Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Metro

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2009

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

Metro™

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

Metro

December 10, 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, 2009 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 auditors' 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, 2009. 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 26, 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 in 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), and the Service Authority for Freeway Emergencies (SAFE). Although they are legally separate entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY10 Budget – LACMTA began this process after adoption of the FY09 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 $3.9 billion FY10 adopted budget is nearly 15 percent more than the LACMTA's FY09 budget. The increase is largely due to new highway and transit building projects. Altogether, LACMTA will undertake $636 million in new programs in FY10, funded largely with federal stimulus funds and the new Measure R transit sales tax that started being collected in July 2009.

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 of Directors (the Board) approves the budget as of 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

The vibrant economic base of Los Angeles County was rattled by the worldwide collapse in financial markets that began in mid-2008 and whose impacts continue through 2009. Initially sparked by widespread problems in housing and mortgage finance, these events developed into a deep financial crisis in international capital markets and a collapse of international trade flows.

Based on the most current Gross Domestic Product (GDP) report for the State, Los Angeles County reached a GDP of $513.6 billion in 2008 that would make it the 19th largest national economy in the world if Los Angeles County were a country.

Los Angeles County has a diverse employment base. According to the current estimates from the Bureau of Labor Statistics from its fourth quarter 2008 data, Los Angeles County is ranked as the top U.S. County in the nation with a total employment of 4.2 million. The leading industries with their respective jobs according to the latest June 2009 estimates from the Employment Development Department (EDD) are: 1) Professional and Business Services, 551,900; 2) Educational and Health Services, 506,400; 3) Manufacturing, 400,000; 4) Retail Trade, 396,000; 5) Leisure and Hospitality, 388,700; 6) Finance and Insurance, 147,300; 7) Transportation and Warehousing, 138,500; and 8) Motion Picture and Sound Recording, 120,900.

Transportation service in Los Angeles County is extensive. The Los Angeles County Customs District includes the Ports of Los Angeles and Long Beach, four airports operated by Los Angeles World Airports, including Los Angeles International Airport ("LAX"), and two other commercial airports (Bob Hope in Burbank and Daugherty Field in Long Beach). Besides the extensive freeway system, there is an array of mass transit options including various bus operators, Amtrak, Metrolink (commuter rail), and Metro Rail (subway and light rail). Rail freight services are provided by Burlington Northern Santa Fe and the Union Pacific.

Like the rest of the country, the near-term economic outlook in Los Angeles County is bleak as businesses and lawmakers respond in various ways to lessen the impacts of the recession. Unemployment in Los Angeles County reached 11.4 percent in August 2009 and expected to rise for the balance of the year and into mid-2010, peaking over 13%. Unemployment is expected to remain high throughout 2010 as businesses will be cautious in rehiring until the recovery is well established.

Total personal income is expected to decline by 1.6 percent in 2009 but will grow by 1 percent in 2010. Taxable retail sales declined by 6 percent in 2008 and could decline by an additional 9 percent in 2009. These declines in retail sales are indicative of the high and growing higher unemployment rate in the County.

Consumer inflation for 2009 is expected to remain low compared with 2008. Measured by the Consumer Price Index (CPI), energy prices in 2009 will increase by 7.1 percent while food prices will go down by 0.5 percent, and other consumer goods and services will increase by 1.1 percent.

New home construction in 2009 is projected at 6,465 units in contrast to 26,348 units at its peak in 2006. This drastic decline is equivalent to a 75.4 percent reduction. The County will also continue to deal with foreclosures and an over abundance of vacant apartments and condominiums. Tourism will weaken in 2009 creating increased hotel room surplus, an unpleasant situation after sustained growth in recent years that sparked the development of new hotels.

In spite of the distressing economic conditions in the Los Angeles County, there are positive forces to offset some of the heavy losses. The health care services sector will see a gain of 1.6 percent in employment. The new 699-bed Los Angeles County USC hospital has opened. Highly accredited universities are attracting students for higher education and job training schools are increasing to help the unemployed. There are also several terminal expansions at the two L.A. ports and the County's new half-cent sales tax Measure R will fund new highway and transit projects.

In an effort to stimulate the weakening economy, the federal government enacted the American Recovery and Reinvestment Act ("ARRA") in 2009 that authorizes $787 billion in personal and corporate tax cuts, increased federal aid to state and local governments and direct federal spending for the next five years. About 75 percent of the tax cuts and spending will take place in the first two years. Roughly $185 billion will occur in fiscal year 2009 followed by $399 billion in fiscal year 2010. Los Angeles County received over $800 million of stimulus money. LACMTA received $308 million ARRA funding in fiscal year 2010.

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 25-30 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 FY10, LACMTA has the following major initiatives: 1) begin operation of the Gold Line Eastside Extension to East Los Angeles, 2) purchase of 219 new compressed natural gas buses for LACMTA and its contract carriers, 3) continue construction of the EXPO light rail line from downtown Los Angeles to Culver City and 4) begin construction of the four-mile extension of the popular Orange Line busway from Canoga Park to Chatsworth.

LACMTA is also proceeding with the plans for a Congestion Pricing Demonstration Project, high occupancy toll lanes, that is financed by $210 million in federal grants.

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 LACMTA for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the tenth 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 it 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, 2008

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

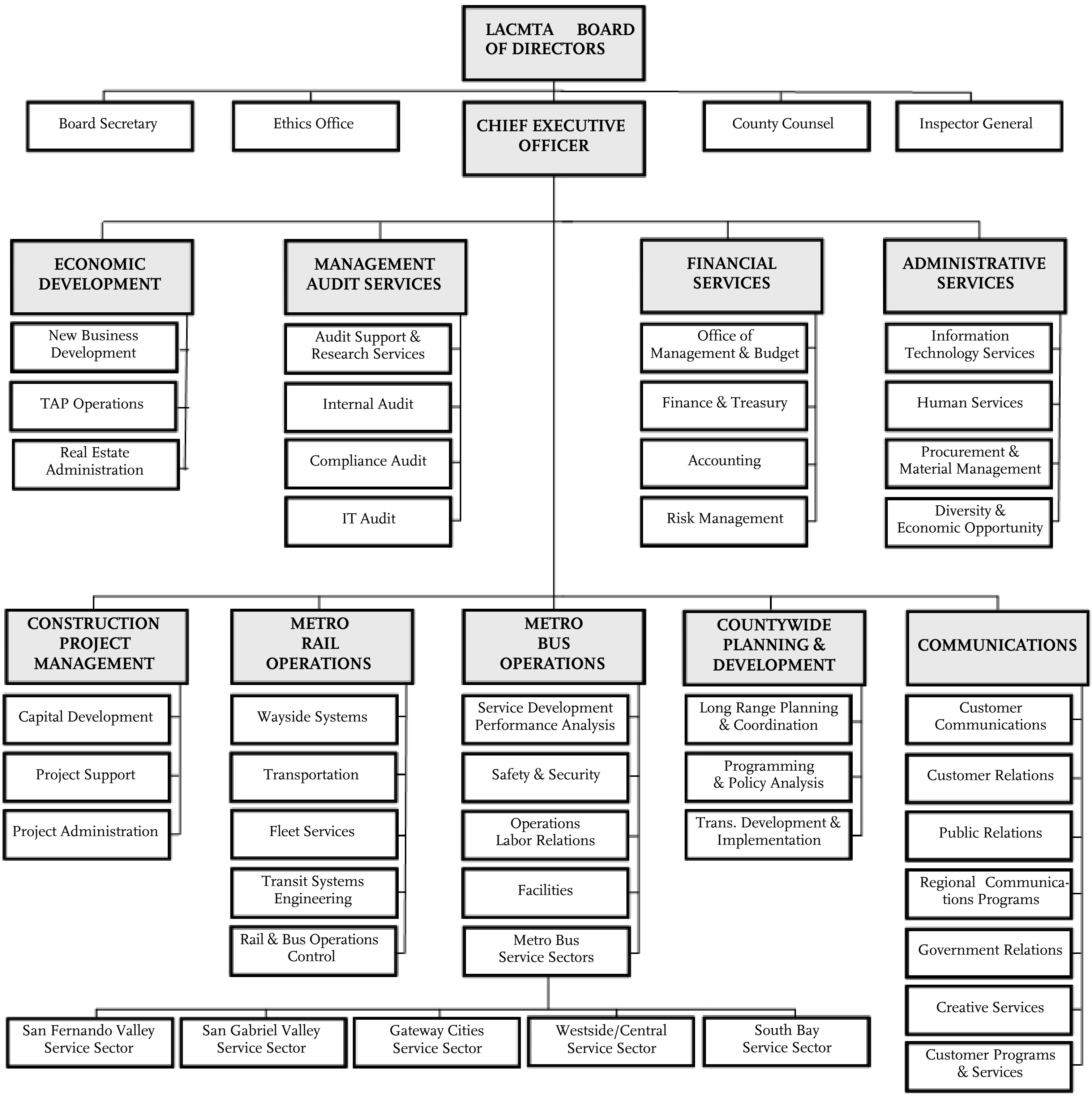
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Management Organization Chart



Los Angeles County Metropolitan Transportation Authority

BOARD OF DIRECTORS

(Updated as of July 2009)

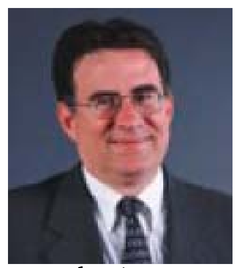
Ara Najarian
Chairman of the Board
City Council Member
City of Glendale

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

Antonio R. Villaraigosa
2^{nd} Vice Chair
Mayor, City of Los Angeles

Michael D. Antonovich
LA County Supervisor
5th Supervisorial District

Diane DuBois
City Council Member
City of Lakewood



John Fasana
City Council Member
City of Duarte

Jose Huizar
City Council Member
City of Los Angeles

Richard Katz
Mayor Appointee
City of Los Angeles

Gloria Molina
LA County Supervisor
1^{st} Supervisorial District

Pam O'Connor
City Council Member
City of Santa Monica

Mark Ridley – Thomas
LA County Supervisor
2^{nd} Supervisorial District

Rita Robinson
Mayor Appointee
City of Los Angeles

Zev Yaroslavsky
LA County Supervisor
3^{rd} Supervisorial District

Douglas Failing
Ex-officio Member
Appointed by Governor

List of Board Appointed Officials

Arthur T. Leahy
Chief Executive Officer

Charles Safer
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

Karen Gorman
Acting Inspector General

Executive Staff

Paul Taylor
Deputy Chief Executive Officer

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

Patricia Soto
Administrative Director

Rick Thorpe
Chief Capital Management Officer

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

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, 2009, which collectively comprise LACMTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 55%, 55%, and 26% 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 provides a reasonable basis for our opinions.

In our opinion, 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, 2009, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 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 26, the schedule of funding progress for pension plans and other postemployment benefits on pages 101 and 102, respectively, and the budgetary comparison information on pages 103 through 108 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 on pages 1 through 9 and other supplementary information and statistical section on pages 109 through 146 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 section on pages 1 through 9 and other supplementary information and statistical section on pages 109 through 140 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

December 10, 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, 2009 by $6,673,780. Of this amount, $313,021 is reported as unrestricted net assets.

- Total net assets increased by $16,067 (0.2 percent) this year over the previous year. Business-type net assets increased by $222,961 (5.2 percent) and governmental net assets decreased by $206,894 (-8.8 percent). The increase in the business-type activities net assets is due to capital grants received for billable projects. Net assets in the governmental activities decreased due to the reduction of revenue from Proposition A, Proposition C, and Transportation Development Act.

- At year-end, the governmental funds reported fund balances totaling $1,427,490. Of this amount, $826,920 is reserved for encumbrances and other commitments, and $600,570 is unreserved fund balance available for spending at LACMTA's discretion.

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 28-29) 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), 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 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 37-39.

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 30-31 and 34-35.

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 109-110.

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 103-108, and for each nonmajor fund on pages 111-113 and the aggregate remaining special revenue funds on page 114.

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 40-41. They cover the five employee pension funds and the OPEB Trust fund that are administered by LACMTA 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 43-100.

Other Information

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 101 and additional supplementary and statistical information beginning on page 109.

Government-wide Financial Analysis

Statement of Net Assets

As mentioned earlier, net assets can serve as an indicator of financial health. LACMTA's net assets increased by 0.2 percent over the previous year. This slight increase was due to grants received to finance capital projects.

The following table is a summary of the Statement of Net Assets as of June 30, 2009 and 2008:

Los Angeles County Metropolitan Transportation Authority

Summary Statement of Net Assets

	Business-type Activities		Governmental Activities		Total	
	2009	2008	2009	2008	2009	2008
Current & other assets	$ 2,415,533	$ 2,290,578	$ 1,545,965	$ 1,730,528	$ 3,961,498	$ 4,021,106
Capital assets	7,216,342	7,148,257	772,794	772,838	7,989,136	7,921,095
Total assets	$9,631,875	9,438,835	2,318,759	2,503,366	11,950,634	11,942,201
Current liabilities	570,545	497,736	117,190	95,908	687,735	593,644
Non-current liabilities	4,528,653	4,631,383	60,466	59,461	4,589,119	4,690,844
Total liabilities	5,099,198	5,129,119	177,656	155,369	5,276,854	5,284,488
Invested in capital assets, net of related debt	3,900,614	3,911,725	772,794	772,838	4,673,408	4,684,563
Restricted for debt service	419,282	321,823	-	-	419,282	321,823
Restricted for other purposes	-	-	1,268,069	1,442,723	1,268,069	1,442,723
Unrestricted	212,781	76,168	100,240	132,436	313,021	208,604
Total net assets	$ 4,532,677	$ 4,309,716	$ 2,141,103	$ 2,347,997	$ 6,673,780	$ 6,657,713

Statement of Activities

The following table is a summary of the Statement of Activities for the year ended June 30, 2009 and 2008:

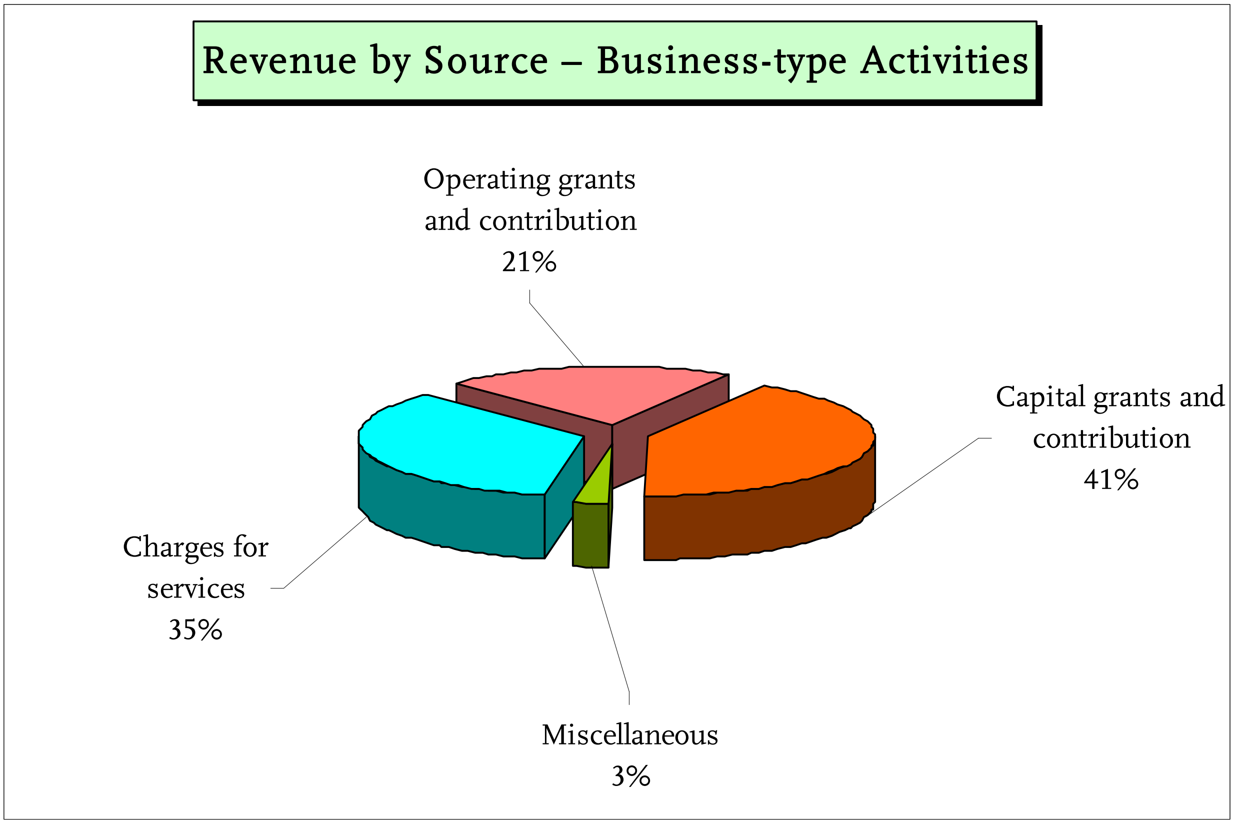
Los Angeles Metropolitan Transportation Authority
Change in Net Assets

	Business-type Activities		Governmental Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 357,895	$ 357,857	$ 10,101	$ 10,915	$ 367,996	$ 368,772
Operating grants and contributions	214,285	198,443	162,387	191,046	376,672	389,489
Capital grants and contributions	424,732	200,575	-	-	424,732	200,575
General revenues:						
Sales taxes	-	-	1,596,152	1,801,291	1,596,152	1,801,291
Miscellaneous	28,024	20,823	96,347	110,055	124,371	130,878
Total revenues	1,024,936	777,698	1,864,987	2,113,307	2,889,923	2,891,005
Program Expenses:						
Transit operations	1,807,037	1,747,243	-	-	1,807,037	1,747,243
Transit operators programs	-	-	282,305	209,299	282,305	209,299
Local cities programs	-	-	300,113	318,492	300,113	318,492
Regional multimodal capital programs	-	-	188,316	316,631	188,316	316,631
Para-transit programs	-	-	14,208	14,355	14,208	14,355
Other transportation subsidies	-	-	79,910	57,711	79,910	57,711
General government	-	-	201,967	167,191	201,967	167,191
Total expenses	1,807,037	1,747,243	1,066,819	1,083,679	2,873,856	2,830,922
Increase (decrease) in net assets before transfers:	(782,101)	(969,545)	798,168	1,029,628	16,067	60,083
Transfers	1,005,062	1,040,999	(1,005,062)	(1,040,999)	-	-
Increase (decrease) in net assets	222,961	71,454	(206,894)	(11,371)	16,067	60,083
Net assets – beginning of year, as reported	4,309,716	4,072,523	2,347,997	2,359,368	6,657,713	6,431,891
Adjustment due to implementation of GASB 45 (OPEB)	-	165,739	-	-	-	165,739
Net assets – end of year	$4,532,677	$ 4,309,716	$ 2,141,103	$ 2,347,997	$ 6,673,780	$ 6,657,713

Transit operations recovered 30.3 percent of total operating expenses from operating revenues, excluding depreciation, compared with 30.5 percent from the previous 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.

Capital grants and contributions increased by 111.76 percent primarily due to contributions related to EXPO projects and the acquisition of 45-foot CNG high capacity buses.

