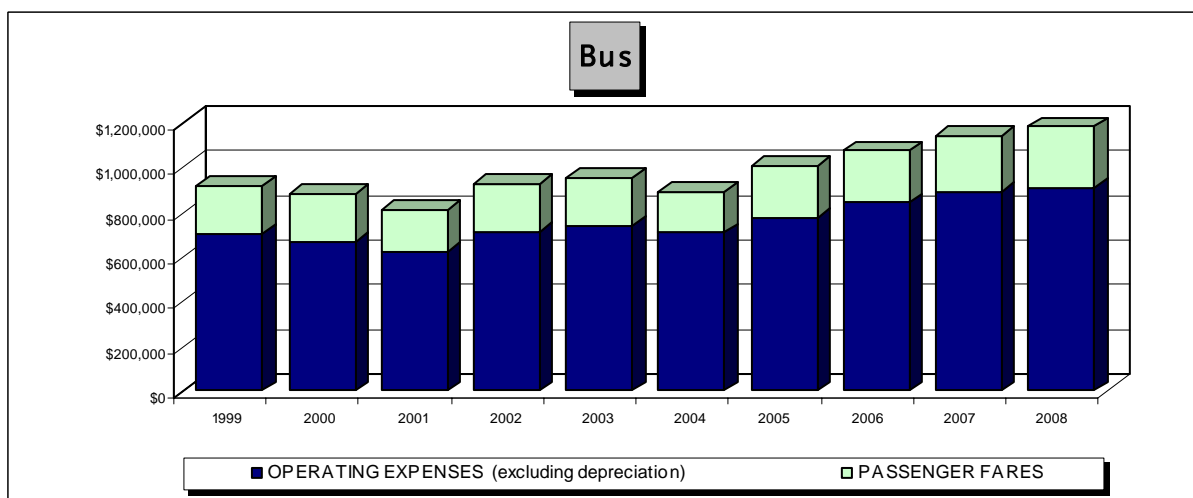
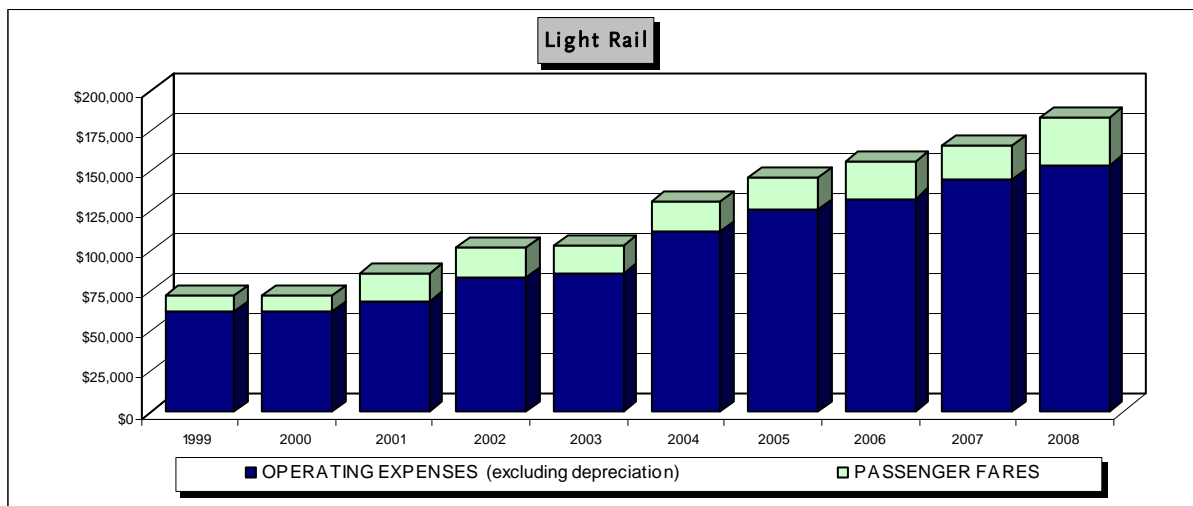
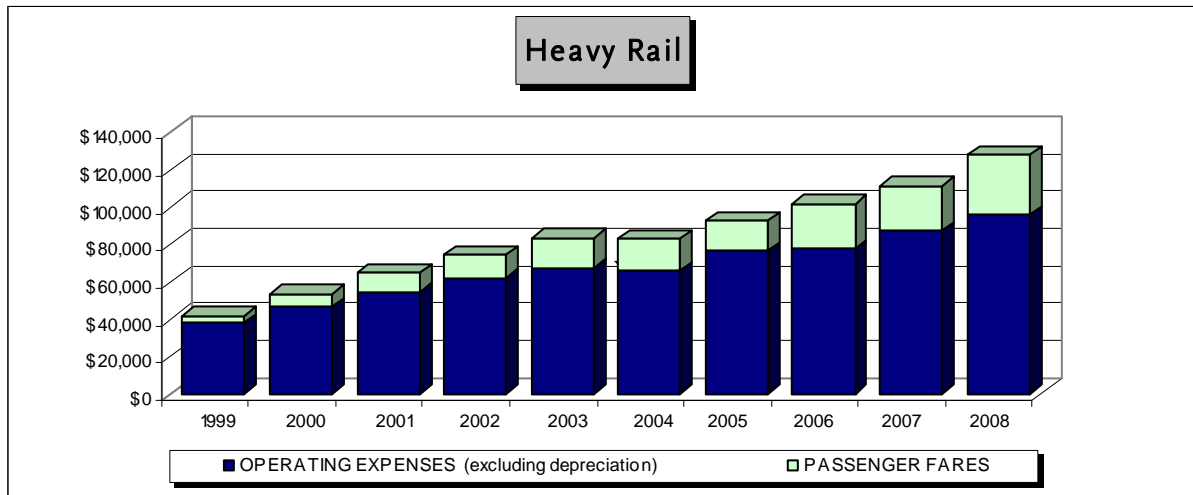
⁽²⁾ There was a 35 days strike during this period thereby reducing miles and revenue fares.

⁽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 October 2005

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

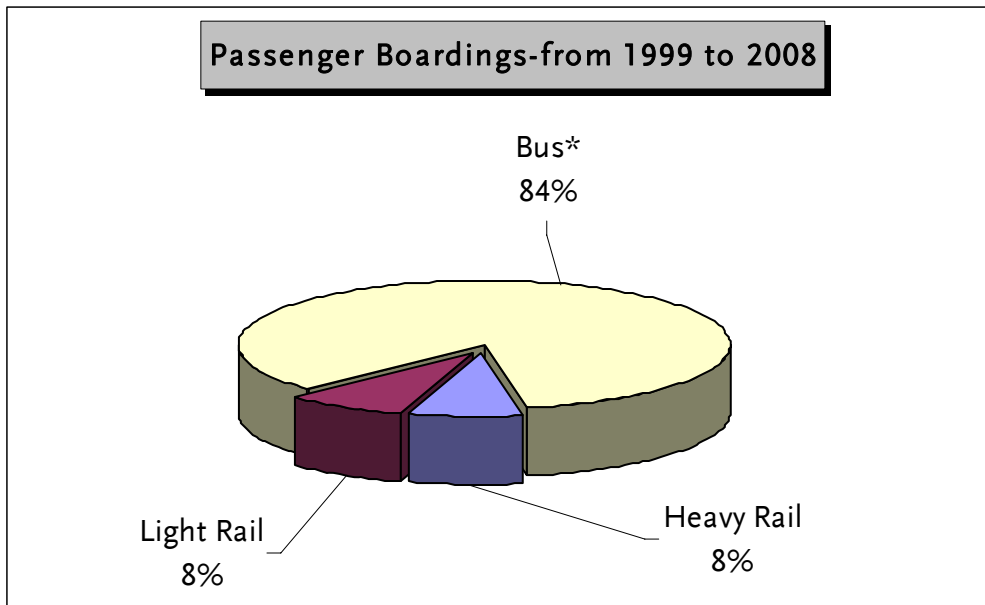


Los Angeles County Metropolitan Transportation Authority
 Business-type Activities – Transit Operations
 Passenger Boardings by Mode
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 14