Below is a graphical depiction of the components of business-type revenues for the year ended June 30, 2009:

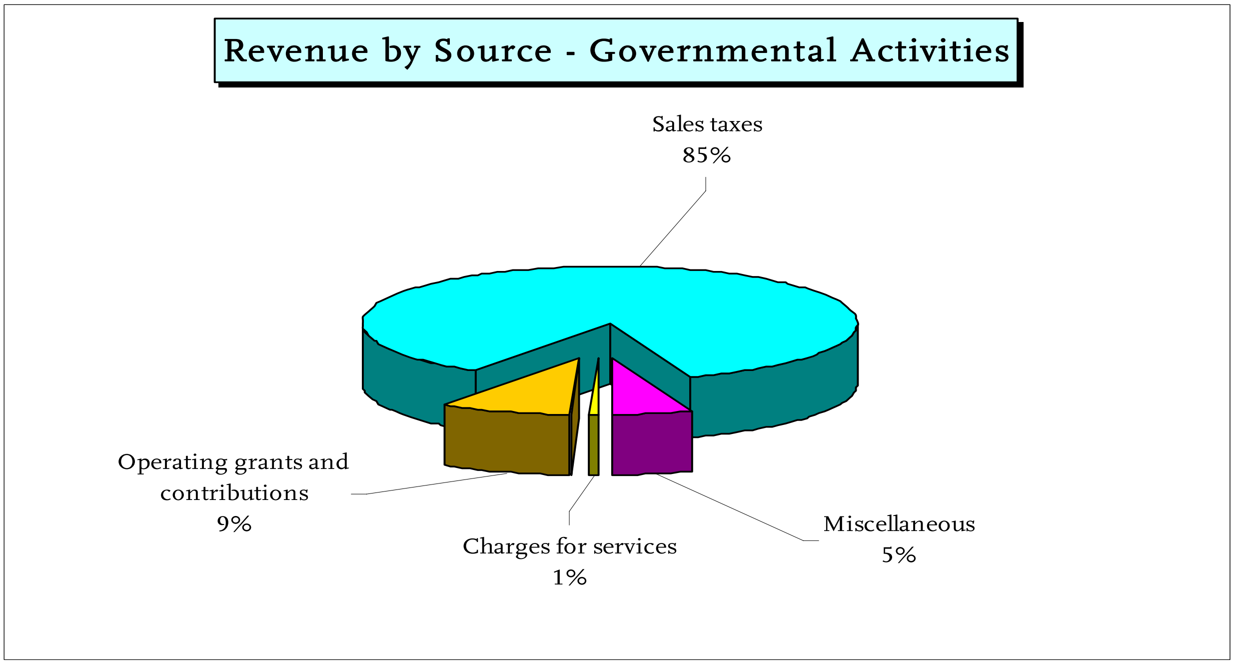


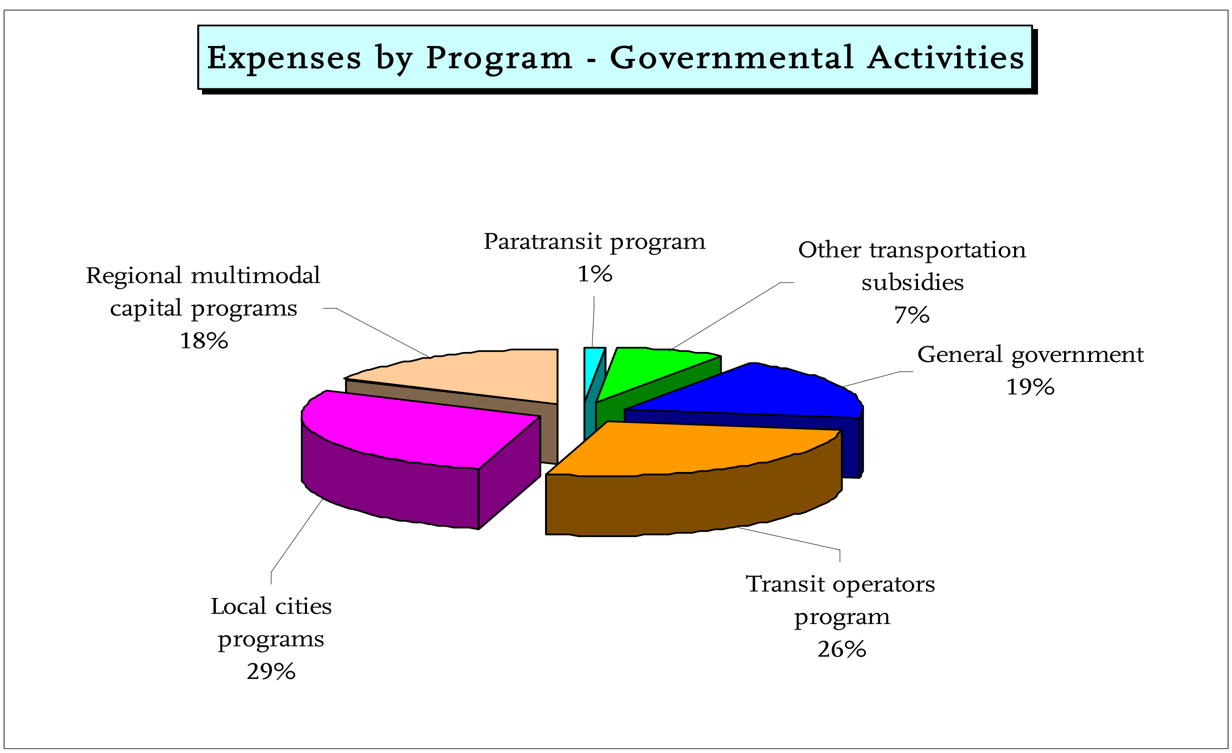
Governmental activities decreased LACMTA's net assets by $206,894.

Most of the governmental activities expenditures are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales tax. Subsidies totaling $864,852 to other agencies represent the largest governmental expenditures, and consist 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.

Regional multimodal capital programs decreased by 40.5 percent due to a one time charged for the write off of LACMTA's investments to Metrolink in FY08 given the potential contingencies associated with the rail accidents of the Southern California Rail Authority.

Below are graphical depictions of the components of governmental revenues and expenses for the year ended June 30, 2009:





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.

The increase of $222,961 in net assets was mainly due to the grants received from the State of California for billable capital projects, such as EXPO construction and purchase of light rail vehicles.

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 FY09 and FY08:

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

Cost per Revenue Service Hours*

	2009	2008	Variance	% Variance
Bus	$ 120.98	$ 119.93	$ 1.05	0.88%
Rail	357.87	367.66	-9.79	-2.66%

Subsidy Per Passenger Boarding

	2009	2008	Variance	% Variance
Bus	$ 1.79	$ 1.65	$ 0.14	8.48%
Rail	1.65	2.10	-0.45	-21.43%

**Refer to the attached schedules beginning on page 141*

The FY09 cost per revenue service hour (RSH) for bus has increased slightly compared with previous year. However, for rail, a decrease of 2.66 percent was caused by higher revenue service hours due to increased in passenger boardings. Expenses had decreased by 0.7 percent, resulting in a decrease in cost per revenue service hours.

Subsidy per passenger boardings for rail decreased by 21.43 percent due to the increase in ridership and decrease in operating subsidies received in FY09. The decrease in operating subsidies was brought by lower sales tax collections due to the nationwide economic crisis.

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 $1,427,490 in total fund balances. Approximately 57.93 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

General fund balance increased by $13,224, mostly because of lesser expenditures and lesser transfers out for FY09. Out of $160,627 fund balance, $1,780 is reserved for encumbrance.

Proposition A fund balance decreased by $82,024 mainly due to lower sales tax revenues and increased in transportation subsidies. LACMTA has reserved $132,708 for future programs, which is $18,093 more than the fund balance of $114,615. The negative unreserved fund balance is expected to be funded from future revenues.

Proposition C fund balance decreased by $99,554 primarily due to lesser sales tax revenues and lesser intergovernmental revenues. LACMTA has reserved $522,528 for future programs, which is $44,054 more than the fund balance of $478,474. The negative unreserved fund balance is expected to be funded from future revenues.

Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) fund balance increased by $65,990. This was brought by a 39.73 percent decrease in state funding and a 76.74 percent drop in funding of the EXPO project and bus procurement and rehabilitation program. The $118,614 year-end fund balance has not been reserved for any specific programs.

The Transportation Development Act fund balance decreased by $84,057 due to a combination of factors: decrease in sales tax revenues, increase in subsidies and expenditures for bus operations. LACMTA has reserved $125,858 for future programs, which is $8,529 more than the fund balance of $117,329. The shortfall is expected to be funded from future revenues.

The State Transit Assistance fund balance increased by $9,726. Of the $54,162 fund balance, $20,549 is reserved for future programs.

General Fund Budgetary Highlights

The general fund includes activities associated with the government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 2.46 percent of LACMTA's total governmental funds revenues, while expenditures represent 1.9 percent of total governmental funds expenditures.

During the year, the original budget for expenditures increased by $1,000 to pay for legal fees on the ongoing Lease/leaseback contract negotiations.

Revenues

The primary sources of revenue 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 was $652 greater than budgeted levels due to a higher rate of return than originally anticipated. Certain rental and lease contracts have been terminated due to land used for the EXPO and Orange Lines projects resulting in $1,474 revenue reduction from budgeted amounts. Other revenues from the federal alternative fuel tax credit decreased by $1,884 due to lower volume of consumption of compressed natural gas (CNG) compared with 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 were $5,874 lower than budget mainly due to less joint development and property administration expenditures than the anticipated programmed levels.

Other Governmental Funds Budgetary Highlights

During the year, $6,333 of pass-through subsidy expenditures for Metrolink (Southern California Regional Rail Authority – SCRRA) was part of the PTMISEA total fund allocated to LACMTA by the State. The $6,333 subsidy expenditures was not part of the budget.

Transportation Development Act fund showed $28,924 more actual subsidy payments over the budgeted amounts due to draw downs by municipal operators from prior years' appropriations.

Capital Assets

As of June 30, 2009, LACMTA had $7,989,136 (net of accumulated depreciation) invested in capital assets, as shown below, a one percent increase compared with the previous fiscal year.

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

	Business-type Activities		Governmental Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 625,915	$ 624,384	$ 772,794	$ 772,794	$ 1,398,709	$ 1,397,178
Buildings	4,070,288	4,137,078	-	-	4,070,288	4,137,078
Equipment	154,873	184,091	-	-	154,873	184,091
Vehicles	960,077	936,482	-	44	960,077	936,526
Construction in progress	1,405,189	1,266,222	-	-	1,405,189	1,266,222
Total Capital Assets	$ 7,216,342	$ 7,148,257	$ 772,794	$ 772,838	$ 7,989,136	$ 7,921,095

Major capital asset projects in various stages of development 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 eight new stations and one station modification, commenced revenue operation on November 16, 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 in East Los Angeles. As of June 30, 2009, $873.8 million has been expended.

The Exposition Light Rail Project is an $862 million project. The project is planned for approximately 8.6 miles long, extending from Downtown Los Angeles to Culver City. It will operate in a dual track configuration on Flower Street and the Exposition Boulevard right-of-way corridor. It will have 10 stations, consisting of two existing stations and eight new stations. Two of the new stations will be aerial. The project is electrically powered from overhead power lines. As of June 30, 2009, $357.7 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 has been 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, 2009, $93.5 million has been expended.

LACMTA entered into a $68 million contract to enhance TAP 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, 2009, $3.2 million has been expended.

LACMTA's major bus acquisition project during FY09 was the purchase of 260 CNG high capacity buses. These buses are to be delivered in FY09 and FY10. As of June 30, 2009, 72 of these buses had been delivered and $85.7 million has been expended. The remaining buses are expected to be delivered in FY10. During FY09, LACMTA awarded a new contract for 50 additional 32-foot CNG buses for its contract service operations. Also, LACMTA exercised a contract option to purchase 41 additional 45-foot CNG high capacity buses for the Congestion Reduction Demonstration Project. All of these buses are scheduled for delivery in FY10 and FY11.

LACMTA entered into a Light Rail Vehicle Base Contract to acquire fifty Light Rail Vehicles, which includes spare parts, special tools, and equipment. As of June 30, 2009, 29 vehicles were received and 23 are already in revenue service. As of June 30, 2009, $85.8 million has been expended.

LACMTA started the Solar Panel project consisting of a 1,000 (not in thousands) kilowatt solar panel system with an estimated 6,720 (not in thousands) individual solar panels. At the completion of this energy saving project, LACMTA will receive a rebate of $4.9 million from the Los Angeles Department of Water and Power. As of June 30, 2009, $8.2 million has been expended.

The Metro Orange Line Extension is a $215.6 million, four-mile extension of the Metro Orange Line extending from the Canoga park-and-ride lot to the Chatsworth Metrolink Station. The project includes: 1) busway; 2) new station platforms at the Canoga Park park-and-ride lot; 3) new stations at Sherman Way (with park–and-ride), Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station (with park-and-ride); 4) grade-separation structure over active railroad tracks at Lassen Street (Lassen/Railroad overcrossing) providing direct access into the Chatsworth Metrolink Station; 5) Los Angeles River and Santa Susana Wash bridge crossings, and 6) satellite bus parking facility. The project also includes street improvements, bicycle/pedestrian path, systems equipment, and landscaping similar to the Metro Orange Line. As of June 30, 2009, $1.7 million has been expended.

Additional information on capital assets can be found on page 60.

Long-term Debt Administration

At the end of the fiscal year, LACMTA had a total long-term debt of $4,402,730 of which $2,873,395 were bonds collateralized by sales tax revenue and $870,872 were Lease/leaseback obligations.

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

Los Angeles County Metropolitan Transportation Authority
Long-term Debt

	Business-type Activities		Governmental Activities		Total	
	2009	2008	2009	2008	2009	2008
Sales tax revenue bonds and refunding bonds	$ 2,873,395	$ 2,950,825	$ -	$ -	$ 2,873,395	$ 2,950,825
Lease/leaseback to service obligations	870,872	845,150	-	-	870,872	845,150
Commercial paper notes	278,741	184,310	-	-	278,741	184,310
General revenue bonds	203,120	220,610	-	-	203,120	220,610
Capital grant receipts revenue bonds	132,460	216,685	-	-	132,460	216,685
Other debt	18,750	29,106	25,392	26,369	44,142	55,475
Total long-term liabilities	$ 4,377,338	$ 4,446,686	$ 25,392	$ 26,369	$ 4,402,730	$ 4,473,055

During the fiscal year, LACMTA refinanced $263,075 Proposition A Series 2005-C with the Proposition A Series 2008-A Bonds and $167,300 Proposition C Series 2005-B with the Proposition C Series 2009-A Bonds, to convert auction rate securities (ARS) to uninsured variable rate demand bonds (VRDBs). Outstanding Proposition A Series 1992-A Bonds were fully redeemed by issuing Proposition A Tax Exempt Commercial Paper Notes. Of the $84,225 of Series 2005-B Capital Grant Revenue Receipts Bonds, $63,125 were retired by grant revenue receipts and $21,100 were refinanced by Proposition A Tax Exempt Commercial Paper Notes. Proposition C Series 1993-A for $193,210 were refunded by the Proposition C Series 2009-B Bonds to terminate an interest rate swap and to convert the bonds to fixed rate bonds.

Bond Ratings

LACMTA's bonds are rated by Standard & 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 66 to 81.

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
- Capital grant revenues availability
- Interest rate fluctuations
- Fuel and labor costs

LACMTA uses forecasts from various governmental sources as a basis of its future funding assumptions. The budget for FY10 reflects a 7.9 percent reduction in sales tax revenues from the previous year due to the recession. Local sales taxes comprises the largest revenue sources for LACMTA, 56.1 percent of LACMTA's total FY10 estimated revenues. 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 or visit LACMTA's website at www.metro.net.

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
June 30, 2009
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 76,008	$ 519,119	$ 595,127
Investments	56,131	908,801	964,932
Receivables (net of allowance for doubtful accounts)	211,472	198,135	409,607
Internal balances	81,452	(81,452)	-
Inventories	77,468	-	77,468
Prepaid and other current assets	4,476	-	4,476
Designated and restricted assets:			
Cash and cash equivalents – designated	662	-	662
Cash and cash equivalents – restricted	381,572	1,095	382,667
Investments – designated	302,636	-	302,636
Investments – restricted	87,559	-	87,559
Total current assets	1,279,436	1,545,698	2,825,134
Noncurrent assets:			
Investments - restricted	109,050	-	109,050
Lease accounts	870,872	-	870,872
Net OPEB assets	74,390	-	74,390
Deferred charges	81,785	267	82,052
Capital assets			
Land and construction in progress	2,031,104	772,794	2,803,898
Other capital assets, net of depreciation	5,185,238	-	5,185,238
Total noncurrent assets	8,352,439	773,061	9,125,500
Total assets	9,631,875	2,318,759	11,950,634
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	158,491	113,876	272,367
Accrued interest payable	64,879	-	64,879
Claims payable	71,153	-	71,153
Compensated absences payable	59,302	-	59,302
Bonds and notes payable	186,229	637	186,866
Deferred revenue and credits	21,630	2,157	23,787
Other liabilities	8,861	520	9,381
Total current liabilities	570,545	117,190	687,735
Noncurrent liabilities:			
Claims payable	226,600	-	226,600
Compensated absences payable	17,866	-	17,866
Net pension obligation	903	-	903
Pollution remediation obligations	10,000	-	10,000
Bonds and notes payable	4,191,109	24,755	4,215,864
Deferred revenues and credits	82,175	35,711	117,886
Total noncurrent liabilities	4,528,653	60,466	4,589,119
Total liabilities	5,099,198	177,656	5,276,854
NET ASSETS			
Invested in capital assets, net of related debt	3,900,614	772,794	4,673,408
Restricted for debt service	419,282	-	419,282
Restricted for other purposes	-	1,268,069	1,268,069
Unrestricted	212,781	100,240	313,021
Total net assets	$ 4,532,677	$ 2,141,103	$ 6,673,780

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, 2009
(Amounts expressed in thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Business-type activities:			
Transit operations	$ 1,807,037	$ 357,895	$ 214,285
Total business-type activities	1,807,037	357,895	214,285
Governmental activities:			
Transit operators programs	282,305	-	-
Local cities programs	300,113	-	-
Regional multimodal capital programs	188,316	-	113,145
Paratransit programs	14,208	-	-
Other transportation subsidies	79,910	-	5,406
General government	201,967	10,101	43,836
Total governmental activities	1,066,819	10,101	162,387
Total	$ 2,873,856	$ 367,996	$ 376,672
General revenues:			
Sales taxes			
Investment income			
Miscellaneous			
Transfers			
Total general revenues			
Change in net assets			
Net assets – beginning of year			
Net assets – end of year			

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

	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Governmental Activities	Total
	$ 424,732	$ (810,125)	$ -	$ (810,125)
	424,732	(810,125)	-	(810,125)
	-	-	(282,305)	(282,305)
	-	-	(300,113)	(300,113)
	-	-	(75,171)	(75,171)
	-	-	(14,208)	(14,208)
	-	-	(74,504)	(74,504)
	-	-	(148,030)	(148,030)
	-	-	(894,331)	(894,331)
	$ 424,732	(810,125)	(894,331)	(1,704,456)
		-	1,596,152	1,596,152
		7,793	55,284	63,077
		20,231	41,063	61,294
		1,005,062	(1,005,062)	-
		1,033,086	687,437	1,720,523
		222,961	(206,894)	16,067
		4,309,716	2,347,997	6,657,713
		$ 4,532,677	$ 2,141,103	$ 6,673,780

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2009
(Amounts expressed in thousands)

	General Fund	Special Proposition A	Special Proposition C
ASSETS			
Cash and cash equivalents	$ 33,548	$ 20,882	$ 108,495
Investments	123,522	76,458	400,403
Receivables:			
Accounts	1,403	-	-
Interest	1,168	737	3,860
Intergovernmental	5,947	-	3,662
Sales taxes	-	33,321	33,330
Due from other funds	-	-	-
Restricted assets:			
Cash and cash equivalents	973	-	122
TOTAL ASSETS	$ 166,561	$ 131,398	$ 549,872
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,218	$ 16,783	$ 71,398
Due to other funds	450	-	-
Deferred revenues	3,746	-	-
Other liabilities	520	-	-
TOTAL LIABILITIES	5,934	16,783	71,398
FUND BALANCES			
Reserved for			
Memoranda of understanding	-	132,708	522,528
Encumbrances	1,780	-	-
Unreserved, reported in:			
General fund	158,847	-	-
Special revenue funds	-	(18,093)	(44,054)
TOTAL FUND BALANCES	160,627	114,615	478,474
TOTAL LIABILITIES AND FUND BALANCES	$ 166,561	$ 131,398	$ 549,872

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

	Revenue Funds				
	PTMISEA	TDA	STA	Nonmajor Governmental Funds	Total Governmental Funds
	$ 55,086	$ 130,335	$ 75,450	$ 95,323	$ 519,119
	12,195	-	-	296,223	908,801
	-	-	-	34	1,437
	13	354	170	2,874	9,176
	77,026	-	-	3,374	90,009
	-	17,046	13,816	-	97,513
	-	-	-	8,850	8,850
	-	-	-	-	1,095
	$ 144,320	$ 147,735	$ 89,436	$ 406,678	$ 1,636,000
	$ 6,334	$ 3,669	$ 154	$ 14,320	$ 113,876
	19,372	26,737	35,120	8,623	90,302
	-	-	-	66	3,812
	-	-	-	-	520
	25,706	30,406	35,274	23,009	208,510
	-	125,858	20,549	-	801,643
	-	-	-	23,497	25,277
	-	-	-	-	158,847
	118,614	(8,529)	33,613	360,172	441,723
	118,614	117,329	54,162	383,669	1,427,490
	$ 144,320	$ 147,735	$ 89,436	$ 406,678	$ 1,636,000

THIS PAGE INTENTIONALLY LEFT BLANK

Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Activities

June 30, 2009

(Amounts expressed in thousands)

Fund Balance – total governmental fund (page 31)	$ 1,427,490
Government capital assets are not financial resources, and therefore, are not reported in the funds.	772,794
Governmental funds account for cost 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.	267
Bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.	(25,392)
Governmental 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.	(34,056)
Net Assets of governmental activities (page 27)	$ 2,141,103

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, 2009
(Amounts expressed in thousands)

		Special	
	General Fund	Proposition A	Proposition C
REVENUES			
Sales taxes	$ -	$ 620,797	$ 620,866
Intergovernmental	3,341	-	25,864
Investment income	4,993	4,675	15,909
Net appreciation in fair value of investment	1,353	1,013	4,746
Lease and rental	10,101	-	-
Licenses and fines	511	-	-
Other	26,369	-	2,876
TOTAL REVENUES	46,668	626,485	670,261
EXPENDITURES			
Current:			
Administration and other	17,912	-	51,941
Transportation subsidies	60	267,149	449,747
Debt and interest expenditures:			
Principal	977	-	-
Interest and fiscal charges	1,292	-	-
TOTAL EXPENDITURES	20,241	267,149	501,688
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,427	359,336	168,573
OTHER FINANCING SOURCES (USES)			
Transfers in	9,776	-	32,166
Transfers out	(22,979)	(441,360)	(300,293)
TOTAL OTHER FINANCING SOURCES (USES)	(13,203)	(441,360)	(268,127)
NET CHANGE IN FUND BALANCES	13,224	(82,024)	(99,554)
Fund balances – beginning of year	147,403	196,639	578,028
FUND BALANCES – END OF YEAR	$ 160,627	$ 114,615	$ 478,474