Fiscal Year	Heavy Rail	Light Rail	Bus*	Total
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
2008	43,585	43,123	387,520	474,228

Source: National Transit Database Report
 * includes purchased transportation



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 Administration	Depreciation	Total
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
2008	653,224	237,643	90,562	187,308	410,476	1,579,213

Source: National Transit Database Report

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

Table 16

Function	FTE'S								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
LACMTA Operations	6,814	7,298	7,344	7,591	7,540	7,591	7,641	7,701	7,789
Countywide Planning & Development	190	135	144	134	130	110	104	104	116
Construction Project Management	153	146	153	156	135	106	88	86	86
Communications	169	211	209	262	256	235	215	214	216
Support Services	945	891	904	876	831	788	757	750	755
Chief Executive Office	92	111	110	115	98	76	67	67	75
Board of Directors	61		61	52	55	47			45
Total	8,424	8,855	8,925	9,186	9,045	8,953	8,918	8,967	9,082
		63					46	45	

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

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

Table 17

Fiscal Year	Operations			Operating Assistance				TOTAL
	Passenger Fares	Other	Sub-total	Local	State	Federal	Subtotal	
Transportation Industry (1)								
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%
2006	*	*	*	*	*	*	*	*
2007	*	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*	*
OACMTA (2)								
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%
2008	28%	3%	31%	46%	6%	17%	69%	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
 Business-type Activities – Transit Operations
 Operating Expenses by Function
 Comparison to Transit Industry Trend
 Percent to Total
 Last Ten Fiscal Years

Table 18

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total**
Transportation Industry (1)						
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	*	*	*	*	*	*
2008	*	*	*	*	*	*
LACMTA (2)						
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%
2008	54%	20%	8%	15%	3%	100%

(1) APTA 2007 Public Transportation Fact Book – Table 46, p. 35

(2) National Transit Database Report

* data not available

** excluding depreciation

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Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
BUS
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Expense Type	Year-to-Date		Variance		Prior Year	Variance	
	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	\$ 233,718	\$ 243,450	\$ 9,732	4.00%	\$ 230,244	\$ 3,474	1.51%
ATU	91,666	89,317	(2,349)	-2.63%	88,131	3,535	4.01%
NC	22,122	22,058	(64)	-0.29%	21,409	713	3.33%
TCU	16,106	15,530	(576)	-3.71%	15,455	651	4.21%
AFSCME	31,646	32,044	398	1.24%	29,759	1,887	6.34%
TEAMSTER	1,663	1,949	286	14.67%	1,419	244	17.20%
Total	396,921	404,348	7,427	1.84%	386,417	10,504	2.72%
Fringe Benefits	186,970	198,165	11,195	5.65%	213,643	(26,673)	-12.48%
Services							
Security	22,967	23,863	896	3.75%	21,585	1,382	6.40%
Maintenance	11,573	12,312	739	6.00%	10,306	1,267	12.29%
Professional & Technical	5,311	7,691	2,380	30.95%	4,615	696	15.08%
Others	2,624	3,618	994	27.47%	4,733	(2,109)	-44.56%
Total	42,475	47,484	5,009	10.55%	41,239	1,236	3.00%
Materials & Supplies							
Fuel and Lubricants	54,910	53,670	(1,240)	-2.31%	50,677	4,233	8.35%
Revenue Vehicle Parts	57,823	54,176	(3,647)	-6.73%	53,853	3,970	7.37%
Office Supplies & Others	9,536	9,013	(523)	-5.80%	9,248	288	3.11%
Total	122,269	116,859	(5,410)	-4.63%	113,778	8,491	7.46%
Utilities	1,477	1,446	(31)	-2.14%	962	515	53.53%
Casualty & Liability	58,873	56,623	(2,250)	-3.97%	45,309	13,564	29.94%
Others	14,698	19,873	5,175	26.04%	18,102	(3,404)	-18.80%
Support project (100030)	54,484	52,737	(1,747)	-3.31%	60,126	(5,642)	-9.38%
Total LACMTA Operated	878,167	897,535	19,368	2.16%	879,576	(1,409)	-0.16%
CRSH (a) LACMTA Operated	123.73	124.19	0.46	0.37%	123.43	0.30	0.24%
Purchased Transportation	37,044	36,181	(863)	-2.39%	34,195	2,849	8.33%
Total Operating Expenses	\$ 915,211	\$ 933,716	\$ 18,505	1.98%	\$ 913,771	\$ 1,440	0.16%
Cost of Revenue per Service Hour *	\$ 119.93	\$ 120.10	\$ 0.17	0.14%	\$ 118.87	\$ 1.06	0.89%
Revenue Service Hours *	7,097,556	7,226,942	129,386	1.79%	7,126,339	(28,783)	-0.40%
RSH (b) Purchased Transportation**	552,486	547,689	(4,797)	-0.88%	560,915	(8,429)	-1.50%
Total Revenue Service Hours*	7,650,042	7,774,631	124,589	1.60%	7,687,254	(37,212)	-0.48%

* Not in thousands

** Includes revenue service hours of 51,231 from LADOT

(a) CRSH - Cost of Revenue per Service Hour

(b) RSH - Revenue Service Hour

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
RAIL TOTAL
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Expense Type	Year-to-Date		Variance		Prior Year	Variance	
	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	\$ 13,970	\$ 14,475	\$ 505	3.49%	\$ 13,284	\$ 686	5.16%
ATU	32,132	30,507	(1,625)	-5.33%	30,707	1,425	4.64%
NC	11,231	11,548	317	2.75%	10,779	452	4.19%
TCU	8,015	7,667	(348)	-4.54%	7,806	209	2.68%
AFSCME	12,074	12,206	132	1.08%	11,730	344	2.93%
TEAMSTER	2,464	1,734	(730)	-42.10%	2,246	218	9.71%
Total	79,886	78,137	(1,749)	-2.24%	76,552	3,334	4.36%
Fringe Benefits	41,451	36,465	(4,986)	-13.67%	41,867	(416)	-0.99%
Services							
Security	42,183	42,428	245	0.58%	38,552	3,631	9.42%
Maintenance	12,051	13,430	1,379	10.27%	11,914	137	1.15%
Professional & Technical	3,154	5,243	2,089	39.84%	2,255	899	39.87%
Others	110	183	73	39.89%	1,395	(1,285)	-92.11%
Total	57,498	61,284	3,786	6.18%	54,116	3,382	6.25%
Materials & Supplies							
Fuel and Lubricants	230	183	(47)	-25.68%	199	31	15.58%
Revenue Vehicle Parts	11,026	9,599	(1,427)	-14.87%	8,822	2,204	24.98%
Office Supplies and Others	5,640	4,484	(1,156)	-25.78%	4,800	840	17.50%
Total	16,896	14,266	(2,630)	-18.44%	13,821	3,075	22.25%
Utilities							
Propulsion Power	19,204	21,293	2,089	9.81%	19,640	(436)	-2.22%
Electricity and Others	1,099	1,172	73	6.23%	855	244	28.54%
Total	20,303	22,465	2,162	9.62%	20,495	(192)	-0.94%
Casualty & Liability	1,783	7,062	5,279	74.75%	5,780	(3,997)	-69.15%
Others	4,143	4,583	440	9.60%	3,904	239	6.12%
Support Project (100040)	13,543	13,924	381	2.74%	11,577	1,966	16.98%
Total Operating Expense	\$ 235,503	\$238,186	\$ 2,683	1.13%	\$ 228,112	\$ 7,391	3.24%
Cost of Revenue per Service Hour*	\$ 367.66	\$ 366.08	\$ (1.58)	-0.43%	\$ 360.18	\$ 7.48	2.08%
Revenue Vehicle Hours*	640,543	650,638	10,095	1.55%	633,334	7,209	1.14%