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

Revenue Funds				
PTMISEA	TDA	STA	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 310,406	$ 76,458	$ -	$ 1,628,527
97,026	-	-	36,156	162,387
658	5,214	2,230	11,064	44,743
20	-		3,409	10,541
-	-	-	-	10,101
-	-	-	7,580	8,091
-	-	-	1,566	30,811
97,704	315,620	78,688	59,775	1,895,201
-	-	-	91,651	161,504
6,333	138,196	27,856	14,630	903,971
-	-	-	-	977
-	-	-	-	1,292
6,333	138,196	27,856	106,281	1,067,744
91,371	177,424	50,832	(46,506)	827,457
-	-	-	56,741	98,683
(25,381)	(261,481)	(41,106)	(11,145)	(1,103,745)
(25,381)	(261,481)	(41,106)	45,596	(1,005,062)
65,990	(84,057)	9,726	(910)	(177,605)
52,624	201,386	44,436	384,579	1,605,095
$ 118,614	$ 117,329	$ 54,162	$ 383,669	$ 1,427,490

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, 2009
(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)	$ (177,605)
Governmental 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 are included in the fund financials.	977
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).	2,153
Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances provide current financial resources to governmental funds. However, these are reported as revenues in the Statement of Activities in the prior period.	(32,375)
Governmental funds do not account for depreciation of capital assets. Depreciation expense is accounted for in the government-wide financial statement.	(44)
Change in net assets of governmental activities (page 29)	$ (206,894)

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, 2009
(Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 76,008
Investments	56,131
Receivables (net of allowance for doubtful accounts)	211,472
Inventories	77,468
Due from other funds	81,452
Prepaid and other current assets	4,476
Designated and restricted assets:	
Cash and cash equivalents – designated	662
Cash and cash equivalents – restricted	381,572
Investments – designated	302,636
Investments – restricted	87,559
Total current assets	1,279,436
Noncurrent assets:	
Investments – restricted	109,050
Lease accounts	870,872
Net OPEB assets	74,390
Deferred charges	81,785
Capital assets	
Land and construction in progress	2,031,104
Other capital assets, net of depreciation	5,185,238
Total noncurrent assets	8,352,439
Total assets	9,631,875
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	158,491
Accrued interest payable	64,879
Claims payable	71,153
Compensated absences payable	59,302
Bonds and notes payable	186,229
Deferred revenue and credits	21,630
Other current liabilities	8,861
Total current liabilities	570,545
Noncurrent liabilities:	
Claims payable	226,600
Compensated absences payable	17,866
Net pension obligation	903
Pollution remediation obligations	10,000
Bonds and notes payable	4,191,109
Deferred revenues and credits	82,175
Total noncurrent liabilities	4,528,653
Total liabilities	5,099,198
NET ASSETS	
Invested in capital assets, net of related debt	3,900,614
Restricted for debt service	419,282
Unrestricted	212,781
Total net assets	$ 4,532,677

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

OPERATING REVENUES:	
Passenger fares	$ 333,989
Route subsidies	276
Auxiliary transportation	23,630
TOTAL OPERATING REVENUES	357,895
OPERATING EXPENSES:	
Salaries and wages	460,805
Fringe benefits	329,960
Professional and technical services	125,367
Material and supplies	81,097
Casualty and liability	26,964
Fuel, lubricants, and propulsion power	81,210
Depreciation	455,575
Other	76,322
TOTAL OPERATING EXPENSES	1,637,300
OPERATING LOSS	(1,279,405)
NON-OPERATING REVENUES (EXPENSES):	
Local grants	807
Federal grants	213,478
Investment income	7,793
Interest expense	(169,737)
Gain on disposition of capital assets	1,220
Other revenue	19,011
TOTAL NON-OPERATING REVENUES (EXPENSES)	72,572
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,206,833)
CAPITAL GRANTS AND CONTRIBUTIONS:	
Local grants	3,889
State grants	275,839
Federal grants	145,004
Transfers In – Capital	375,820
TOTAL CAPITAL GRANTS AND CONTRIBUTIONS	800,552
TRANSFERS IN – OPERATING	629,242
CHANGE IN NET ASSETS	222,961
Net assets – beginning of year	4,309,716
NET ASSETS – END OF YEAR	$ 4,532,677

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, 2009
(Amounts expressed in thousands)

Cash flows from operating activities	
Receipts from customers	$ 382,656
Payments to suppliers	(412,859)
Payments to employees	(737,786)
Net cash flows used for operating activities	(767,989)
Cash flows from non-capital financing activities	
Transfers from other funds	612,669
Federal operating grant	213,479
Net cash flows from non-capital financing activities	826,148
Cash flows from capital and related financing activities	
Proceeds from the issuance of debts	805,610
Capital contributions	685,303
Payments for matured bonds and notes payable	(874,957)
Acquisition and construction of capital assets	(523,411)
Interest paid	(167,070)
Net cash flows used for capital and related financing activities	(74,525)
Cash flows from investing activities	
Proceeds from sales and maturity of investments	16,247,575
Purchase of investments	(16,070,560)
Investment earnings	9,460
Net cash flows from investing activities	186,475
Net increase in cash and cash equivalents	170,109
Cash and cash equivalents – beginning of year	288,133
Cash and cash equivalents – end of year	$ 458,242
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	$ (1,279,405)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	455,575
Decrease in receivables	8,869
Increase in prepaid and other current assets	(869)
Increase in deferred charges	(39,526)
Decrease in inventories	569
Increase in accounts payable and accrued liabilities	31,292
Increase in compensated absences payable	2,340
Decrease in claims payable	(20,860)
Decrease in net pension obligation	(35)
Increase in post employment benefits payable	47,212
Decrease in due to other funds	(4,224)
Increase in deferred revenues and credits	15,892
Increase in pollution remediation obligations	10,000
Increase in other current liabilities	5,181
Total adjustments	511,416
Net cash used for operating activities	$ (767,989)
Non-cash investing, capital and financing transactions	
Lease/leaseback accretion	$ 39,936
Capital assets write off	982
Net increase in fair value of investments	93

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, 2009
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund	Agency Fund
ASSETS			
Cash and cash equivalents	$ 930	$ 9,043	$ 1,401
Investments			
Bonds	217,137	45,427	22,848
Domestic stocks	107,980	25,860	-
Non-domestic stocks	10,505	6,739	-
Pooled investments	332,858	49,177	-
Receivables			
Member contributions	1,394	211	-
Member transfer receivable	1,038	-	-
Securities sold	18,990	-	-
Receivable from sponsors	299	-	-
Interest and dividends	3,345	448	118
Prepaid items and other assets	38	-	55
Total assets	694,514	136,905	24,422
LIABILITIES			
Accounts payable and other liabilities	876	450	168
Accrued interest payable	-	-	296
Members transfer payable	1,038	-	-
Deferred credits	-	-	22
Securities purchased	52,467	-	-
Amount held on behalf of others	-	-	23,936
Total liabilities	54,381	450	24,422
NET ASSETS			
Held in trust for pension, OPEB benefits a and other purposes	$ 640,133	$ 136,455	$ -

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, 2009
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund
ADDITIONS		
Contributions:		
Employer	$ 35,068	$ 18,568
Member	22,001	595
Total contributions	57,069	19,163
From investing activities:		
Net decline in fair value of investments	(140,536)	(40,984)
Investment income	12,062	3,712
Investment expense	(2,316)	(633)
Other income	938	-
Total investing activities income	(129,852)	(37,905)
Total additions	(72,783)	(18,742)
DEDUCTIONS		
Retiree benefits	51,698	17,485
Administrative expenses	1,296	-
Total deductions	52,994	17,485
Net decrease	(125,777)	(36,227)
Net assets – beginning of year	765,910	172,682
NET ASSETS – END OF YEAR	$ 640,133	$ 136,455

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

INDEX

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Los Angeles County Metropolitan Transportation Authority (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 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 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 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 or visit LACMTA's website at www.metro.net.

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.

SAFE was established in 1988 under the 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 Streets 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, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

The Statement of Activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

Separate fund financial statements are provided for proprietary funds, governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economics resources measurement focus.

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. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request. Long-term debts are recorded only when payment is due.

Interests 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 the guidance of the GASB. LACMTA also has the option of following subsequent private-sector guidance for 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 income, and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of 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.

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: 1) 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; 2) 20 percent to local jurisdictions for public transit, and related services; 3) 25 percent for essential county-wide transit-related improvements to freeways and state highways; and 4) 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.

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 U.S. 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.

LACMTA is considered to be an involuntary participant in an external investment pool as required by the State of California statutes to maintain the cash surplus with the County Treasurer.

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 as 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.

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	5 – 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 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.

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 U.S. generally accepted accounting principles (GAAP) 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 noted 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.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of June 30, 2009, the following are LACMTA's cash deposits and investments:

	Business-type Activities	Governmental Activities	Total
Cash Deposits and Investments:			
Cash deposits	$ 17,741	$ 13,338	$ 31,079
Certificates of deposit	303	-	303
Bankers acceptance	850	5,846	6,696
Commercial paper	5,102	66,186	71,288
Guaranteed investment contracts	60,910	-	60,910
Investment pools	42,658	248,889	291,547
Medium-term notes	130,002	290,529	420,531
Mortgage-backed securities	21,922	13,199	35,121
Pooled funds and mutual funds	385,057	46,025	431,082
Repurchase agreements	561	8,939	9,500
U.S. Agency securities	306,970	521,112	828,082
U.S. Treasury obligations	41,542	214,952	256,494
Total fair value	$ 1,013,618	$ 1,429,015	$ 2,442,633
Reported in the Statement of Net Assets and Balance Sheet:			
Cash and cash equivalents	$ 76,008	$ 519,119	$ 595,127
Investments	56,131	908,801	964,932
Cash and cash equivalents – designated	662	-	662
Cash and cash equivalents – restricted	381,572	1,095	382,667
Investments – designated	302,636	-	302,636
Investments – restricted	196,609	-	196,609
Total	$ 1,013,618	$ 1,429,015	$ 2,442,633

LACMTA internally pools all cash deposits and investments except for certain funds held for specific purpose, bond proceeds, debt service investments and investments held by fiscal agents. 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 Net Assets and Balance Sheet. 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 Sheet, and Statement of Cash Flows, all highly liquid investments, including restricted/designated assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at fair value. Net changes in the fair value of investments are shown in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

LACMTA's most recent investment policy, adopted by the Board on January 22, 2009, 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 that 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
U.S. 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
U.S. 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.

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

- 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, 2009, LACMTA's carrying amount of cash comprises of $1,306 in cash on hand and $29,773 in checking accounts for a combined total of $31,079. LACMTA's total bank balance was $51,860 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 $250,000 (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, 2009, 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	$ 6,696	0.000331	0.36%	A-1 +
Certificates of deposit	303	0.000005	0.02%	Not Rated
Commercial paper	71,288	0.001767	3.87%	A-1 to A-1+
Investment pools	291,546	0.000434	15.83%	Not Rated
Medium-term notes	410,519	0.519680	22.28%	A to AAA
Medium-term notes*	10,012	0.016328	0.54%	BB- to BBB+
Mortgage-backed securities	35,122	0.019160	1.91%	AAA
Pooled funds and mutual funds	52,439	0.000078	2.85%	Not Rated to AAA
Repurchase agreements	9,500	0.000014	0.52%	Not Rated
U.S. Agency securities	699,038	0.639113	37.94%	A to AAA
U.S. Treasury obligations	255,735	0.153141	13.88%	AAA
Total	$ 1,842,198		100.00%	
Portfolio weighted average duration		1.350051		

**These medium-term notes had A-rated credit ratings by S & P at the time of purchase during 2008 to 2009 and were subsequently downgraded to B-rated credit ratings as of June 30, 2009.*

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

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $80,000 and with Investment Trust of California (CalTrust) totaled $4,970, and are not registered with the Securities and Exchange Commission (SEC). The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for LAIF. CalTrust is administered and supervised by a Board of Trustees comprising of experienced investment officers and policymakers of the public agency members.

The net assets value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled $206,576 as of June 30, 2009. The County Board of Supervisors provides regulatory oversight for LACIP.

Bond Proceeds and Debt Service Investments

As of June 30, 2009, the following table addresses the investments held by the bond trustees for the benefit of LACMTA in accordance with the provisions of the various bond trust agreements.

Investment Type	Fair Value	Weighted Average Maturities (in years) per Investment Type	Concentration of Investments	Ratings
Guaranteed investment contracts	$ 60,910	0.945487	10.70%	Not Rated
Pooled funds and mutual funds	378,643	0.001822	66.50%	AAA
U.S. Agency securities	129,044	0.157614	22.67%	AAA
U.S. Treasury obligations	759	0.000168	0.13%	AAA
Total	$ 569,356		100.00%	
Portfolio weighted average maturities		1.105091		

Risk

In accordance with GASB Statement No. 40, *"Deposit and Risk Disclosure – an Amendment of GASB Statement No.3"*, certain required disclosures regarding investment 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 and are discussed in the following paragraphs:

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 summarize 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, 2009, LACMTA does not 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 $250,000 (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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates 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 a 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 proceeds. 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, 2009 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 $51,117 of Guaranteed Investment Certificates held in LACMTA's name. As of June 30, 2009, these Lease/leaseback agreements totaled $870,872.

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, 2009, the special revenue funds are indebted to the Enterprise fund in the amount of $81,452.

Business-type Activities	Governmental Activities	
Receivable Fund	Payable Fund	Amount
Enterprise	TDA	$ 26,737
Enterprise	PTMISEA	19,372
Enterprise	STA	35,120
Enterprise	Others	223
Total		$ 81,452

Transfers in and out by fund are as follows:

Transfers Out	Transfers In: Enterprise Fund	General Fund	Proposition C Fund	Other Special Revenue Funds	Total
General Fund	$ 19,972	$ -	$ 329	$ 2,678	$ 22,979
Proposition A	376,406	3,124	31,098	30,732	441,360
Proposition C	284,064	6,652	-	9,577	300,293
PTMISEA	25,315	-	66	-	25,381
TDA	256,128	-	-	5,353	261,481
STA	41,106	-	-	-	41,106
Others	2,071	-	673	8,401	11,145
Total	$ 1,005,062	$ 9,776	$ 32,166	$ 56,741	$ 1,103,745

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 from one fund to another fund.

D. Receivables

Receivables as of June 30, 2009, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts, are as follows:

Receivables	Business-type Activities	Governmental Activities	Total
Accounts	$ 15,450	$ 1,437	$ 16,887
Notes	724	-	724
Interest	3,838	9,176	13,014
Intergovernmental	194,666	90,009	284,675
Sales taxes	-	97,513	97,513
Gross Receivables	214,678	198,135	412,813
Less: Allowances for doubtful accounts	(3,206)	-	(3,206)
Net Receivables	$ 211,472	$ 198,135	$ 409,607

Receivables as of June 30, 2009 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	$ 1,403	$ -	$ -	$ -	$ -	$ -	$ 34	$ 1,437
Interest	1,168	737	3,860	13	354	170	2,874	9,176
Intergovernmental	5,947	-	3,662	77,026	-	-	3,374	90,009
Sales taxes	-	33,321	33,330	-	17,046	13,816	-	97,513
Total	$ 8,518	$ 34,058	$ 40,852	$ 77,039	$ 17,400	$ 13,986	$ 6,282	$ 198,135

E. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 624,384	$ 2,182	$ (651)	$ 625,915
Construction in progress	1,266,222	461,288	(322,321)	1,405,189
Total capital assets, not being depreciated	1,890,606	463,470	(322,972)	2,031,104
Capital assets, being depreciated:				
Buildings	6,305,058	113,046	(356)	6,417,748
Equipment	463,993	121,418	-	585,411
Vehicles	1,957,092	148,974	(39,755)	2,066,311
Total capital assets, being depreciated	8,726,143	383,438	(40,111)	9,069,470
Less accumulated depreciation for:				
Buildings	(2,167,980)	(179,810)	330	(2,347,460)
Equipment	(279,902)	(150,636)	-	(430,538)
Vehicles	(1,020,610)	(125,129)	39,505	(1,106,234)
Total accumulated depreciation	(3,468,492)	(455,575)	39,835	(3,884,232)
Total capital assets, being depreciated, net	5,257,651	(72,137)	(276)	5,185,238
Business-type Activities capital assets, net	$ 7,148,257	$ 391,333	$ (323,248)	$ 7,216,342
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	(324)	(44)	-	(368)
Total capital assets, being depreciated, net	44	(44)	-	-
Governmental Activities capital assets, net	$ 772,838	$ (44)	$ -	$ 772,794

Depreciation expense charged to functions and/or programs are as follows:	
Business-type Activities	
Bus operations	$ 145,256
Rail operations	310,319
Total – Business-type Activities	$ 455,575
Governmental Activities	
Congestions relief (SAFE)	44
Total depreciation expense	$ 455,619

F. 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, 2009 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, which was 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, 2009, a designated investment has been set aside in the amount of $204,568 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 with a $250 deductible for the first or multiple occurrences. LACMTA has acquired outside insurance coverage for losses of $100,000 in excess of self-insurance retentions. LACMTA is self-insured for losses in excess of $100,000.

Furthermore, LACMTA has an all-risk property insurance program that covers all LACMTA property. The property insurance policy covers insurable values of approximately $7.5 billion on a probable maximum loss basis with policy limits of $300,000, which includes coverage for flood and damages at $75,000. Earthquake coverage is not included in the current program structure. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses.

As of June 30, 2009, a designated investment has been set aside in the amount of $93,185, equal to the property and casualty liabilities.

The following table summarizes changes in the claims reserves for the years ended June 30, 2009 and 2008:

	Property and Casualty		Workers' Compensation		Total	
	2009	2008	2009	2008	2009	2008
Unpaid claims and claim adjustment reserve – beginning of year	$ 98,592	$ 96,782	$ 220,022	$ 201,074	$ 318,614	$ 297,856
Provisions for insured events	22,327	34,774	9,004	41,749	31,331	76,523
Interest Income	6,317	6,457	12,644	13,088	18,961	19,545
Total incurred claims and claims adjustment expense	$127,236	$138,013	$ 241,670	$ 255,911	$ 368,906	$ 393,924
Payment attributable to insured events	(34,051)	(39,421)	(37,102)	(35,889)	(71,153)	(75,310)
Total unpaid claims and claim adjustment reserves – end of year	$ 93,185	$ 98,592	$ 204,568	$ 220,022	$ 297,753	$ 318,614

As of June 30, 2009, $71,153 of the total claims liability is considered current.

G. 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 their 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.

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, 2009:

	Balance June 30, 2008	Earned	Used	Balance June 30, 2009	Due Within One Year
Union Employees:					
Vacation leave	$ 25,893	$ 22,718	$ (24,049)	$ 24,562	$ 23,999
Sick leave	23,753	15,025	(12,720)	26,058	12,609
TOWP	5,700	7,389	(7,002)	6,087	5,964
Sub-total	55,346	45,132	(43,771)	56,707	42,572
Non-Union Employees:					
Vacation leave	681	41	(22)	700	22
Sick leave	3,262	39	(76)	3,225	76
TOWP	15,538	17,611	(16,613)	16,536	16,632
Sub-total	19,481	17,691	(16,711)	20,461	16,730
Total	$ 74,827	$ 62,823	$ (60,482)	$ 77,168	$ 59,302

H. 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 to 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. For the year ended June 30, 2009, no severance liability was outstanding.

I. 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, 2009 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 60.

The following is a schedule by years of minimum future rentals to be received on non-cancelable operating leases as of June 30, 2009:

Year Ending June 30	Amount
2010	$ 2,324
2011	2,326
2012	2,641
2013	2,641
2014	2,657
Thereafter	194,936
Total	$ 207,525

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, 2009 totaled $2,490. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2010	$ 5,324
2011	868
2012	688
2013	169
2014	19
Total	$ 7,068

Capital Leases

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. The liabilities represent the present values of the future minimum lease payments, while the assets covered by the leases are shown at depreciated cost.

The assets acquired through capital leases are as follows:

	Vehicles	Equipment	Total
Cost	$ 32,512	$ 35,051	$ 67,563
Less: Accumulated Depreciation	(18,885)	(35,051)	(53,936)
Net	$ 13,627	$ -	$ 13,627

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	2.89% - 6.66%	$ 7,737

The lease payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2010	$ 2,603	$ 209
2011	2,313	124
2012	1,990	55
2013	831	11
Total	$ 7,737	$ 399

J. Long-term Obligations

LACMTA's bond and note obligations as of June 30, 2009 are as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Business-type Activities					
General revenue bonds	$ 220,610	$ -	$ (17,490)	$ 203,120	$ 14,400
Capital grant receipts revenue bonds	216,685	-	(84,225)	132,460	-
Capitalized lease	10,529	-	(2,792)	7,737	2,603
Sales tax revenue and refunding bonds	2,950,825	702,275	(779,705)	2,873,395	100,425
Sales tax revenue bonds – local allocation	2,170	-	(2,170)	-	-
Lease/leaseback to service obligations	845,150	39,936*	(14,214)	870,872	67,699
Commercial paper notes	184,310	103,335	(8,904)	278,741	-
Notes payable	16,407	-	(5,394)	11,013	1,102
Business-type Activities – Long-term Liabilities	4,446,686	845,546	(914,894)	4,377,338	186,229
Governmental Activities					
Redevelopment and housing bonds	26,369	-	(977)	25,392	637
Total Long-term Liabilities	$ 4,473,055	$ 845,546	$ (915,871)	$ 4,402,730	$ 186,866

**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:

Purpose	Interest Rates	Amount
Business-type Activities	3.50% - 4.56%	$ 203,120

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2010	$ 14,400	$ 7,113
2011	19,020	6,347
2012	5,650	5,842
2013	6,075	5,637
2014	6,525	5,417
2015-2019	40,075	23,186
2020-2024	54,725	14,934
2025-2028	56,650	4,104
Total	$ 203,120	$ 72,580

Capital Grant Receipts Revenue Bonds

The Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005-A were Fixed Rate Bonds with rates of 3.13 percent to 5.00 percent. 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 a Debt Service Reserve Fund; to fund capitalized interest on the bonds and to pay the bond issuance costs. The bonds are limited obligations of 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. The 2005B-1 and 2005B-2 Series Bonds, which were Auction Rate Securities, were fully paid as of June 30, 2009.

Capital Grant Receipt Revenue bonds outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	3.13% - 5.00%	$ 132,460

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2010	$ -	$ 6,002
2011	23,705	5,491
2012	68,365	3,434
2013	40,390	944
Total	$ 132,460	$ 15,871

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 September 2008 LACMTA issued Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-A and 2008-B with a total par value of $289,150. The proceeds of the 2008 Series Bonds were used to: (a) refund all of its outstanding Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C1, 2005-C2, 2005-C3, and 2005-C4 with the aggregate principal amount of $263,075; (b) make a deposit to the Reserve Fund and pay the insurance premium for the reserve policy, and (c) pay the costs associated with issuing the Series 2008 Bonds. The Series 2008-A Bonds were initially Variable Rate Demand Bonds (VRDBs) set on a weekly mode, but may be converted, at the option of LACMTA to an Auction Rate Securities (ARS), Daily Rate, Flexible Interest Rate, Term Interest Rate, or Fixed Interest Rate as defined under the Trust Indenture and related financing documents. The 2008-B Series were Fixed Rate Bonds ranging from 3.25 percent to 5.00 percent.

The Series 2008-A bonds are subject to purchase on the demand of the holders of the Series 2008-A bonds bearing interest at a Daily Rate or Weekly Rate at a price equal to the principal amount thereof plus accrued interest on seven days' notice (for Weekly Mode) or by 11:00 am of the purchase date (for Daily Mode). The Series 2008-A Bonds will mature on July 1, 2031 and currently bear interest in the Weekly Mode (ranging from 0.25% to 0.75% as of June 30, 2009). The interest rate on each series of the Series 2008-A Bonds may be converted, at the option of the LACMTA and subject to certain conditions, to an ARS Rate, a Daily Rate, a Flexible Interest Rate, a Term Interest Rate or a Fixed Interest Rate, in which event such series of Series 2008-A Bonds will be subject to mandatory tender. Interest on the Series 2008-A Bonds in the Weekly Mode is payable on the first Business Day of each calendar month. The maximum interest rate on the Series 2008-A Bonds is 12% per annum; provided that the maximum interest rate on Liquidity Provider Bonds (as defined below) will be the maximum rate set forth in the applicable Liquidity Facility. Payment of the purchase price of tendered Series 2008-A Bonds bearing interest at a Daily Rate or a Weekly Rate is payable from the proceeds of remarketing of such Series 2008-A Bonds and, to the extent remarketing proceeds are insufficient, initially from amounts available under a standby bond purchase agreement with Bank of America, N.A. for the Series 2008-A1 and/or Series 2008-A2 Bonds and a standby bond purchase agreement with Dexia Crédit Local, acting by and through its New York Branch, for the Series 2008-A3 and/or Series 2008-A4 Bonds (the "Liquidity Facilities"). The initial Liquidity Facilities terminate on September 16, 2011.

If either of the banks providing the Liquidity Facilities purchases the Series 2008-A Bonds under the terms of the Liquidity Facility, the bonds will become Liquidity Provider Bonds, payable at the Liquidity Rate, with principal payable in ten equal semiannual installments and interest payable monthly. The Liquidity Rate is a fluctuating rate equal to a minimum rate at the Bank Rate (the higher of the Federal Funds rate plus 0.50% or the Prime Rate) up to the Bank Rate plus 2.0%, depending on the length of time the bonds become Liquidity Provider Bonds.

In April 2009, Proposition C Series 2009-A Sales Tax Revenue Second Senior Refunding Bonds with the total principal amount of $167,300 were issued. The proceeds were used to: a) refund all of its outstanding Proposition C Sales Tax Revenue Second Senior Refunding Bonds Series 2003-B, b) fund the reserve requirement for the Series 2009-A Bonds; and, c) pay the costs of issuing the Series 2009-A Bonds. The 2009-A Series Bonds are VRDBs are secured by a standby bond purchase agreement.

The Series 2009-A bonds are subject to purchase on the demand of the holders of the Series 2009-A bonds at a price equal to the principal amount thereof plus accrued interest to the purchase date by delivering a written irrevocable notice of tender stating the principal amount to be purchased, the purchase date, the payment instructions, and an irrevocable demand for purchase by 11:00 am of the purchase date. The Series 2009-A Bonds will initially bear interest in the Daily Mode (at a rate of 0.18% as of June 30, 2009). The interest rate on the Series 2009-A Bonds may be converted, at the option of LACMTA and subject to certain conditions, to another interest rate mode. Interest on the Series 2009-A Bonds is payable on the first Business Day of each calendar month. The maximum interest rate on the Series 2009-A Bonds is 12% per annum.

As long as the Series 2009-A Bonds bear interest at a Daily Rate, the Series 2009-A Bonds are subject to optional and mandatory tender for purchase. The purchase price of the Series 2009-A Bonds in connection with any such optional or mandatory tender is payable solely from the proceeds of remarketing of the Series 2009-A Bonds of the same sub-series and if re-marketing proceeds are insufficient, the bonds will be payable under a standby bond purchase agreement (the "Liquidity Facility") with JPMorgan Chase Bank, National Association (the "Liquidity Provider"). The initial Liquidity Facility terminates on April 6, 2010.

If the Liquidity Provider purchases the Series 2009-A Bonds under the terms of the Liquidity Facility, the bonds become Liquidity Provider Bonds, payable at the Liquidity Advance Rate or Default Rate, with principal payable over a two year and three month period from the Term Out Commencement Date in approximately equal semiannual installments and interest payable monthly. The Liquidity Advance Rate is a fluctuating rate equal to a minimum rate at the Base Rate (the highest of the Federal Funds rate plus 2.0%; the Prime Rate plus 1.5%, or 8.5%) up to the Base Rate plus 2.0%, depending on the length of time since making the Liquidity Advance. The Default Rate is equal to the Base Rate plus 3.0%.

In June 2009, LACMTA issued Proposition C 2009-B Series Sales Tax Revenue Second Senior Refunding Bonds with aggregate principal amount of $245,825. The bonds proceeds of the 2009-B Series were used to: a) refund a portion of its outstanding Proposition C Sales Tax Revenue Refunding Bonds Series 1993-A, b) retire a portion of its outstanding commercial paper, c) make a deposit to the Reserve Fund; d) pay amounts due in connection with the termination of an interest rate swap, and e) pay the costs of issuing the Series 2009-B Bonds. The 2009-B Series Bonds are fixed rate bonds.

During the fiscal year, Proposition A First Tier Senior Sales Tax Revenue Bonds Series 1992-A with the outstanding balance of $36,600 were fully redeemed and LACMTA terminated the related Swap agreement by issuing Proposition A Tax Exempt Commercial Paper.

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

Purpose	Interest Rates	Amount
Business-type Activities	1.50% - 6.50%	$ 2,873,395

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2010	$ 100,425	$ 121,383
2011	120,235	122,602
2012	125,670	116,646
2013	131,800	110,508
2014	148,555	103,850
2015-2019	872,575	404,947
2020-2024	874,420	194,720
2025-2029	334,245	70,685
2030-2034	129,520	22,923
2035-2036	35,950	1,551
Total	$ 2,873,395	$ 1,269,815

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 which 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 Statement of Net Assets – 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.

American International Group (AIG), provided a fixed income investment product known as “payment undertaking agreement” that was used in seven of the Lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, AIG provided credit support in the form of letters of credit for three Lease/leaseback transactions. Under the Lease/leaseback documents, AIG was required to be replaced or credit enhanced if any of its credit ratings fall below either Aa2/AA or A2/A, depending on the transactions. As for the letters of credit documents, AIG‘s credit rating should not fall below either A2 or A.

In September, 2008 AIG’s credit rating 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.

As of June 2009, in the current market environment, most products specified in the Lease/leaseback transaction documents as acceptable replacement facilities are not available. Failure to reach a solution could result in early termination of the leases that would require LACMTA to pay an estimate of about $166 million plus legal costs.

Efforts have been underway to implement a legislative solution. Federal legislation had been drafted and even introduced, but not adopted. Legislative efforts currently are focused on implementation of an excise tax that would penalize the lessors for taking any windfall gains from termination of a leverage lease transaction. LACMTA was also in contact with the lessors to request extension of the deadlines to replace the facilities and to negotiate other solutions or agree on a minimal out-of-pocket settlement amounts.

The lease obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	1.85% - 7.38%	$ 870,872

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

	Business-type Activities	
Year Ending June 30	Principal	Interest
2010	$ 67,699	$17,041
2011	71,992	20,362
2012	42,514	18,955
2013	5,909	16,662
2014	15,314	120,249
2015-2019	344,670	81,253
2020-2024	111,132	317,017
2025-2029	110,916	188,797
2030-2032	100,726	135,671
Total	$870,872	$916,007

Commercial Paper Notes

LACMTA operates two commercial paper 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. Therefore, the outstanding amounts have been classified as non-current liabilities. The proceeds from the CPN have been generally 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 Proposition A and Proposition C commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by a single bank for the Proposition C CPN program and a team of two banks for the Proposition A CPN program. Each bank is required to have a short term credit rating of at least A-1/P-1. 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 the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loans are repayable over a period of three years with equal semi-annual principal payments. Interest is charged at rates specified in the applicable Reimbursement Agreement. The letter of credit supporting the Proposition C commercial paper program expires in May 2010, while the letters of credit supporting the Proposition A commercial paper program expire in July 2010.

As of June 30, 2009, $278,741 of commercial paper notes were outstanding. Proposition A and Proposition C commercial paper notes were $163,123 and $115,618, 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. In May 2009, $5,393 principal prepayment was made from incentive grants and utility rebates related to energy conservation aspects of the project.

The Notes Payable currently outstanding as of June 30, 2009 is as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.04%	$ 11,013

The payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2010	$ 1,102	$ 432
2011	1,147	387
2012	1,194	339
2013	1,244	291
2014	1,295	240
2015-2018	5,031	595
Total	$ 11,013	$ 2,284

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 in close proximity 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:

Purpose	Interest Rates	Amount
Governmental Activities	4.13% - 5.38%	$ 25,392

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

	Governmental Activities	
Year Ending June 30	Principal	Interest
2010	$ 637	$ 1,251
2011	1,050	1,208
2012	1,015	1,163
2013	1,060	1,116
2014	1,110	1,067
2015-2019	6,390	4,468
2020-2024	8,155	2,652
2025-2027	5,975	476
Total	$ 25,392	$ 13,401

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, 2009, LACMTA had five outstanding interest rate swaps found on page 78.

The 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.

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, U.S. Government securities or certain federal agency securities. As of June 30, 2009, LACMTA was required to post collateral for two of its counterparties: Bank of Montreal and Goldman Sachs, for approximately $10 million and $7 million, respectively.

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. LACMTA monitors the basis differential for its existing swaps on a monthly basis. Prior to entering into any new interest rate swaps, LACMTA and its swap advisor review the historical trading differentials between LACMTA's outstanding variable rate bonds and the proposed index. This allows LACMTA to structure its interest rate swaps to minimize basis risk.

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, or conversion of bonds to fixed rate. To closely monitor the risk, 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 or restructure the hedge.

In June 2009, LACMTA terminated its two existing swap agreements with AIG Financial Product by full redemption of the outstanding Prop A 1992-A Bonds and payment of a termination fee to AIG and the refunding the Prop C 1993-A Bonds to fixed rate bonds and the payment of a termination fee to AIG.

Rollover Risk – When the notional amount under the swap agreement terminates prior to the final maturity of the hedged bonds, the governmental issuer would then 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, 2009, LACMTA does not have any swap agreements that terminate prior to the final maturity of the hedged bonds.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows. In certain circumstances a swap can have the effect of increasing the risk of loss as a result of changes in interest rates, such as a swap from a fixed rate to a variable rate. As of June 30, 2009, LACMTA does not have any swaps that have any fixed to variable rate swaps.

Market-access Risk – Market-access risk is the risk that a government will not be able to enter credit markets or that credit will become more costly. If a governmental issuer were to enter into a derivative in anticipation of entering the credit market at a later date, but was ultimately unable to do so, there is a risk that the lack of market access would frustrate the purpose of the derivative and could result in a termination payment becoming due. As of June 30, 2009, LACMTA has not entered into a derivative in anticipation of entering the credit market at a later date.

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, 2009, LACMTA has sufficient liquidity support.

Below is the list of LACMTA's outstanding interest rate swap agreements as of June 30, 2009:

Bond Series	Notional Amount	Fixed Rate Paid	Variable Rate Received	Fair Value	Effective Date	Termination Date	Counterparty
Prop C Series 2003-C	$ 202,300	3.38%	68% of USD-LIBOR	$ (11,372)	10/9/2003	7/1/2023	Goldman Sachs Mitsui Marine Derivative Products, L.P.
Prop C Series 2009-A	167,300	3..44%	68% of USD-LIBOR	(9,125)	10/9/2003	7/1/2025	Wachovia Bank
Gateway Series 2004	176,125	3.50%	64% LIBOR+0.21%	(9,179)	9/22/2004	7/1/2027	Bank of Montreal
Prop A Series 2008-A1/A2	131,500	3.36%	63% LIBOR+0.14%	(7,771)	8/23/2005	7/1/2031	Bank of Montreal
Prop A Series 2008-A3/A4	131,575	3.36%	63% LIBOR+0.14%	(7,148)	8/23/2005	7/1/2031	Deutsche Bank AG
Total	$ 808,800			$ (44,595)			

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 in 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. In June 2009, LACMTA terminated the Prop-A 1992-A Bonds Swap agreement and fully redeemed the outstanding balance of the bonds. Likewise, the Prop-C 1993-A Bonds Swap agreement was also terminated and the Prop C 1993-A Bonds were refunded with fixed rate bonds.

As of June 30, 2009, the annual debt service requirements of the variable rate obligations and net swap payments for the Proposition C Series 2003-C; Proposition C Series 2009-A, Proposition A Series 2008-A, and Gateway Series 2004 are as follows:

	Variable-rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 3,050	$ 4,477	$ 25,405	$ 32,932
2011	16,675	4,361	24,894	45,930
2012	17,475	4,240	24,359	46,074
2013	18,400	4,112	23,796	46,308
2014	19,275	3,979	23,205	46,459
2015-2019	236,500	16,752	97,000	350,252
2020-2024	305,400	9,880	54,354	369,634
2025-2029	187,025	2,355	12,273	201,653
2030-2032	5,000	39	231	5,270
Total	$ 808,800	$ 50,195	$ 285,517	$ 1,144,512

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

The debt service requirements are reflected in the table of sales tax revenue bond debt service requirements to maturity found on page 70.

Counterparty Ratings

The current ratings of the counterparties on LACMTA's existing swaps as of June 30, 2009 are as follows:

Counterparty	Bond Issue	Long-term Ratings	
		Moody's	S&P
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Proposition C Series 2003-C	Aa1	AAA
Wachovia Bank	Proposition C Series 2009-A	Aa2	AA
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	A+

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

During the fiscal year, LACMTA executed several bond refundings to restructure outstanding variable rate demand bonds (VRDBs) and auction rate securities (ARS). In September 2008, current refunding of the Proposition A Series 2005-C Bonds with the outstanding balance of $263,075 was paid by issuing an equivalent par value of $263,075 Proposition A Series 2008-A Bonds.

Since September 2007 of the previous fiscal year, the financial marketplace has become increasingly unstable as a result of the "subprime crisis." Auction rate securities (ARS) began falling out of favor with investors and collapsed dramatically at the beginning of calendar 2008. As a result of the "subprime crisis" the interest rates on LACMTA's auction rate and variable rate bonds were more than doubled. The Proposition A Series 2005-C ARS were insured by a bond insurer that was significantly downgraded by rating agencies, causing them to be less marketable with investors. The rating agencies downgraded XL Capital, FGIC, as well as other bond insurers, resulting in significant increases in interest rates and loss of investor liquidity in the auction rate security market. In order to mitigate interest rate risk, the Series 2008-A Bonds were issued to significantly reduce LACMTA's interest costs by eliminating exposure to XL Capital and the auction rate securities market.

Concurrently with the issuance of the Proposition A Series2008-A Bonds, the $26,075 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-B Bonds were issued to fund a cash deposit to the Reserve Fund, purchase a Reserve Fund surety from the bond insurer, FSA, and pay the costs of issuance for the Series 2008 A and B Bonds. LACMTA deposited cash and purchased a surety in order to provide additional security for the Reserve Fund, which is partially invested in a $111,460 surety provided by

FGIC. FGIC was downgraded from AAA in January 2008 to B1/BB at the time of the bond sale. The FSA surety has $85,500 of debt service coverage and a July 1, 2021 termination date (the same as the existing FGIC surety). The Proposition A Series 2008-B cash deposit, together with the FSA surety and other cash and investments on deposit in the Reserve Fund, is equal to the $146,900 Reserve Requirement (not counting the FGIC surety).

In April 2009, Proposition C Series 2009-A Refunding bonds with a par value of $167,300, refunded the Proposition C Series 2003-B bonds outstanding balance of $167,300. The Proposition C Series 2003-B Bonds were Auction Rate Securities. The Series 2005-B Bonds were insured by a bond insurer that was downgraded by the rating agencies causing them to be less marketable with investors. The Proposition C Series 2009-A refunding bonds were issued to restructure the Proposition C Series 2003-B ARS in order to significantly reduce LACMTA's interest costs by eliminating exposure to the bond insurer and auction rate securities. LACMTA also issued taxable Prop C commercial paper to pay the costs associated with refunding the Proposition C Series 2003-B ARS and provide funds for deposit to the debt service reserve fund.

In June 2009, Proposition C Series 2009-B Refunding Bonds with the par value of $245,825 were issued to refund Proposition C Series 1993-A Bonds for the aggregate par value of $191,890 and terminate the related Swap Agreement with AIG. The proceeds of the Proposition C Series 2009-B Bonds were also used to pay costs of issuance, and to retire a portion of LACMTA's outstanding commercial paper originally issued to fund a debt service reserve fund that replaced a surety policy issued by a downgraded bond insurer. Net present value savings from the issuance of the Proposition C Series 2009-B refunding bonds are approximately $2.9 million.

The net cash flow savings (losses) that resulted from the FY09 bond refunding are as follows:

Refunding Debt	Prior Cash Flow	Refunded Cash Flow	Net Cash Flow Savings (Losses)	Present Value of Net Cash Flow Savings (Losses)
Proposition A 2008-A and 2008-B Refunding Bonds	$ 460,568	$ 445,694	$ 14,874	$ 11,503
Proposition C 2009-A Refunding Bonds	262,026	251,559	10,467	7,669
Proposition C 2009-B Refunding Bonds	289,192	282,152	7,040	2,906

In June 2009, Proposition A Series 1992-A Variable Rate Demand Bonds with the outstanding par value of $36,600 were fully redeemed by issuing $37,972 Proposition A tax exempt commercial paper. Proceeds of the commercial paper were used to pay the principal and interest on the outstanding Prop A Series 1992-A bonds. The Prop A Series 1992-A variable rate bonds were refunded in order to significantly reduce debt service expense and to allow for the termination of the swap agreement with AIG.

In October 2008, LACMTA redeemed $63,125 Capital Grant Receipts Revenue Bonds Series 2005-B from capital grant receipts and in December 2008, LACMTA redeemed the remaining $21,100 Capital Grant Receipts Revenue Bonds Series 2005-B by issuing Proposition A Tax Exempt CPN. LACMTA redeemed the bonds earlier than scheduled to reduce its future debt service requirements.

The primary objective of LACMTA's refundings was to convert/restructure the ARS and insured VRDBs to avoid high interest costs in the future due to the unstable market for ARS and insured VRDBs. LACMTA issued refunding bonds that are uninsured VRDBs backed with either a standby bond purchase agreement or letter of credit with a highly rated bank, which are more attractive to the investment community under present market conditions. LACMTA also refunded certain VRDBs with the issuance of fixed rate bonds because of savings due to relatively low interest rates on fixed rate bonds and much lower on-going expenses because no bank facilities are required with fixed rate bonds. Two of LACMTA's existing Interest Rate Swap agreements were terminated and incurred termination fees of approximately $39 million.

K. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

LACMTA's commitments to vendors for capital projects that are in various phases of development as of June 30, 2009 are as follows:

	Contract Commitments	
Project	Total	Remaining
Rail projects	$ 1,090,437	$ 393,904
Bus rapid transitways	9,202	8,340
Bus acquisition and others	568,786	293,675
Total	$ 1,668,425	$ 695,919

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 $801,643 as of June 30, 2009.

L. 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 or visit CalPERS's website at www.CalPERS.ca.gov.

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, 2009, the contribution rate of covered payroll was 14.53 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, 2009, 2008, and 2007 were $17,286, $17,468, and $18,026, 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, 2009, 2008, and 2007, were $8,328, $8,353, and $8,567, respectively. At June 30, 2009, 2008, and 2007, there was no Net Pension Obligations (NPO).

The latest available actuarial valuation date was June 30, 2007 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 percent or greater than 120 percent of actual market value for the purpose of determining 2008/2009 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 percent to 14.45 percent 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, Teamsters, 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's 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 or visit LACMTA's website at www.metro.net.

The Plans member contributions, benefits paid, and refunds are recorded using the accrual basis of accounting. Plans member contributions are recognized in the period in which the contributions are due. The Plans member benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Plans' equity securities, pooled equity trust, and the fixed income securities are reported at the fair value based on quoted market prices as of fiscal year end.