* Not in thousands

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
HEAVY RAIL
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Expense Type	Year-to-Date		Variance		Prior Year	Variance	
	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	\$ 4,119	\$ 4,356	\$ 237	5.44%	\$ 4,073	\$ 46	1.13%
ATU	13,450	11,964	(1,486)	-12.42%	12,322	1,128	9.15%
NC	3,049	3,248	199	6.13%	2,804	245	8.74%
TCU	3,986	3,093	(893)	-28.87%	3,566	420	11.78%
AFSCME	3,560	3,678	118	3.21%	3,381	179	5.29%
TEAMSTER	1,265	822	(443)	-53.89%	1,222	43	3.52%
Total	29,429	27,161	(2,268)	-8.35%	27,368	2,061	7.53%
Fringe Benefits	15,863	13,014	(2,849)	-21.89%	15,729	134	0.85%
Services							
Security	16,325	16,269	(56)	-0.34%	14,718	1,607	10.92%
Maintenance	5,816	6,593	777	11.79%	5,795	21	0.36%
Professional & Technical	653	1,480	827	55.88%	814	(161)	-19.78%
Others	75	88	13	14.77%	254	(179)	-70.47%
Total	22,869	24,430	1,561	6.39%	21,581	1,288	5.97%
Materials and Supplies							
Fuel and Lubricants	91	73	(18)	-24.66%	79	12	15.19%
Revenue Vehicle Parts	3,792	3,303	(489)	-14.80%	2,955	837	28.32%
Office Supplies & Others	2,450	1,914	(536)	-28.00%	2,253	197	8.74%
Total	6,333	5,290	(1,043)	-19.72%	5,287	1,046	19.78%
Utilities							
Propulsion Power	7,538	9,239	1,701	18.41%	7,209	329	4.56%
Electricity and Others	197	228	31	13.60%	190	7	3.68%
Total	7,735	9,467	1,732	18.30%	7,399	336	4.54%
Casualty and Liability	2,240	3,070	830	27.04%	2,790	(550)	-19.71%
Others	1,731	1,870	139	7.43%	1,451	280	19.30%
Support Project (100040)	4,686	4,818	132	2.74%	3,948	738	18.69%
Total Operating Expense	\$ 90,886	\$ 89,120	\$ (1,766)	-1.98%	\$ 85,553	\$ 5,333	6.23%
Cost of Revenue Per Service Hour*	\$ 342.77	\$ 332.88	\$ (9.89)	-2.97%	\$ 325.17	\$ 17.60	5.41%
Revenue Vehicle Hours*	265,149	267,725	2,576	0.96%	263,099	2,050	0.78%