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 15 years for UTU, TCU, Non-Contract, and AFSCME, and through 2023 for ATU.

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, 2009, 2008, and 2007, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2009						
Employer	$ 14,716	$ 2,480	$ 13,638	$ 2,288	$ 1,179	$ 34,301
Employee	16,712	1,977	2,567	-	-	21,256
Total	$ 31,428	$ 4,457	$ 16,205	$ 2,288	$ 1,179	$ 55,557
2008						
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
2007						
Employer	$ 16,092	$ 2,952	$ 14,292	$ 2,849	$ 1,525	$ 37,710
Employee	14,850	1,585	3,535	-	-	19,970
Total	$ 30,942	$ 4,537	$ 17,827	$ 2,849	$ 1,525	$ 57,680

The annual pension cost, annual amount contributed, and net pension obligation for the years ended June 30, 2009, 2008, and 2007 are as follows:

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2009						
Annual Pension Cost	$ 14,681	$ 2,480	$ 13,644	$ 2,288	$ 1,179	$ 34,272
Annual Amount Contributed	14,716	2,480	14,406	2,288	1,179	35,069
Net Pension Obligation	903	-	-	-	-	903
2008						
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
2007						
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

The components of the net pension obligation for UTU employees for years ended June 30, 2009, 2008, and 2007 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)
2009	$ 14,716	$ 937	$ 75	$ -	$ (109)	$ 903
2008	14,495	973	78	-	(114)	937
2007	16,092	1,010	81	-	(118)	973

LACMTA's contributions to the Plans for the year ended June 30, 2009 were made in accordance with the actuarially determined requirements computed as of December 31, 2007. 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, 2009, 2008, and 2007 were $34,301, $35,255, and $37,710, respectively. Annual pension cost, which is equivalent to ARC plus interest on Net Pension Obligation (NPO) less amortization of NPO, amounted to $34,266, $35,220, and $37,672 for years ended June 30, 2009, 2008, and 2007 respectively. The net pension obligations for the UTU Plan for the years ended June 30, 2009, 2008, and 2007 were $903, $937, and $973, respectively. There was no NPO at June 30, 2009, 2008, and 2007 for the TCU, ATU, Non-Contract, and AFSCME Plans.

The required contribution rate by employees for the fiscal years ended June 30, 2009, 2008, and 2007 were between 0 and 8.86 percent, 0 and 8.51 percent, and 0 and 8.49 percent, respectively, of their annual wages. The employer rate is equal to the ARC. The method of ½ book value + ½ market value was used to determine the actuarial value of assets for the UTU, TCU, Non-Contract, and AFSCME Plans. Effective with the Actuarial Valuation as of December 31, 2007, the ATU Plan adopted the 4-year smoothed market value method with a 15 percent corridor to determine the actuarial value of assets. 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.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The LACMTA's funding progress information as of June 30, 2009 is presented below:

Actuarial Valuation Date		Entry Age Normal 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)
06/30/2008										
PTSC	$	282,568	$	276,752	$	5,816	97.94%	$	123,548	4.71%
12/31/2008										
LACMTA										
UTU		488,327		306,525		181,802	62.77%		192,718	94.34%
TCU		86,148		53,052		33,096	61.58%		27,057	122.32%
ATU		275,021		174,733		100,288	63.53%		115,504	86.83%
Non-Contract		129,195		101,878		27,317	78.86%		6,855	398.50%
AFSCME		48,528		40,120		8,408	82.67%		6,951	120.96%
Total		$1,309,787		$953,060		$356,727	72.76%		$472,633	75.48%

M. Other Postemployment Benefits (OPEB)

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 or visit LACMTA's website at www.metro.net.

Plan Accounting Practices

Basis of Accounting – The Plan's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred.

Contributions and Benefits – Plan member contributions are recognized in the period in which the contributions are due. LACMTA contributions are on a "pay-as-you-go" basis reflecting budgeted retirees' medical and life insurance benefits. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments – Investments are reported at fair value based on quoted market prices as of fiscal year end. Investment income is recognized on an accrual basis. Gains and losses on sales and exchange of securities are recognized on the trade date. Gains or losses on sales of securities are determined on the basis of average cost.

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.

		Union Health & Welfare Trusts			
Participant	LACMTA	ATU	TCU	UTU	Total
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 are established and approved by the Board. Generally, the 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. 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.

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 percent. The ARC calculation uses an open 20-year rolling amortization that meets the requirements of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".*

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.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts reflect a long-term perspective and are subject to continual revision as results are compared with past expectations, and new estimates are made about the future. The most significant actuarial assumptions include: a) 5.0 percent discount rate, compounded annually, b) increase in future payroll of 3.0 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 comprise 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.

LACMTA opted to perform biannual valuations of its liabilities under the provision of GASB Statement No. 45,*"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".* As such, the January 1, 2007 valuation is used to determine the Annual Required Contributions (ARC) for the fiscal years beginning July 1, 2007 and 2008. In the January 1, 2007 valuation, the ARC was determined by amortizing the unfunded liability over 20 years as a level percentage of pay equal to 13.55 percent, and aggregate payroll assumed to grow at 3.0 percent per year. The ARC for the period ending June 30, 2009 was determined using the level percentage of pay method.

The following table summarizes the valuation results applying the level percentage of pay method to the valuation date of January 1, 2007:

Summary of Costs

Normal Cost	$ 26,869
▪ Percentage of Total Payroll	4.91%
Amortization of Unfunded Actuarial Accrued Liability	47,319
▪ Percentage of Total Payroll	8.64%
ARC with 20-year Level Percent of Payroll Amortization	$ 74,188
▪ Percentage of Total Payroll	13.55%

Annual OPEB Cost and Net OPEB Obligation (Asset)

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 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 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, 2009 are as follows:

Annual Required Contribution	$ 74,188
Interest on Net OPEB obligation	(6,080)
Adjustment to ARC	7,617
Total Annual OPEB Cost	75,725
Less Contributions made	28,513
Increase in Net OPEB Obligation (Asset)	47,212
Net OPEB Obligation – beginning of year	(121,602)
Net OPEB Obligation (Asset) – end of year	$ (74,390)

LACMTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation (Asset) for the year ended June 30, 2009 and 2008 are as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
2009	$ 75,725	37.65%	$ (74,390)
2008	72,054	268.77%	(121,602)

Funding Progress

The schedule of funding progress presents multi-year trend information on whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule will be expanded to include three years as actuarial information becomes available.

The LACMTA's funding progress information as of June 30, 2009 is illustrated as follows:

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)
January 1, 2007						
LACMTA	$ 104,433	-	$ 104,433	-%	$ 144,609	72.22%
ATU	351,541	-	351,541	-%	122,385	287.24%
TCU	62,883	-	62,883	-%	31,242	201.28%
UTU	214,585	-	214,585	-%	233,331	91.97%
Total	$ 733,442	-	$ 733,442	-%	$ 531,567	137.98%

N. 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 the lesser of $16,500 (not in thousands) or 100 percent of their earnings in calendar year 2009. A special provision in the law allows an additional $5,500 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2009), and employees eligible for retirement within three years can avail of the "catch up provision", totaling $33,000 (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 employees' are 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' contributions to the deferred compensation plan. As of June 30, 2009, the deferred compensation plans had assets (at fair value) of $174,812.

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 $16,500 (not in thousands) or 100 percent of their earnings in calendar year 2009. A special provision in the law allows an additional $5,500 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2009).

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' contributions to the 401(k) savings plan. Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $44,000 (not in thousands), or $55,000 (not in thousands) if an employee falls within the catch up provision. As of June 30, 2009, the 401(k) savings plan had assets (at fair value) totaling $214,705.

O. Fiduciary Fund Type

Included in the fiduciary fund type are accounts related to the Benefit Assessment Districts (BAD) Downtown-A1 and Alvarado-A2. The BADs have issued revenue bonds as described below:

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

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

The A1 Bonds with a balance of $21,070 and A2 Bonds with a balance of $1,100 as of June 30, 2009 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.

P. 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.

As of June 30, 2009, LACMTA provided funding for the majority of the Metrolink's operating and capital costs. Summary audited financial information for the SCRRA for the year ended June 30, 2008 (most recent data available) was as follows:

Current Assets	$ 141,979
Capital Assets, net	777,488
Other Assets	36,931
Total Assets	956,398
Total Liabilities	144,442
Net Assets	$ 811,956
Total Revenues	253,570
Total Expenses	(207,540)
Increase in Net Assets	$ 46,030

Additional detailed financial information is available from the Office of Finance and Administration, SCRRA, 700 South Flower Street, 26th Floor, Los Angeles, CA 90017 or visit Metrolink's website at www.metrolinktrains.com.

Q. Compressed Natural Gas (CNG) Hedging

LACMTA has entered into commodity swap agreements to hedge approximately 95 percent of its annual exposure to changes in the cost of natural gas. As of June 30, 2009, LACMTA has eight outstanding commodity swaps. (see page 94)

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.

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 mitigates this risk by conducting an extensive survey of relevant products and indices, and selecting 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, 2009 are shown below:

Execution Date	Counterparty	Fixed Rate Paid (per therm)	Variable Rate Received	Fair Value	Start Date	End Date	Notional Amount (in therms)*
02/26/2008	Bank of America, N. A.	0.8500	NGI SoCal Border	$ (3,290)	7/1/2009	6/30/2010	8,760
05/20/2008	BP Corp. North America	1.0120	NGI SoCal Border	(4,645)	7/1/2009	6/30/2010	8,760
06/17/2008	BP Corp. North America	1.0650	NGI SoCal Border	(5,088)	7/1/2009	6/30/2010	8,760
07/23/2008	BP Corp. North America	0.9420	NGI SoCal Border	(4,060)	7/1/2009	6/30/2010	8,760
09/28/2008	RBC Capital Market	0.8265	NGI SoCal Border	(3,094)	7/1/2009	6/30/2010	8,760
12/10/2008	BP Corp. North America	0.6390	NGI SoCal Border	(2,206)	7/1/2009	6/30/2010	12,230
05/15/2009	Barclays Capital	0.6480	NGI SoCal Border	(392)	7/1/2009	6/30/2011	13,140
06/17/2009	Bank of America, Merrill	0.6530	NGI SoCal Border	(452)	7/1/2010	6/30/2011	13,140
			Total	$ (23,227)			82,310

** (in thousands)*

The negative fair value is the theoretical cost that LACMTA will receive 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.

Counterparty Ratings

The current ratings of the counterparties on LACMTA's existing natural gas commodity swaps as of June 30, 2009 are shown below:

Counterparty or Guarantor	Long-term Ratings Moody's	S&P	Fitch
Bank of America, N.A	Aa3	A+	A+
Barclays Bank PLC	Aa3	AA-	AA-
BP Corp. North America	Aa2	AA	Not Rated
RBC Capital Markets	Aaa	AA-	AA

R. 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.

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.

S. Pollution Remediation Obligations

During the fiscal year ended June 30, 2009, LACMTA adopted GASB Statement No. 49,"*Accounting and Financial Reporting for Pollution Remediation Obligations",* establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

LACMTA is responsible for the pollution remediation obligations for various facilities and capital projects. In general, these facilities and projects include those with known soil and/or groundwater impacts or either current or anticipated future litigation involving contamination of soil or groundwater at locations not controlled by LACMTA.

Identification and reporting of pollution remediation obligations under GASB 49 that do not qualify for capitalization are accrued as a liability and expense when a range of expected outlays is reasonably estimable or expensed upon receipt of goods and services. LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories identified below:

External Remediation Costs – costs for goods and services that are provided to LACMTA and represent outlays for services, including subcontracted direct labor, overhead, profit, and fees. Examples of these goods and services include environmental site assessment activities, remedial action planning and design, remedial action implementation, and post-remediation monitoring.

LACMTA Internal Administration Costs – internal administration costs incurred by LACMTA including direct and indirect outlays (e.g. general overhead) associated with technical management and procurement activities.

Litigation and Settlement Costs – litigation and settlement costs for sites where LACMTA has been named as a responsible party and has agreed to pay all or part of the quantified financial obligations to implement environmental mitigations or environmental damages associated with the site.

The remediation obligation estimates accrued as of June 30, 2009 are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to status and regulations and other factors that could result in revisions to these estimates.

Prospective recoveries from responsible parties may reduce LACMTA's obligation. Capital assets may be created when pollution outlays are made under specific circumstances. LACMTA is not expecting recovery from other responsible parties.

As of June 30, 2009, LACMTA has an outstanding pollution remediation liability of $10,000 related to soil and/or groundwater pollution cleanup activities. Of this amount, approximately $4,813 is associated with litigation or settlement costs and approximately $540 is associated with LACMTA's internal administration as presented below:

Facility Name	External Remediation	Internal Administration	Litigation and Settlements	Total Costs
Division 1	$ 198	$ 40	$ -	$ 238
Division 3	651	90	-	741
Division 7	2,193	140	-	2,333
Division 10	705	80	-	785
Division 12	300	30	-	330
Division 30	-	100	-	100
Red Line	600	10	-	610
Oil Landfill	-	10	2,954	2,964
Gibson Oil	-	10	1,685	1,695
Omega	-	10	49	59
Mountaineer Refinery	-	10	75	85
SFV/N Hollywood – Former Division 15	-	10	50	60
	$ 4,647	$ 540	$ 4,813	$ 10,000

External remediation costs noted above were estimated on a lifecycle basis through retirement of the pollution remediation obligation or a forecasted, year-by-year scope of the remaining project lifecycles to No Further Action (NFA) (i.e., closure). The scoping period for newly identified sites and for the continuance of other identified obligation at other sites was assumed to start July 1, 2009.

Internal costs noted above were estimated on a site-specific basis. A full time equivalent (FTE) basis was used to estimate the internal cost of administration and overhead. An FTE value of $200,000 (amount not in thousands) per annum was multiplied by the annual FTE equivalent anticipated for each site and the projected duration required to retire the pollution remediation obligations.

Litigation and settlement costs are based on LACMTA's proportionate share of cleanup and remediation costs at each clean up sites identified in the table above that received LACMTA's generated hazardous waste, based on volume, ongoing remediation costs, and prior years' expenses.

LACMTA does not currently have any pollution remediation activities for liabilities not yet recognized because they are not reasonably estimable.

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

LACMTA implemented GASB 45 "Accounting and *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (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 86 to 90.

U. Reclassifications

Comparative data for the prior year has been presented in selected sections of the accompanying financial statements. Also, certain accounts presented in prior year's data have been reclassified in order to be consistent with the current year's presentation.

V. Effects of New Pronouncements

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

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 implemented GASB 49 for fiscal year ended June 30, 2009. Additional information on GASB 49 can be found on pages 95 to 97.

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 has not engaged in any transactions as described in GASB 52.

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.

In March 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the fund type definitions. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Disclosure of the policies in the notes to the financial statements is required. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. LACMTA plans to implement the new reporting requirements of GASB 54 for fiscal year ending June 30, 2010.

In April 2009, GASB issued Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. This statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. The requirements of this statement are effective immediately. LACMTA implemented the new reporting requirements of GASB 55 for the fiscal year ended June 30, 2009.

In April 2009, GASB issued Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*". This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The requirements of this statement are effective immediately. LACMTA implemented the new reporting requirements of GASB 56 for the fiscal year ended June 30, 2009.

W. Subsequent Events

Measure R Transit Sales Tax

In November 2008, Measure R was approved by the voters in Los Angeles County by a two-third majority. Measure R is an ordinance authorizing an additional ½ of 1% sales tax to fund traffic relief and rail expansion according to an expenditure plan contained in the ordinance. Measure R went into effect July 1, 2009, and will remain in effect for the next 30 years. LACMTA is currently working to apply the anticipated revenues to the projects and purposes specified in the measure.

Long-term Debt

In July and August 2009, $44,054 of Proposition C Commercial Paper Notes were refunded and paid down from the proceeds of Proposition C Series 2009-A and Series 2009-B Bonds.

In August 2009, LACMTA issued $89,625 of Proposition C Sales Tax Revenue Refunding Bonds, Series 2009-C. The proceeds were used to: a) refund a portion of the outstanding Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds Series 2003-C in the principal amount of $89,625; b) make a deposit to the Reserve Fund, and c) pay the underwriters' discount of the Series 2009-C Bonds.

In August 2009, LACMTA issued $118,785 of Proposition C Sales Tax Revenue Refunding Bonds, Series 2009-D. The proceeds were used to: a) refund the remaining portion of the outstanding Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds Series 2003-C in the principal amount of $112,675; b) make a deposit to the Reserve Fund; c) pay amounts due in connection with the partial termination of an interest rate swap; and d) pay the costs of issuing the Series 2009-C and 2009-D Bonds.

In October 2009, LACMTA issued $118,940 of Proposition C Sales Tax Revenue Refunding Bonds Series 2009-E. The proceeds were used to: a) refund $75,310 of outstanding Proposition C Sales Tax Revenue, Second Senior Bonds Series 1999-A; b) refund and pay down $44,000 principal amount of the outstanding Proposition C Commercial Paper Notes (Tax-Exempt); c) make a deposit to the Reserve Fund; and d) pay the costs of issuing the

Series 2009-E Bonds.

Also, in October 2009, LACMTA issued $320,945 of Proposition A Sales Tax Revenue Refunding Bonds, Series 2009-A, for the purpose of: a) refunding all or a portion of outstanding Proposition A Sales Tax Revenue Bonds, Series 1999-A, Series 1999-B and Series 1999-C; b) refunding and paying down $33,016 Proposition A Commercial Paper originally issued to refund the Proposition A Sales Tax Revenue Bonds Series 1992-A; c) make a deposit to the Debt Service Reserve Fund; d) make a deposit to the Surety Replacement Fund; and e) pay the costs of issuing the Series 2009-A Bonds.

As of November 2009, LACMTA's only remaining auction rate bond issue is the $174,925 General Revenue Refunding Bonds, Series 2004-A, 2004-B, 2004-C and 2004-D. LACMTA is examining various refinancing options for this bond issue.

Lease/Leaseback and Lease-to-service Obligations

As a result of the credit ratings downgrade of AIG in September 2008, LACMTA was exposed to possible termination of the leases due to technical default with an estimated cost of as much as $166 million plus legal cost as discussed on page 71.

The nationwide coalition of over 30 transit agencies including LACMTA, affected by similar lease transactions, is still seeking either a Federal administrative solution or a Federal legislative solution that would impose a 100% excise tax on any excess gains of a lessor resulting from an involuntary termination of the lease.

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

Auction rate securities and the variable rate demand bond markets have experienced significant volatility since January 2008. This was primarily the result of deteriorating financial strength and credit ratings downgrade of virtually all of the previously AAA-rated monoline bond insurers and the deteriorating financial condition of virtually all the commercial banks that have provided large credit and liquidity facilities used to support variable rate bond transactions. The credit rating downgrades resulted from the significant actual and potential losses of the insurers resulting from their exposure to sub-prime mortgage securities and the commercial banks' holdings and exposures to mortgage related instruments.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress – Pension Plans
For the Fiscal Year Ended June 30, 2009
(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 Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll (a)-(b)/ (c)
PTSC *						
06/30/08	$ 282,568	$ 276,752	$ 5,816	97.94%	$ 123,548	4.71%
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%
LACMTA **						
UTU						
12/31/08	488,327	306,525	181,802	62.77%	192,718	94.34%
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%
TCU						
12/31/08	86,148	53,052	33,096	61.58%	27,057	122.32%
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%
ATU						
12/31/08	275,021	174,733	100,288	63.53%	115,504	86.83%
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%
Non-Contract						
12/31/08	129,195	101,878	27,317	78.86%	6,855	398.50%
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%
AFSCME						
12/31/08	48,528	40,120	8,408	82.67%	6,951	120.96%
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%
TOTAL						
12/31/08	$ 1,027,219	$ 676,308	$ 350,911	65.84%	$ 349,085	100.52%
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%

Annual Financial Report can be obtained by writing to:
* *CalPERS, PO BOX 942709, Sacramento, CA 94229-2709 or visit CalPERS's website at www.calpers.ca.gov*
** *Finance Department, LACMTA, One Gateway* Plaza, Los Angeles, CA 90012-2952 or visit LACMTA's website at www.metro.net.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress – OPEB
For the Fiscal Year Ended June 30, 2009
(Amounts expressed in thousands)

The schedule of Funding Progress below shows the recent history of 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)
January 1, 2007						
LACMTA	$ 104,433	-	$ 104,433	-%	$ 144,609	72.22%
ATU	351,541	-	351,541	-%	122,385	287.24%
TCU	62,883	-	62,883	-%	31,242	201.28%
UTU	214,585	-	214,585	-%	233,331	91.97%
Total	$ 733,442	-	$ 733,442	-%	$ 531,567	137.98%

Annual Financial Report can be obtained by writing to:
Finance Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952 or visit LACMTA's website at www.metro.net.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 2,684	$ 2,684	$ 3,341	$ 657
Investment income	4,341	4,341	4,993	652
Net appreciation in fair value of investments	-	-	1,353	1,353
Lease and rental	11,575	11,575	10,101	(1,474)
Licenses and fines	500	500	511	11
Fuel tax credit and other	28,253	28,253	26,369	(1,884)
TOTAL REVENUES	47,353	47,353	46,668	(685)
EXPENDITURES				
Current:				
Administration and other	23,790	23,786	17,912	5,874
Transportation subsidies	207	207	60	147
Debt and interest expenditures:				
Principal	960	960	977	(17)
Interest and fiscal charges	1,293	1,293	1,292	1
TOTAL EXPENDITURES	26,250	26,246	20,241	6,005
EXCESS OF REVENUES OVER EXPENDITURES	21,103	21,107	26,427	5,320
OTHER FINANCING SOURCES (USES)				
Transfers in	14,504	14,504	9,776	(4,728)
Transfers out	(29,176)	(30,176)	(22,979)	7,197
TOTAL OTHER FINANCING SOURCES AND USES	(14,672)	(15,672)	(13,203)	2,469
NET CHANGE IN FUND BALANCES	6,431	5,435	13,224	7,789
Fund balances – beginning of year	147,403	147,403	147,403	-
FUND BALANCES – END OF YEAR	$ 153,834	$ 152,838	$ 160,627	$ 7,789

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$700,444	$700,444	$620,797	$ (79,647)
Investment income	1,200	1,200	4,675	3,475
Net appreciation in fair value of investments	-	-	1,013	1,013
TOTAL REVENUES	701,644	701,644	626,485	(75,159)
EXPENDITURES				
Current:				
Transportation subsidies	307,447	307,447	267,149	40,298
TOTAL EXPENDITURES	307,447	307,447	267,149	40,298
EXCESS OF REVENUES OVER EXPENDITURES	394,197	394,197	359,336	(34,861)
OTHER FINANCING SOURCES (USES)				
Transfers out	(462,757)	(485,938)	(441,360)	44,578
TOTAL OTHER FINANCING SOURCES AND USES	(462,757)	(485,938)	(441,360)	44,578
NET CHANGE IN FUND BALANCES	(68,560)	(91,741)	(82,024)	9,717
Fund balances – beginning of year	196,639	196,639	196,639	-
FUND BALANCES – END OF YEAR	$128,079	$104,898	$114,615	$ 9,717

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts *			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 700,588	$ 700,588	$ 620,866	$ (79,722)
Intergovernmental	50,272	50,272	25,864	(24,408)
Investment income	2,342	2,342	15,909	13,567
Net appreciation in fair value of investments	-	-	4,746	4,746
Other	-	-	2,876	2,876
TOTAL REVENUES	753,202	753,202	670,261	(82,941)
EXPENDITURES				
Current:				
Administration and other	75,558	75,552	51,941	23,611
Transportation subsidies	476,756	476,756	449,747	27,009
TOTAL EXPENDITURES	552,314	552,308	501,688	50,620
EXCESS OF REVENUES OVER EXPENDITURES	200,888	200,894	168,573	(32,321)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,193	5,193	32,166	26,973
Transfers out	(295,723)	(350,176)	(300,293)	49,883
TOTAL OTHER FINANCING SOURCES USES	(290,530)	(344,983)	(268,127)	76,856
NET CHANGE IN FUND BALANCES	(89,642)	(144,089)	(99,554)	44,535
Fund balances – beginning of year	578,028	578,028	578,028	-
FUND BALANCES – END OF YEAR	$ 488,386	$ 433,939	$ 478,474	$ 44,535

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts *			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 106,436	$ 129,936	$ 97,026	$ (32,910)
Investment income	-	-	658	658
Net appreciation in fair value of investments	-	-	20	20
TOTAL REVENUES	106,436	129,936	97,704	(32,232)
EXPENDITURES				
Current:				
Transportation subsidies	-	-	6,333	(6,333)**
TOTAL EXPENDITURES	-	-	6,333	(6,333)
EXCESS OF REVENUES OVER EXPENDITURES	106,436	129,936	91,371	(38,565)
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(106,436)	(129,936)	(25,381)	104,555
TOTAL OTHER FINANCING SOURCES AND USES	(106,436)	(129,936)	(25,381)	104,555
NET CHANGE IN FUND BALANCES	-	-	65,990	65,990
Fund balances – beginning of year	52,624	52,624	52,624	-
FUND BALANCES – END OF YEAR	$ 52,624	$ 52,624	$ 118,614	$ 65,990

* *Budget prepared in accordance with GAAP*
** *Budget deficiency explained on page 22*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 352,043	$ 352,043	$ 310,406	$ (41,637)
Investment income	-	-	5,214	5,214
TOTAL REVENUES	352,043	352,043	315,620	(36,423)
EXPENDITURES				
Current:				
Transportation subsidies	109,272	109,272	138,196	(28,924)**
TOTAL EXPENDITURES	109,272	109,272	138,196	(28,924)
EXCESS OF REVENUES OVER EXPENDITURES	242,771	242,771	177,424	(65,347)
OTHER FINANCING SOURCES (USES)				
Transfers out	(305,212)	(307,687)	(261,481)	46,206
TOTAL OTHER FINANCING SOURCES AND USES	(305,212)	(307,687)	(261,481)	46,206
NET CHANGE IN FUND BALANCES	(62,441)	(64,916)	(84,057)	(19,141)
Fund balances – beginning of year	201,386	201,386	201,386	-
FUND BALANCES – END OF YEAR	$ 138,945	$ 136,470	$ 117,329	$ (19,141)

* *Budget prepared in accordance with GAAP*
** *Budget deficiency explained on page 22*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 227,142	$ 90,895	$ 76,458	$ (14,437)
Investment income	1,688	1,688	2,230	542
TOTAL REVENUES	228,830	92,583	78,688	(13,895)
EXPENDITURES				
Current:				
Transportation subsidies	30,423	30,423	27,856	2,567
TOTAL EXPENDITURES	30,423	30,423	27,856	2,567
EXCESS OF REVENUES OVER EXPENDITURES	198,407	62,160	50,832	(11,328)
OTHER FINANCING SOURCES (USES)				
Transfers out	(184,689)	(105,370)	(41,106)	64,264
TOTAL OTHER FINANCING SOURCES AND USES	(184,689)	(105,370)	(41,106)	64,264
NET CHANGE IN FUND BALANCES	13,718	(43,210)	9,726	52,936
Fund balances – beginning of year	44,436	44,436	44,436	-
FUND BALANCES – END OF YEAR	$ 58,154	$ 1,226	$ 54,162	$ 52,936

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(Amounts expressed in thousands)

	Special Revenue Funds				
	TCRP	Service Authority For Fwy Emergency	Propositions A and C, TDA Administration	Other	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 72,347	$ 8,279	$ 46	$ 14,651	$ 95,323
Investments	267,062	27,956	231	974	296,223
Receivables					
Accounts	-	-	34	-	34
Interest	2,525	267	66	16	2,874
Intergovernmental	-	-	1,358	2,016	3,374
Due from other funds	-	-	8,850	-	8,850
TOTAL ASSETS	$ 341,934	$ 36,502	$ 10,585	$ 17,657	$ 406,678
LIABILITIES					
Accounts payable and accrued liabilities	$ 65	$ 1,276	$ 11,792	$1,187	$ 14,320
Due to other funds	8,400	-	-	223	8,623
Deferred revenues	-	-	-	66	66
TOTAL LIABILITIES	8,465	1,276	11,792	1,476	23,009
FUND BALANCES					
Reserved for:					
Encumbrances	475	3,385	895	18,742	23,497
Unreserved, reported in:					
Special revenue funds	332,994	31,841	(2,102)	(2,561)	360,172
TOTAL FUND BALANCES	333,469	35,226	(1,207)	16,181	383,669
TOTAL LIABILITIES AND FUND BALANCES	$ 341,934	$ 36,502	$ 10,585	$ 17,657	$ 406,678

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	Special Revenue Funds				
	TCRP	Service Authority For Fwy Emergency	Propositions A and C, TDA Administration	Other	Total Nonmajor Governmental Funds
REVENUES					
Intergovernmental	$ -	$ -	$ 8,493	$ 27,663	$ 36,156
Investment income	9,294	1,028	468	274	11,064
Net appreciation in fair value of investments	2,979	322	95	13	3,409
Licenses and fines	-	7,580	-	-	7,580
Other	-	29	136	1,401	1,566
TOTAL REVENUES	12,273	8,959	9,192	29,351	59,775
EXPENDITURES					
Current:					
Administration and other	26	9,494	81,541	590	91,651
Transportation subsidies	-	-	456	14,174	14,630
TOTAL EXPENDITURES	26	9,494	81,997	14,764	106,281
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,247	(535)	(72,805)	14,587	(46,506)
OTHER FINANCING SOURCES AND USES					
Transfers in	-	-	56,671	70	56,741
Transfers out	(8,400)	(673)	(43)	(2,029)	(11,145)
TOTAL OTHER FINANCING SOURCES AND USES	(8,400)	(673)	56,628	(1,959)	45,596
NET CHANGE IN FUND BALANCES	3,847	(1,208)	(16,177)	12,628	(910)
Fund balance – beginning of year	329,622	36,434	14,970	3,553	384,579
FUND BALANCES – END OF YEAR	$ 333,469	$ 35,226	$ (1,207)	$ 16,181	$ 383,669

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 29,536	$ 38,436	$ -	$ (38,436)
Investment income	-	-	9,294	9,294
Net appreciation in fair value of investments	-	-	2,979	2,979
TOTAL REVENUES	29,536	38,436	12,273	(26,163)
EXPENDITURES				
Current:				
Administration and other	-	500	26	474
TOTAL EXPENDITURES	-	500	26	474
EXCESS OF REVENUES OVER EXPENDITURES	29,536	37,936	12,247	(25,689)
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(29,536)	(37,936)	(8,400)	29,536
TOTAL OTHER FINANCING SOURCES AND USES	(29,536)	(37,936)	(8,400)	29,536
NET CHANGE IN FUND BALANCES	-	-	3,847	3,847
Fund balances – beginning of year	329,622	329,622	329,622	-
FUND BALANCES – END OF YEAR	$ 329,622	$ 329,622	$ 333,469	$ 3,847

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Investment income	$ 700	$ 700	$ 1,028	$ 328
Net appreciation in fair value of investments	-	-	322	322
Licenses and fines	7,000	7,000	7,580	580
Other	-	-	29	29
TOTAL REVENUES	7,700	7,700	8,959	1,259
EXPENDITURES				
Current:				
Administration and other	15,753	15,753	9,494	6,259
TOTAL EXPENDITURES	15,753	15,753	9,494	6,259
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(8,053)	(8,053)	(535)	7,518
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(2,000)	(2,000)	(673)	1,327
TOTAL OTHER FINANCING SOURCES AND USES	(2,000)	(2,000)	(673)	1,327
NET CHANGE IN FUND BALANCES	(10,053)	(10,053)	(1,208)	8,845
Fund balances – beginning of year	36,434	36,434	36,434	-
FUND BALANCES – END OF YEAR	$ 26,381	$ 26,381	$ 35,226	$ 8,845

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Propositions A and C, TDA Administration Fund
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 10,419	$ 10,419	$ 8,493	$ (1,926)
Investment income	-	-	468	468
Net appreciation in fair value of investments	-	-	95	95
Other	-	-	136	136
TOTAL REVENUES	10,419	10,419	9,192	(1,227)
EXPENDITURES				
Current:				
Administration and other	78,837	87,684	81,541	6,143
Transportation subsidies	1,190	1,190	456	734
TOTAL EXPENDITURES	80,027	88,874	81,997	6,877
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(69,608)	(78,455)	(72,805)	5,650
OTHER FINANCING SOURCES AND (USES)				
Transfers in	69,772	79,172	56,671	(22,501)
Transfers out	-	(40)	(43)	(3)
TOTAL OTHER FINANCING SOURCES AND USES	69,772	79,132	56,628	(22,504)
NET CHANGE IN FUND BALANCES	164	677	(16,177)	(16,854)
Fund balances – beginning of year	14,970	14,970	14,970	-
FUND BALANCES – END OF YEAR	$ 15,134	$ 15,647	$ (1,207)	$ (16,854)

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 3,850	$ 3,850	$ 27,663	$ 23,813
Investment income	-	-	274	274
Net appreciation in fair value of investments	-	-	13	13
Other	25	25	1,401	1,376
TOTAL REVENUES	3,875	3,875	29,351	25,476
EXPENDITURES				
Current:				
Administration and other	1,183	1,183	590	593
Transportation subsidies	2,982	2,982	14,174	(11,192)
TOTAL EXPENDITURES	4,165	4,165	14,764	(10,599)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(290)	(290)	14,587	14,877
OTHER FINANCING SOURCES AND (USES)				
Transfers in	170	210	70	(140)
Transfers out	-	-	(2,029)	(2,029)
TOTAL OTHER FINANCING SOURCES AND USES	170	210	(1,959)	(2,169)
NET CHANGE IN FUND BALANCES	(120)	(80)	12,628	12,708
Fund balances – beginning of year	3,553	3,553	3,553	-
FUND BALANCES – END OF YEAR	$ 3,433	$ 3,473	$ 16,181	$ 12,708

**Budget prepared in accordance with GAAP*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Fiduciary Net Assets – Employee Retirement Trust Funds
Fiduciary Funds
June 30, 2009
(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	$ 416	$ 73	$ 259	$ 54	$ 128	$ 930
Investments						
Bonds	97,065	17,062	60,551	12,533	29,926	217,137
Domestic stocks	48,270	8,485	30,111	6,233	14,881	107,980
Non-domestic stocks	4,696	825	2,930	606	1,448	10,505
Pooled Investments	148,795	26,155	92,821	19,212	45,875	332,858
Receivables						
Member contribution	824	175	395	-	-	1,394
Member transfer receivable	-	-	-	222	816	1,038
Securities sold	8,489	1,492	5,295	1,096	2,618	18,990
Receivable – LACMTA	-	57	52	13	177	299
Interest and dividends	1,495	263	933	193	461	3,345
Prepaid items and other assets	18	4	9	2	5	38
Total assets	310,068	54,591	193,356	40,164	96,335	694,514
LIABILITIES						
Member transfer payable	819	194	25	-	-	1,038
Accounts payable and other liabilities	340	87	237	75	137	876
Securities purchased	23,454	4,123	14,631	3,028	7,231	52,467
Total liabilities	24,613	4,404	14,893	3,103	7,368	54,381
NET ASSETS						
Held in trust for pension benefits	$ 285,455	$ 50,187	$ 178,463	$ 37,061	$ 88,967	$ 640,133

See accompanying independent auditors' report.

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, 2009
(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						
Contributions:						
Employer	$ 14,716	$ 2,480	$ 14,406	$ 1,179	$ 2,287	$ 35,068
Member	16,642	2,048	3,311	-	-	22,001
Transfer	(819)	(194)	(25)	222	816	-
Total contributions	30,539	4,334	17,692	1,401	3,103	57,069
From investing activities:						
Net decline in fair value of investments	(61,830)	(10,902)	(38,051)	(8,600)	(21,153)	(140,536)
Investment income	5,356	945	3,310	715	1,736	12,062
Investment expense	(1,030)	(182)	(639)	(136)	(329)	(2,316)
Other income (expenses) – net	580	50	176	36	96	938
Total investing activities income	(56,924)	(10,089)	(35,204)	(7,985)	(19,650)	(129,852)
Total additions	(26,385)	(5,755)	(17,512)	(6,584)	(16,547)	(72,783)
DEDUCTIONS						
Retiree benefits	26,261	3,570	11,162	2,585	8,120	51,698
Administrative expenses	413	178	309	164	232	1,296
Total deductions	26,674	3,748	11,471	2,749	8,352	52,994
Net decrease	(53,059)	(9,503)	(28,983)	(9,333)	(24,899)	(125,777)
Net assets – beginning of year	338,514	59,690	207,446	46,394	113,866	765,910
NET ASSETS – END OF YEAR	$ 285,455	$ 50,187	$ 178,463	$ 37,061	$ 88,967	$ 640,133

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Assets and Liabilities
Agency Funds – Benefit Assessment Districts
June 30, 2009
(Amounts expressed in thousands)

	July 1, 2008 Balance	Additions	Deductions	June 30, 2009 Balance
ASSETS				
Cash and investments	$ 32,085	$ 38,395	$ 46,231	$ 24,249
Interest receivable	211	118	211	118
Prepaid items and other assets	369	-	314	55
Total assets	$ 32,665	$ 38,513	$ 46,756	$ 24,422
LIABILITIES				
Accounts payable	$ 781	$ 293	$ 906	$ 168
Accrued interest payable	564	578	846	296
Deferred credits	151	-	129	22
Amount held on behalf of others	31,169	10,281	17,514	23,936
Total liabilities	$ 32,665	$ 11,152	$ 19,395	$ 24,422

See accompanying independent auditors’ report.

THIS PAGE INTENTIONALLY LEFT BLANK

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.

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

Table 1

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Governmental activities:						
Invested in capital assets, net of related debt	$ 779,120	$ 779,046	$ 778,972	$ 772,905	$ 772,838	$ 772,794
Restricted for other purpose	599,057	653,629	790,380	1,289,360	1,442,723	1,268,069
Unrestricted	265,283	214,841	244,136	297,103	132,436	100,240
Total governmental activities net assets	1,643,460	1,647,516	1,813,488	2,359,368	2,347,997	2,141,103
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	3,900,614
Restricted for debt service	266,586	298,187	313,622	289,669	321,823	419,282
Unrestricted	(263,936)	(137,312)	(24,924)	111,273	76,168	212,781
Total business-type activities net assets	3,557,716	3,716,321	3,983,185	4,072,523	4,309,716	4,532,677
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	4,673,408
Restricted for debt service	266,586	298,187	313,622	289,669	321,823	419,282
Restricted for other purpose	599,057	653,629	790,380	1,289,360	1,442,723	1,268,069
Unrestricted	1,347	77,529	219,212	408,376	208,604	313,021
Total primary government net assets	$ 5,201,176	$ 5,363,837	$ 5,796,673	$ 6,431,891	$ 6,657,713	$ 6,673,780

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

See accompanying independent auditors' report.

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

	Fiscal Year					
Expenses	2004	2005	2006	2007	2008	2009
Governmental activities:						
Transit operators programs	$ 169,882	$ 221,400	$ 202,964	$ 235,476	$ 209,299	$ 282,305
Local cities programs	271,007	303,969	306,532	320,629	318,492	300,113
Regional multimodal capital programs	69,393	60,619	117,483	103,286	316,631	188,316
Paratransit programs	66,913	35,010	11,397	12,440	14,355	14,208
Other transportation subsidies	49,335	55,471	66,234	49,997	57,711	79,910
Interest	600	1,540	1,505	1,456	1,408	1,444
General government	95,553	101,610	119,157	132,228	165,783	200,523
Total government activities expenditures	722,683	779,619	825,272	855,512	1,083,679	$ 1,066,819
Business-type activities						
Transit operations	1,430,484	1,471,539	1,567,469	1,691,649	1,747,243	1,807,037
Total primary government expenses	$ 2,153,167	$ 2,251,158	$ 2,392,741	$ 2,547,161	$ 2,830,922	$ 2,873,856
Program Revenues						
Governmental activities:						
Operating grants and contributions	$ 64,132	$ 20,054	$ 30,477	$ 343,003	$ 191,046	$ 162,387
Charges for services	10,963	10,945	12,742	13,311	10,915	10,101
Total governmental activities program revenues	75,095	30,999	43,219	356,314	201,961	172,488
Business-type activities:						
Charges for services	233,757	284,682	299,966	313,000	357,857	357,895
Operating grants and contributions	116,201	217,043	207,683	186,003	198,443	214,285
Capital grants and contributions	470,393	245,860	467,665	302,613	200,575	424,732
Total business-type activities program revenues	820,351	747,585	975,314	801,616	756,875	996,912
Total primary government program revenues	$ 895,446	$ 778,584	$ 1,018,533	$ 1,157,930	$ 958,836	$ 1,169,400
Net (expense)/revenue:						
Governmental activities	$ (647,588)	$ (748,620)	$ (782,053)	$ (499,198)	$ (881,718)	$ (894,331)
Business-type activities	(610,133)	(723,954)	(592,155)	(890,033)	(990,368)	(810,125)
Total primary government net expense	$ (1,257,721)	$ (1,472,574)	$ (1,374,208)	$ (1,389,231)	$ (1,872,086)	$ (1,704,456)
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	$ 1,596,152
Investment income	5,352	14,886	32,764	51,186	70,782	55,284
Miscellaneous	19,288	12,847	13,484	29,736	39,273	41,063
Transfers	(885,345)	(862,574)	(837,219)	(944,260)	(1,040,999)	(1,005,062)
Total government activities	617,703	752,676	948,025	1,045,078	870,347	$ 687,437
Business-type activities:						
Investment income	12,495	15,525	17,418	29,282	15,586	7,793
Miscellaneous	209	4,460	4,382	5,829	5,237	20,231
Transfers	885,345	862,574	837,219	944,260	1,040,999	1,005,062
Total business-type activities	898,049	882,559	859,019	979,371	1,061,822	1,033,086
Total primary government	$ 1,515,752	$ 1,635,235	$ 1,807,044	$ 2,024,449	$ 1,932,169	$ 1,720,523
Change in Net Assets						
Governmental activities	$ (29,885)	$ 4,056	$ 165,972	$ 545,880	$ (11,371)	$ (206,894)
Business-type activities	287,916	158,605	266,864	89,338	71,454	222,961
Total primary government	$ 258,031	$ 162,661	$ 432,836	$ 635,218	$ 60,083	$ 16,067

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

See accompanying independent auditors' report.

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

Table 3

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Fund						
Reserved	$ 8,397	$ 6,727	$ 2,320	$ 3,047	$ 2,890	$ 1,780
Unreserved	138,295	86,626	113,838	150,995	144,513	158,847
Total General fund	$ 146,692	$ 93,353	$ 116,158	$ 154,042	$ 147,403	$ 160,627
All other governmental funds – special revenue funds:						
Reserved	$ 509,432	$ 535,519	$ 473,013	$ 542,896	$ 656,807	$ 825,140
Unreserved:						
Proposition A Fund	60,178	40,245	130,428	250,696	120,077	(18,093)
Proposition C Fund	(3,858)	19,965	85,824	75,753	239,583	(44,054)
PTMISEA Fund	-	-	-	-	52,624	118,614
TCRP Fund	-	-	-	317,434	-	-
Transportation Development Act Fund	6,728	31,833	53,579	52,292	17,572	(8,529)
State Transit Act Fund	13,960	16,088	32,756	36,505	7,684	33,613
Nonmajor Governmental Funds	12,617	9,979	14,809	25,939	363,345	360,172
Total all other governmental funds – special revenue funds	$ 599,057	$ 653,629	$ 790,409	$ 1,301,515	$ 1,457,692	$ 1,266,863

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

See accompanying independent auditors' report.