* Not in thousands

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
LIGHT RAIL
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Expense Type	Year-to Date		Variance		Prior Year	Variance	
	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	\$ 9,851	\$ 10,119	\$ 268	2.65%	\$ 9,211	\$ 640	6.95%
ATU	18,682	18,543	(139)	-0.75%	18,385	297	1.62%
NC	8,182	8,299	117	1.41%	7,975	207	2.60%
TCU	4,029	4,574	545	11.92%	4,240	(211)	-4.98%
AFSCME	8,514	8,527	13	0.15%	8,349	165	1.98%
TEAMSTER	1,199	912	(287)	-31.47%	1,024	175	17.09%
Total	50,457	50,974	517	1.01%	49,184	1,273	2.59%
Fringe Benefits	25,587	23,452	(2,135)	-9.10%	26,138	(551)	-2.11%
Services							
Security	25,857	26,159	302	1.15%	23,834	2,023	8.49%
Maintenance	6,235	6,838	603	8.82%	6,119	116	1.90%
Professional & Technical	2,501	3,763	1,262	33.54%	1,441	1,060	73.56%
Others	36	95	59	62.11%	1,141	(1,105)	-96.84%
Total	34,629	36,855	2,226	6.04%	32,535	2,094	6.44%
Materials and Supplies							
Fuel and Lubricants	139	110	(29)	-26.36%	120	19	15.83%
Revenue Vehicle Parts	7,234	6,296	(938)	-14.90%	5,867	1,367	23.30%
Office Supplies & Others	3,191	2,570	(621)	-24.16%	2,547	644	25.28%
Total	10,564	8,976	(1,588)	-17.69%	8,534	2,030	23.79%
Utilities							
Propulsion Power	11,666	12,055	389	3.23%	12,431	(765)	-6.15%
Electricity and Others	902	944	42	4.45%	665	237	35.64%
Total	12,568	12,999	431	3.32%	13,096	(528)	-4.03%
Casualty and Liability	(456)	3,992	4,448	111.42%	2,990	(3,446)	-115.25%
Others	2,412	2,712	300	11.06%	2,453	(41)	-1.67%
Support Project (100040)	8,857	9,106	249	2.73%	7,629	1,228	16.10%
Total Operating Expense	\$144,618	\$149,066	\$ 4,448	2.98%	\$ 142,559	\$ 2,059	-1.44%
Cost of Revenue Per Service Hour*	\$ 385.24	\$ 389.29	\$ 4.05	1.04%	\$ 385.05	\$ 0.19	0.05%
Revenue Vehicle Hours*	375,394	382,913	7,519	1.96%	370,235	5,159	1.39%

* Not in thousands

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, 2008
(Amounts expressed in thousands)

Project	Task Description	Expenditures	Revenues					Total
			Proposition A Admin	Proposition C Admin	TDA Admin	TDA Planning and Programming	Other Sources	
Fund Balance - beginning of year			\$ 10,918	\$ 361	\$ -	\$ -	\$ 876	\$ 12,155
Revenues for the year			-	-	-	-	12,644	12,644
Transfers In			32,815	11,534	1,605	3,763	-	49,717
Available Funds			43,733	11,895	1,605	3,763	13,520	74,516
100002	Governmental and Oversight Activities							
	General Oversight	16,156	16,156	-	-	-	-	16,156
	Transportation Foundation	3	3	-	-	-	-	3
	Legal Expenses	1,809	1,809	-	-	-	-	1,809
	Treasury Oversight	232	232	-	-	-	-	232
	Overhead Allocation	5,725	5,725	-	-	-	-	5,725
100002 Total		23,925	23,925	-	-	-	-	23,925
100012	Prop A & C Audit							
	Prop A & C Audit	31	15	16	-	-	-	31
100012 Total		31	15	16	-	-	-	31
100050	Administration Subsidy CFP							
	General and Administrative Costs	4,015	-	3,774	-	241	-	4,015
100050 Total		4,015	-	3,774	-	241	-	4,015
100060	Administration - General Planning							
	General and Administrative Costs	8,535	1,342	3,414	-	-	3,779	8,535
100060 Total		8,535	1,342	3,414	-	-	3,779	8,535
400228	Regional Downtown Connector - Planning							
	Administration	356	-	-	-	-	356	356
	Professional Services	1,599	-	-	-	-	1,599	1,599
400228 Total		1,955	-	-	-	-	1,955	1,955
400229	Harbor Subdivision							
	Administration	201	201	-	-	-	-	201
	Professional Services	46	46	-	-	-	-	46
400229 Total		247	247	-	-	-	-	247
400231	DMU Technology Feasibility Study							
	Administration	47	47	-	-	-	-	47
	Professional Services	60	30	30	-	-	-	60
400231 Total		107	77	30	-	-	-	107
400232	Eastside Extension							
	Administration	226	-	13	-	213	-	226
	Professional Services	1,831	-	-	851	980	-	1,831
400232 Total		2,057	-	13	851	1,193	-	2,057
402130	Disparity Study in Contracting							
	LACMTA Funds DBE	204	204	-	-	-	-	204
402130 Total		204	204	-	-	-	-	204
405510	Other P&P Planning							
	Call/MOU Tech. Support	74	37	37	-	-	-	74
	Consolidated Audit Services	537	156	145	236	-	-	537
	Triennial Audit Management	289	-	-	289	-	-	289
	Prop A/C Administration	224	112	112	-	-	-	224
	Grants Administration	890	-	-	229	661	-	890
	TDA Article 3 & 8	160	-	24	-	136	-	160
	TIP Administration	1,106	-	-	-	-	1,106	1,106
	STIP PPM - FY05	1,688	-	-	-	-	1,688	1,688
	Gov't.Coordination/ Outreach	518	259	259	-	-	-	518
	Bus System Improvement Plan	161	161	-	-	-	-	161