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

Table 4

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Revenues						
Sales taxes	$ 1,478,408	$ 1,587,517	$ 1,738,996	$ 1,908,416	$ 1,768,916	$ 1,628,527
Intergovernmental	64,132	20,054	26,955	343,003	194,565	162,387
Investment income	5,352	14,886	32,764	51,186	70,782	55,284
Lease and rental	10,963	10,945	12,741	11,293	10,915	10,101
Licenses and fines	7,794	8,088	8,157	8,246	8,407	8,091
Other	9,343	2,608	3,170	26,784	28,706	30,811
Total revenues	1,575,992	1,644,098	1,822,783	2,348,928	2,082,291	1,895,201
Expenditures						
Administration and other	93,368	91,942	93,912	98,720	130,090	161,504
Transportation subsidies	620,571	686,070	729,780	754,733	759,447	903,971
Principal, interest and fiscal charges	1,444	2,283	2,283	2,226	2,217	2,269
Total expenditures	715,383	780,295	825,975	855,679	891,754	1,067,744
Excess of revenues over expenditures	860,609	863,803	996,808	1,493,249	1,190,537	827,457
Other financing sources (uses)						
Transfers out – net of transfers in	(885,345)	(862,574)	(837,221)	(944,260)	(1,040,999)	(1,005,062)
Total other financing sources (uses)	(885,345)	(862,574)	(837,221)	(944,260)	(1,040,999)	(1,005,062)
Net change in fund balances	$ (24,736)	$ 1,229	$ 159,587	$ 548,989	$ 149,538	$ (177,605)
Debt service expenditures expressed as a percentage of non-capital expenditures	0.20%	0.29%	0.28%	0.26%	0.25%	0.21%

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

See accompanying independent auditors' report.

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

Fiscal Year	Proposition A	Proposition C	Transit Development Act	Other	Total
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
2009	620,797	620,866	310,406	76,458	1,628,527

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.*

See accompanying independent auditors' report.

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

Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies	Auxiliary Transportation and Route Subsidies	Total
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
2009	333,989	213,478	629,242	23,906	1,200,615

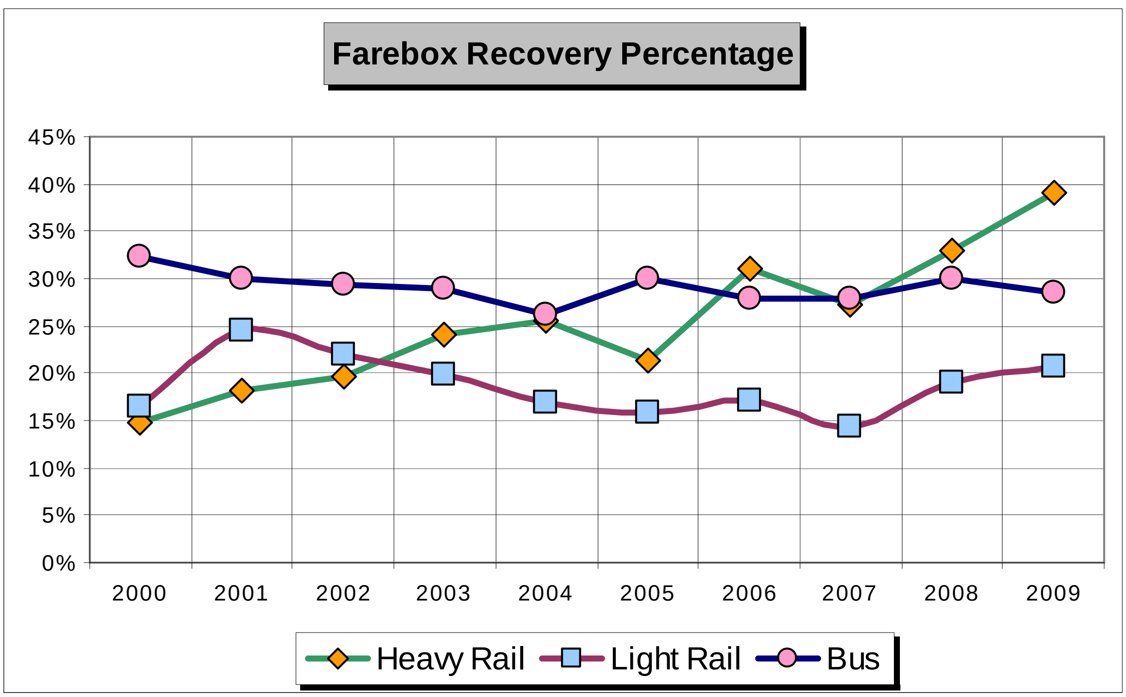
Source: Comprehensive Annual Financial Report

See accompanying independent auditors' 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
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%
2009	39%	21%	29%	28%



Source: National Transit Database (NTD)

See accompanying independent auditors' report.

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

Table 8

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Principal	$ 66,135	$ 78,881	$ 404,181	$ 132,998	$ 368,194	$ 209,357	$ 233,522	$ 195,023	$ 244,887	$ 293,606
Interest and others	186,437	189,808	169,271	180,984	163,141	134,216	174,312	156,680	161,976	169,737
Total debt service expenditures	$ 252,572	$ 268,689	$ 573,452	$ 313,982	$ 531,335	$ 343,573	$ 407,834	$ 351,703	$ 406,863	$ 463,343
Total general expenditures	$ 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	$ 3,168,395
Percent of debt service to general expenditures (%)	18.77%	19.80%	36.21%	20.35%	28.53%	17.39%	19.31%	13.66%	14.98%	14.62%

Source: Comprehensive Annual Financial Report

See accompanying independent auditors' 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

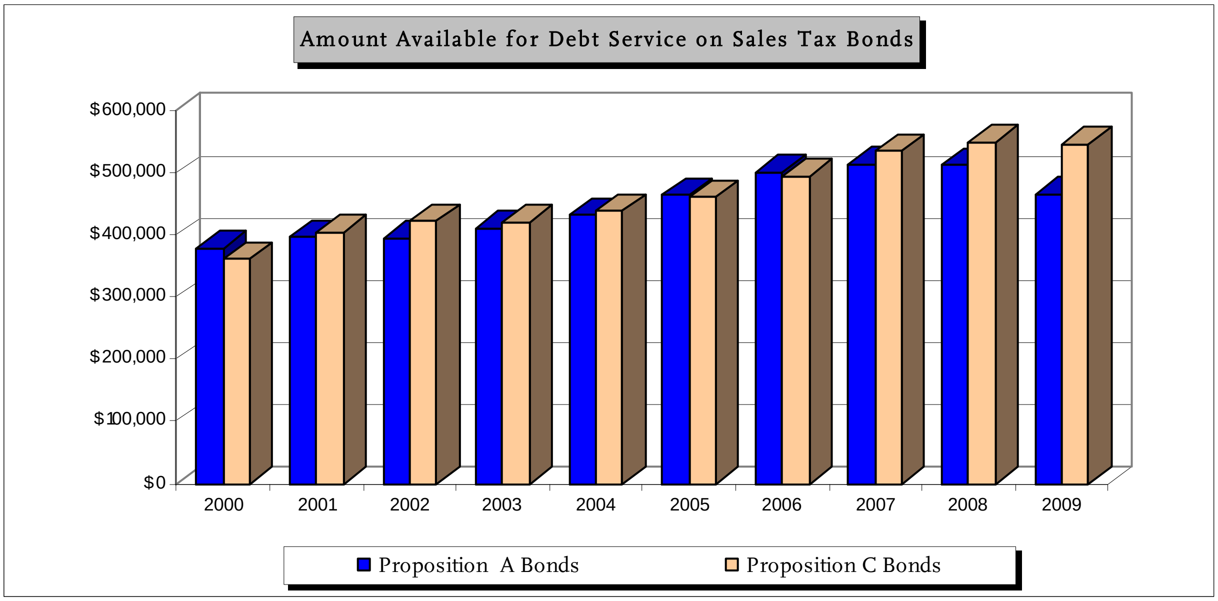
Fiscal Year	Net Proposition A Sales Tax Revenue	Less 25% Local Allocation	Proposition A Bonds Amount Available For Debt Service On Sales Tax Bonds	Proposition A Bonds Aggregate Debt Service Requirement	Proposition A Debt Service Coverage Ratio
2000	$ 504,353	$ 126,088	$ 378,265	$ 138,188	2.74
2001	528,299	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
2009	620,797	155,199	465,598	153,777	3.03

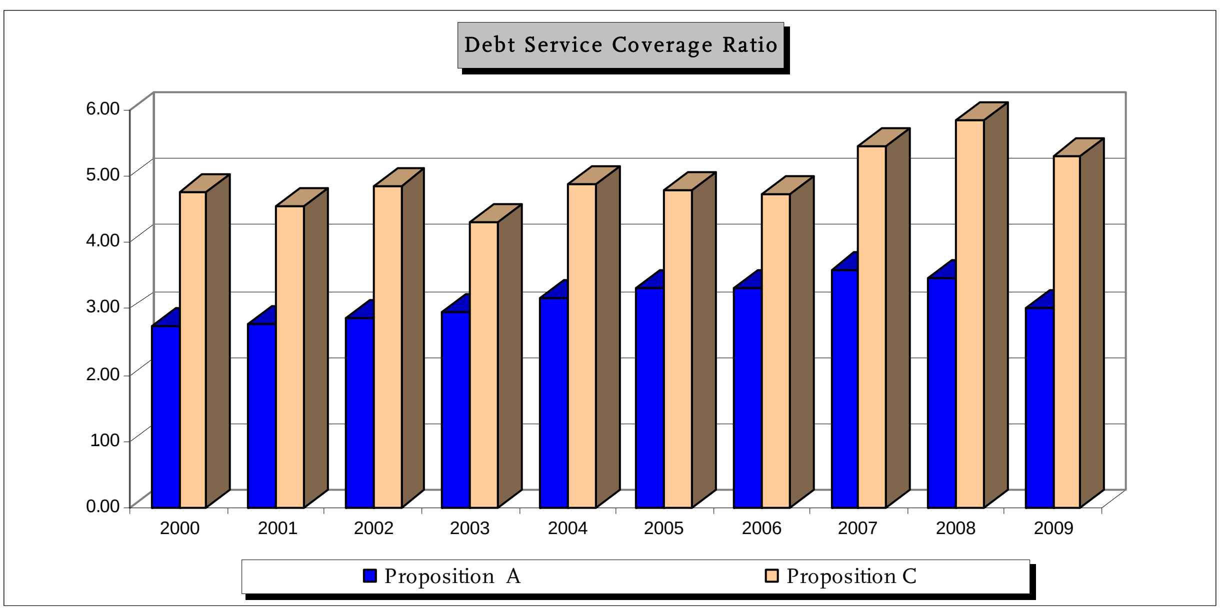
Fiscal Year	Net Proposition C Sales Tax Revenue	Less 20% Local Allocation	Proposition C Bonds Amount Available For Debt Service On Sales Tax Bonds	Proposition C Bonds Aggregate Debt Service Requirement	Proposition C Debt Service Coverage Ratio
2000	$ 505,949	$ 101,190	$ 404,759	$ 88,801	4.56
2001	528,432	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
2009	620,866	124,173	496,693	117,792	4.22

Source: Comprehensive Annual Financial Report

See accompanying independent auditors' report.

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





See accompanying independent auditors' report.

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

Table 10

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:									
Redevelopment and housing bonds	$ 31	$ 30	$ 30	$ 30	$ 28	$ 28	$ 27	$ 26	$ 25
Total governmental activities	31	30	30	30	28	28	27	26	25
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	2,873
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 obligation	164	329	750	868	888	811	814	845	871
General revenue bonds	186	186	186	274	269	252	236	221	203
Commercial paper	233	266	266	348	399	188	189	184	279
Certificates of participation	163	141	107	6	-	-	-	-	-
Capitalized lease	-	17	38	32	21	17	13	27	19
Capital grant receipts revenue bonds	-	-	-	-	-	265	240	217	132
Total business-type activities	3,909	4,032	4,333	4,457	4,593	4,709	4,558	4,447	4,377
Total primary government	$ 3,940	$ 4,062	$ 4,363	$ 4,487	$ 4,621	$ 4,737	$ 4,585	$ 4,473	$ 4,402
Percentage of Personal Income*	1.34%	1.35%	1.41%	1.36%	1.32%	1.28%	1.23%	1.03%	1.14%
Per Capita*	$ 401.35	$ 418.34	$ 450.31	$ 450.00	$ 463.26	$ 473.17	$ 441.66	$ 454.27	$ 421.80

Prior year 2000 data not available
Source: Comprehensive Annual Financial Report
** See the Schedule of Demographic and Economic Statistics for population and personal income data*

See accompanying independent auditors' report.

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
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	309,827,072	31	7.0%
2004	10,078	36,199	122,533,104	326,402,466	32	6.5%
2005	10,163	36,675	130,722,373	346,423,416	34	5.3%
2006	10,223	37,115	136,162,552	369,174,348	37	4.7%
2007	10,276	37,559	137,820,418	398,228,369	39	5.3%
2008	10,364	38,049	139,501,827*	429,568,942	41	7.3%
2009	10,393	38,293	141,203,749*	392,000,000(5)	38(5)	12.6%

Data Sources:
(1) California Department of Finance, data estimates as of January 1, 2009
(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 August 2009
(5) Per Los Angeles Economic Development Corp. (LAEDC) 2009-2010 Economic Forecast July 2009
** Data not available, estimates only based on % change from FY06 to FY07*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years

Table 12

	2002 *		2004 **		2006 *	
Major Employers	# of Employees	Percent of Total Employment	# of Employees	Percent of Total Employment	# of Employees	Percent of Total Employment
County of Los Angeles	93,354	2.10%	93,354	2.10%	93,200	2.02%
Los Angeles Unified School District	80,802	1.82%	78,085	1.75%	74,632	1.62%
Federal Government	56,100	1.26%	56,100	1.26%	53,200	1.15%
University of California, Los Angeles	36,354	0.82%	36,354	0.82%	35,543	0.77%
City of Los Angeles	51,150	1.15%	35,895	0.81%	53,471	1.16%
State of California (non-education)	32,300	0.73%	32,300	0.73%	30,200	0.65%
Kaiser Permanente	27,635	0.62%	27,635	0.62%	32,180	0.70%
Northrop Grumman Corp	10,000	0.22%	n/a	n/a	21,000	0.46%
Boeing	23,468	0.53%	23,468	0.53%	15,825	0.34%
Kroger Co. (formerly Ralph's Grocery)	17,211	0.39%	17,211	0.39%	14,000	0.30%
	428,374	9.63%	400,402	8.99%	423,251	9.17%
Total Employment in LA County ***	4,447,100		4,454,100		4,613,200	

Data Sources
** Los Angeles Almanac research*
*** City-Data Los Angeles Economy Report*
**** California Employment Development Department, Labor Market Information Division*
**** * Information for 2000, 2001, 2003, 2005, 2007, 2008 & 2009 are not available.*
n/a Data not available

See accompanying independent auditors' report.

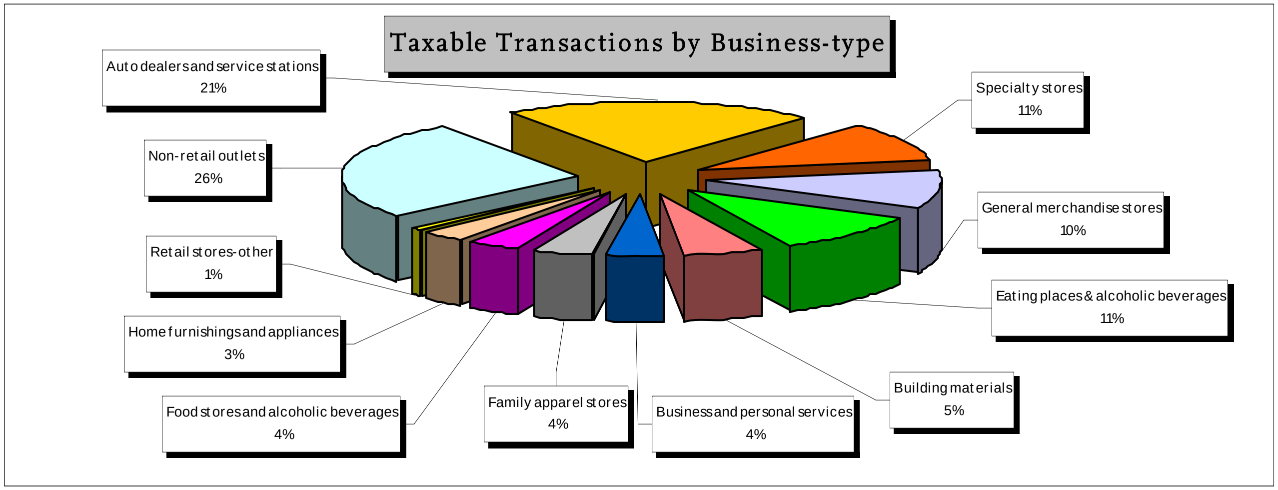
Los Angeles County Metropolitan Transportation Authority
Los Angeles County Taxable Transactions by Type of Business
Last Ten Fiscal Years
(Amounts expressed in millions)

Table 13

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008 *	2009 *
Non-retail outlets	$ 31,152	$ 30,457	$ 29,150	$ 29,192	$ 30,761	$ 35,240	$ 35,218	$ 36,316	$ 36,759	$ 37,207
Auto dealers and service stations	20,594	21,387	22,273	24,307	26,519	26,908	29,162	29,387	29,746	30,109
Specialty stores	11,754	11,542	11,639	12,107	13,027	14,045	14,333	14,703	14,882	15,063
General merchandise stores	10,578	10,860	11,197	11,749	12,592	13,322	13,729	13,825	13,994	14,165
Eating places and alcoholic beverages	9,717	10,081	10,542	11,152	12,036	12,516	13,751	14,473	14,650	14,829
Building materials	4,822	5,070	5,529	6,017	7,311	6,722	7,872	7,495	7,586	7,678
Business and personal services	5,200	5,135	5,056	5,067	5,275	6,017	5,391	5,409	5,475	5,542
Family apparel stores	3,669	3,812	4,037	4,357	4,807	4,836	5,527	5,829	5,901	5,973
Food stores and alcoholic beverages	4,213	4,210	4,235	4,240	4,222	4,938	4,680	4,912	4,972	5,033
Home furnishings and appliances	3,272	3,194	3,378	3,719	4,031	4,114	4,307	4,287	4,339	4,392
Retail stores – other	1,702	1,678	1,718	1,779	1,952	2,064	2,193	1,184	1,198	1,213
Total	$ 106,673	$ 107,426	$ 108,754	$ 113,686	$ 122,533	$ 130,722	$ 136,163	$ 137,820	$ 139,502	$ 141,204

Source: California State Board of Equalization

** Data not available, estimates only based on % change from FY06 to FY07*



See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority

Table 14

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

	Fiscal Year									
	2000	2001	2002[2]	2003	2004	2005[3]	2006	2007[5]	2008	2009
PASSENGER FARES:										
Heavy Rail	$ 6,835	$ 9,944	$ 12,187	$ 16,152	$ 16,895	$ 16,298	$ 24,015	$ 23,739	$ 31,843	$ 29,402
Light Rail	10,083	16,839	18,332	17,088	18,900	19,912	22,657	20,752	29,690	28,682
Bus*	216,516	186,746	210,625	214,186	185,659	233,028	233,900	248,877	275,428	275,906
OPERATING EXPENSES: (excluding depreciation)										
Heavy Rail	$ 46,548	$ 54,501	$ 62,229	$ 67,100	$ 65,829	$ 76,373	$ 77,541	$ 87,368	$ 95,930	$ 88,793
Light Rail	61,387	68,546	83,689	86,200	111,654	126,123	132,397	144,466	153,267	150,108
Bus*	668,021[1]	623,194	715,360	740,468	707,369	772,907	841,210	892,512	919,541	939,248
PASSENGER MILES:										
Heavy Rail	74,729	126,461	163,931	151,901	152,629	173,935	193,020	194,032	217,965	227,657
Light Rail	208,824	213,339	228,780	225,712	241,217	268,981	297,477	291,158	306,848	327,341
Bus*	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	1,517,647
REVENUE VEHICLE MILES:										
Heavy Rail	3,568	5,540	5,877	5,987	5,399	5,877	5,867	5,986	6,003	6,078
Light Rail	4,658	4,401	8,114	6,783	7,704	8,114	8,047	8,688	8,812	9,051
Bus*	85,655	80,282	88,709	88,809	82,498	92,054	92,937	84,700	90,282	88,535
BUSES AND RAIL CARS:										
Heavy Rail	104	104	104	104	104	104	104	104	104	104
Light Rail	69	81	121	121	121	121	121	121	121	145
Bus*	2,426	2,913	3,012	2,774	2,714	2,856	2,870	2,733	2,738	2,460
PASSENGER STATIONS:										
Heavy Rail	16[4]	16	16	16	16	16	16	16	16	16
Light Rail	36	36	36	36	49	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-day strike during this period thereby reducing miles and revenue fares.*