continued

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, 2008
(Amounts expressed in thousands)

Project	Task Description	Expenditures	Revenues					Total
			Proposition A Admin	Proposition C Admin	TDA Admin	TDA Planning and Programming	Other Sources	
	Station Planning/ Joint Development	264	-	264	-	-	-	264
	Bike parking Racks & Lockers	76	76	-	-	-	-	76
	Art Program	157	-	157	-	-	-	157
	Public Outreach	19	9	10	-	-	-	19
	General Planning	1,222	1,222	-	-	-	-	1,222
	General Commuter program	3	-	3	-	-	-	3
	Increase Customer Awareness Program	1,978	-	1,978	-	-	-	1,978
405510 Total		9,366	2,032	2,989	754	797	2,794	9,366
405511	Transit Planning							
	Long Range Plan Update	1,900	488	-	-	-	1,412	1,900
	Smart Shuttle	32	11	-	-	21	-	32
	Municipal Funding & Coordination	364	121	128	-	115	-	364
	Admin NTD Report - Local Cities	210	33	10	-	167	-	210
	Restructuring Study	38	-	38	-	-	-	38
	Bus Service Improvements	431	431	-	-	-	-	431
	Metro Rapid Bus	109	26	83	-	-	-	109
	Bus Service Efficiency & Effectiveness	42	40	-	-	2	-	42
	Transit Planning	406	362	-	-	44	-	406
	Rapid Bus Planning (BRT) Research	4	-	-	-	-	4	4
	Eastside Extension Pedestrian Crossing	67	-	-	-	67	-	67
	ADA Compliance	33	33	-	-	-	-	33
	Research & Development	265	-	-	-	26	239	265
	GIS Work for Planning Studies	292	14	-	-	-	278	292
	Metro Access-S. Bay-Pedestrian/Bicycle	7	7	-	-	-	-	7
405511 Total		4,200	1,566	259	-	442	1,933	4,200
405518	Red Line Westside Extension							
	Administration	734	-	-	-	-	734	734
	Professional Services	2,801	-	-	-	742	2,059	2,801
405518 Total		3,535	-	-	-	742	2,793	3,535
405548	Congestion Pricing							
	Administration	12	10	2	-	-	-	12
	Professional Services	764	382	116	-	-	266	764
405548 Total		776	392	118	-	-	266	776
407001	SR91/ I-605 Corridor							
	Professional Services	211	-	211	-	-	-	211
407001 Total		211	-	211	-	-	-	211
407002	Southbay Transit Corridor Demand Study							
	Professional Services	17	-	-	-	17	-	17
407002 Total		17	-	-	-	17	-	17
407003	OCTA Partnership Improvement							
	Professional Services	149	-	-	-	149	-	149
407003 Total		149	-	-	-	149	-	149
407007	South Bay Goods Movement Strategy							
	Professional Services	13	-	-	-	13	-	13
407007 Total		13	-	-	-	13	-	13
407008	Gateway Congestion Regional Studies							
	Professional Services	169	-	-	-	169	-	169
407008 Total		169	-	-	-	169	-	169
609911	Transportation Academies/ TOP/ FTA							
	TOP	34	34	-	-	-	-	34
609911 Total		34	34	-	-	-	-	34
Total Expenditures		\$59,546	29,834	10,824	1,605	3,763	13,520	59,546
FUND BALANCES - END OF YEAR			\$ 13,899	\$ 1,071	\$ -	\$ -	\$ -	\$ 14,970

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