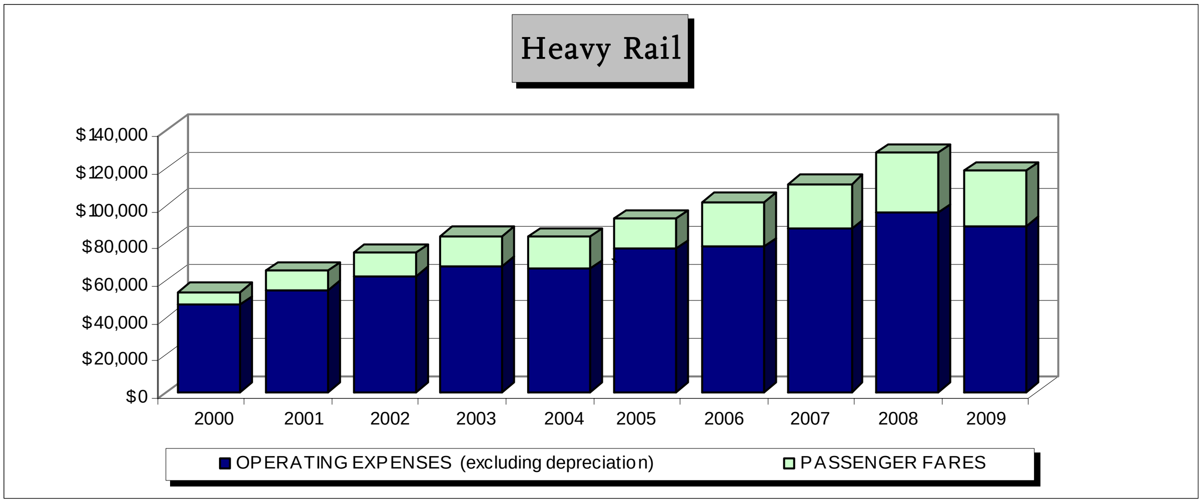
[3] *There was a 33-day strike during this period thereby reducing miles and revenue fares.*

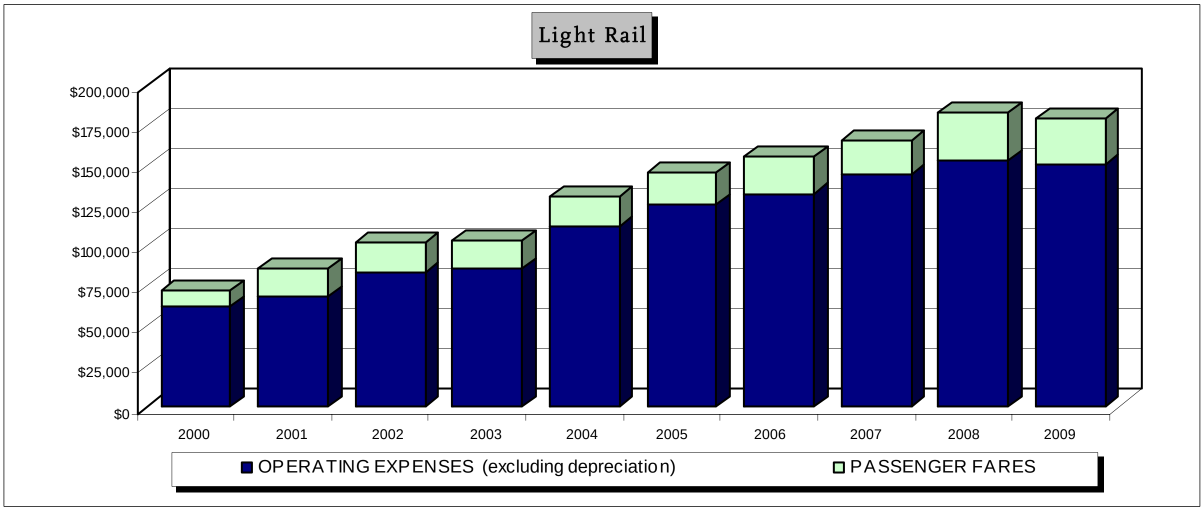
[4] *More stations added due to opening of new segment*

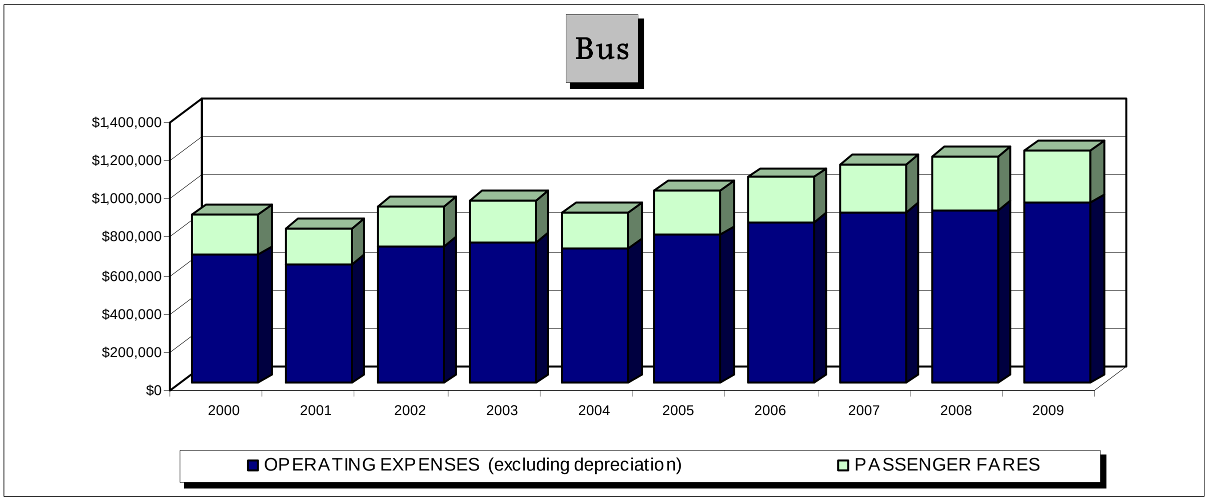
[5] *Orange Line opened in October 2005*

See accompanying independent auditors' report.

Graphical Presentation of Table 14
Passenger Fares and Operating Expenses by Mode







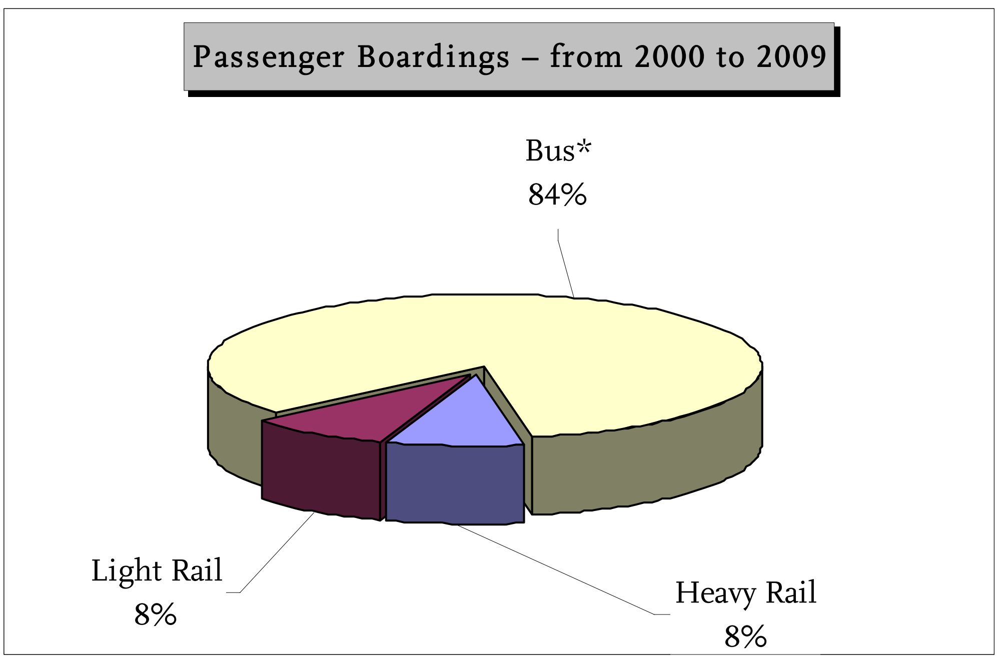
See accompanying independent auditors' report.

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

Table 15

Fiscal Year	Heavy Rail	Light Rail	Bus*	Total
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
2009	46,891	46,028	386,029	478,948

Source: National Transit Database Report
** includes purchased transportation*



See accompanying independent auditors' report.

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

Table 16

Fiscal Year	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Depreciation	Total
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
2009	654,760	248,215	91,010	184,164	455,575	1,633,724

Source: National Transit Database Report

See accompanying independent auditors' report.

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

Table 17

	Full Time Equivalent (FTE) Employees									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Function										
LACMTA Operations	6,814	7,298	7,344	7,591	7,540	7,591	7,641	7,701	7,789	7,834
Countywide Planning & Development	190	135	144	134	130	110	104	104	116	119
Construction Project Management	153	146	153	156	135	106	88	86	86	93
Communications	169	211	209	262	256	235	215	214	216	221
Support Services	945	891	904	876	831	788	757	750	755	792
Chief Executive Office	92	111	110	115	98	76	67	67	75	73
Board of Directors	61	63	61	52	55	47	46	45	45	45
Total	8,424	8,855	8,925	9,186	9,045	8,953	8,918	8,967	9,082	9,177

Source: Adopted Budget

See accompanying independent auditors' report.

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 18

	Operations			Operating Assistance				
Fiscal Year	Passenge Fares	Other	Sub-total	Local	State	Federal	Subtotal	TOTAL
Transportation Industry (1)								
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%	7%	39%	29%	24%	8%	61%	100%
2006	33%	7%	40%	29%	23%	8%	60%	100%
2007	31%	7%	38%	31%	24%	7%	62%	100%
2008	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*
LACMTA (2)								
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%
2009	24%	3%	27%	53%	5%	15%	73%	100%

1) APTA 2009 Public Transportation Fact Book
2) National Transit Database Report
* *Data not available*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority *Table 19*
Business-type Activities – Transit Operations
Operating Expenses by Function
Comparison to Transit Industry Trend
Percent to Total
Last Ten Fiscal Years

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total**
Transportation Industry (1)						
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%
2006	46%	18%	9%	13%	14%	100%
2007	46%	18%	9%	14%	13%	100%
2008	*	*	*	*	*	*
2009	*	*	*	*	*	*
LACMTA (2)						
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%
2009	53%	20%	8%	15%	4%	100%

1) APTA 2009 Public Transportation Fact Book
2) National Transit Database Report
** Data not available*
*** Excluding depreciation*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
BUS
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	Year-to-Date		Variance		Prior Year	Variance	
Expenditure Type	Actual***	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	$ 239,121	$ 253,156	$ 14,035	5.54%	$ 233,718	$ 5,403	2.31%
ATU	98,226	94,797	(3,429)	-3.62%	91,666	6,560	7.16%
NC	23,626	23,553	(73)	-0.31%	22,122	1,504	6.80%
TCU	16,876	16,218	(658)	-4.06%	16,106	770	4.78%
AFSCME	33,530	34,518	988	2.86%	31,646	1,884	5.95%
TEAMSTERS	1,701	2,341	640	27.34%	1,663	38	2.29%
Total	413,080	424,583	11,503	2.71%	396,921	16,159	4.07%
Fringe Benefits	172,068	204,331	32,263	15.79%	186,970	(14,902)	-7.97%
Services							
Security	24,432	24,769	337	1.36%	22,967	1,465	6.38%
Maintenance	12,572	13,228	656	4.96%	11,573	999	8.63%
Professional and technical	5,445	9,770	4,325	44.27%	5,311	134	2.52%
Others	2,598	3,482	884	25.39%	2,624	(26)	-0.99%
Total	45,047	51,249	6,202	12.10%	42,475	2,572	6.06%
Materials & Supplies							
Fuel and lubricants	54,060	61,166	7,106	11.62%	54,910	(850)	-1.55%
Revenue vehicle parts	63,512	59,566	(3,946)	-6.62%	57,823	5,689	9.84%
Office supplies and others	9,385	8,638	(747)	-8.65%	9,536	(151)	-1.58%
Total	126,957	129,370	2,413	1.87%	122,269	4,688	3.83%
Utilities	1,680	1,471	(209)	-14.21%	1,477	203	13.74%
Casualty and Liability	28,593	57,870	29,277	50.59%	58,873	(30,280)	-51.43%
Others	29,374	23,623	(5,751)	-24.34%	14,698	14,676	99.85%
Support project (100030)	59,361	62,218	2,857	4.59%	54,484	4,877	8.95%
Total LACMTA Operated	876,160	954,715	78,555	8.23%	878,167	(2,007)	-0.23%
CRSH LACMTA Operated	124.88	133.24	8.36	6.27%	123.73	1.15	0.93%
Purchased Transportation	39,804	41,729	1,925	4.61%	37,044	2,760	7.45%
Total Operating Expenses	$ 915,964	$ 996,444	$ 80,480	8.08%	$ 915,211	$ 753	0.08%
CRSH – Total Operating Expenses	$ 120.98	$ 129.11	$ 8.13	6.30%	$ 119.93	$ 1.05	0.88%
Revenue Service Hours (MTA only)*	7,020,498	7,165,253	144,755	2.02%	7,097,556	(77,058)	-1.09%
RSH Purchased Transportation**	550,859	552,249	1,390	0.25%	552,486	(1,627)	-0.29%
Total Revenue Service Hours*	7,571,357	7,717,502	146,145	1.89%	7,650,042	(78,685)	-1.03%

* *Not in thousands*
** *Includes revenue service hours of 57,460 from LADOT*
*** *Excludes unfunded OPEB*

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
RAIL TOTAL
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	Year-to-Date		Variance		Prior Year	Variance	
Expenditure Type	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	$ 14,704	$ 15,381	$ 677	4.40%	$ 13,970	734	5.25%
ATU	31,523	33,727	2,204	6.53%	32,132	(609)	-1.90%
NC	11,582	11,729	147	1.25%	11,231	351	3.13%
TCU	8,036	8,216	180	2.19%	8,015	21	0.26%
AFSCME	12,374	12,864	490	3.81%	12,074	300	2.48%
TEAMSTERS	2,735	1,973	(762)	-38.62%	2,464	271	11.00%
Total	80,954	83,890	2,936	3.50%	79,886	1,068	1.34%
Fringe Benefits	33,378	38,695	5,317	13.74%	41,451	(8,073)	-19.48%
Services							
Security	43,515	43,438	(77)	-0.18%	42,183	1,332	3.16%
Maintenance	13,493	14,689	1,196	8.14%	12,051	1,442	11.97%
Professional and technical	2,880	4,084	1,204	29.48%	3,154	(274)	-8.69%
Others	421	227	(194)	-85.46%	110	311	282.73%
Total	60,309	62,438	2,129	3.41%	57,498	2,811	4.89%
Materials & Supplies							
Fuel and lubricants	302	388	86	22.16%	230	72	31.30%
Revenue vehicle parts	9,453	8,470	(983)	-11.61%	11,026	(1,573)	-14.27%
Office supplies and others	5,689	4,554	(1,135)	-24.92%	5,640	49	0.87%
Total	15,444	13,412	(2,032)	-15.15%	16,896	(1,452)	-8.59%
Utilities							
Propulsion power	21,597	22,843	1,246	5.45%	19,204	2,393	12.46%
Electricity and others	896	864	(32)	-3.70%	1,099	(203)	-18.47%
Total	22,493	23,707	1,214	5.12%	20,303	2,190	10.79%
Casualty and Liability	2,108	6,856	4,748	69.25%	1,783	325	18.23%
Others	4,551	4,345	(206)	-4.74%	4,143	408	9.85%
Support Project (100040)	14,603	14,871	268	1.80%	13,543	1,060	7.83%
Total MTA Operated	$ 233,840	$248,214	$ 14,374	5.79%	$ 235,503	$ (1,663)	-0.71%
Cost of Revenue per Svc Hour*	$ 357.85	$ 373.96	$ 16.11	4.31%	$ 367.66	$ (9.81)	-2.67%
Revenue Vehicle Hours*	653,454	663,752	10,298	1.55%	640,543	12,911	2.02%

* Not in thousands

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
HEAVY RAIL
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	Year-to-Date		Variance		Prior Yr.	Variance	
Expenditure Type	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	$ 4,138	$ 4,641	$ 503	10.84%	$ 4,119	$ 19	0.46%
ATU	12,500	13,081	581	4.44%	13,450	(950)	-7.06%
NC	3,165	3,442	277	8.05%	3,049	116	3.80%
TCU	3,911	3,335	(576)	-17.27%	3,986	(75)	-1.88%
AFSCME	3,592	3,860	268	6.94%	3,560	32	0.90%
TEAMSTERS	1,410	919	(491)	-53.43%	1,265	145	11.46%
Total	28,716	29,278	562	1.92%	29,429	(713)	-2.42%
Fringe Benefits	11,894	13,770	1,876	13.62%	15,863	(3,969)	-25.02%
Services							
Security	16,654	16,644	(10)	-0.06%	16,325	329	2.02%
Maintenance	6,595	7,462	867	11.62%	5,816	779	13.39%
Professional and technical	501	1,034	533	51.55%	653	(152)	-23.28%
Others	112	111	(1)	-0.90%	75	37	49.33%
Total	23,862	25,251	1,389	5.50%	22,869	993	4.34%
Materials and Supplies							
Fuel and lubricants	94	124	30	24.19%	91	3	3.30%
Revenue vehicle parts	2,798	1,897	(901)	-47.50%	3,792	(994)	-26.21%
Office supplies and others	1,964	1,947	(17)	-0.87%	2,450	(486)	-19.84%
Total	4,856	3,968	(888)	-22.38%	6,333	(1,477)	-23.32%
Utilities							
Propulsion power	8,907	9,347	440	4.71%	7,538	1,369	18.16%
Electricity and others	192	218	26	11.93%	197	(5)	-2.54%
Total	9,099	9,565	466	4.87%	7,735	1,364	17.63%
Casualty and Liability	946	3,306	2,360	71.39%	2,240	(1,294)	-57.77%
Others	1,442	1,665	223	13.39%	1,731	(289)	-16.70%
Support Project (100040)	5,180	5,190	10	0.19%	4,686	494	10.54%
Total MTA Operated	$ 85,995	$ 91,993	$ 5,998	6.52%	$ 90,886	$ (4,891)	-5.38%
Cost of Revenue Per Service Hour*	$ 320.21	$ 341.83	$ 21.62	6.32%	$ 342.77	$ (22.56)	-6.58%
Revenue Vehicle Hours*	268,561	269,123	562	0.21%	265,149	3,412	1.29%

* Not in thousands

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Cost Per Revenue Service Hours
LIGHT RAIL
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	Year-to Date		Variance		Prior Yr.	Variance	
Expenditure Type	Actual	Budget	Amount	%	Total	Amount	%
Labor (Union Group)							
UTU	$ 10,566	$ 10,740	$ 174	1.62%	$ 9,851	$ 715	7.26%
ATU	19,023	20,646	1,623	7.86%	18,682	341	1.83%
NC	8,417	8,287	(130)	-1.57%	8,182	235	2.87%
TCU	4,125	4,881	756	15.49%	4,029	96	2.38%
AFSCME	8,782	9,004	222	2.47%	8,514	268	3.15%
TEAMSTERS	1,325	1,054	(271)	-25.71%	1,199	126	10.51%
Total	52,238	54,612	2,374	4.35%	50,457	1,781	3.53%
Fringe Benefits	21,484	24,925	3,441	13.81%	25,587	(4,103)	-16.04%
Services							
Security	26,861	26,794	(67)	-0.25%	25,857	1,004	3.88%
Maintenance	6,898	7,227	329	4.55%	6,235	663	10.63%
Professional and technical	2,379	3,050	671	22.00%	2,501	(122)	-4.88%
Others	309	116	(193)	-166.38%	36	273	758.33%
Total	36,447	37,187	740	1.99%	34,629	1,818	5.25%
Materials and Supplies							
Fuel and lubricants	208	264	56	21.21%	139	69	49.64%
Revenue vehicle parts	6,655	6,573	(82)	-1.25%	7,234	(579)	-8.00%
Office supplies and others	3,725	2,607	(1,118)	-42.88%	3,191	534	16.73%
Total	10,588	9,444	(1,144)	-12.11%	10,564	24	0.23%
Utilities							
Propulsion power	12,690	13,496	806	5.97%	11,666	1,024	8.78%
Electricity and others	704	646	(58)	-8.98%	902	(198)	-21.95%
Total	13,394	14,142	748	5.29%	12,568	826	6.57%
Casualty and Liability	1,162	3,550	2,388	67.27%	(456)	1,618	-354.82%
Others	3,109	2,680	(429)	-16.01%	2,412	697	28.90%
Support Project (100040)	9,423	9,681	258	2.67%	8,857	566	6.39%
Total MTA Operated	$147,845	$156,221	$ 8,376	5.36%	$144,618	$ 3,227	2.23%
Cost of Revenue per Svc Hour*	$ 384.12	$ 395.87	$ 11.75	2.97%	$ 385.24	$ (1.12)	-0.29%
Revenue Vehicle Hours*	384,893	394,629	9,736	2.47%	375,394	9,499	2.53%

* Not in thousands

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

			Revenues					
Project No.	Task Description	Expenditures	Proposition A Admin	Proposition C Admin	TDA Admin	TDA Planning and Programming	Other Sources	Total
Fund Balance – beginning of year			$ 13,899	$ 1,071	$ -	$ -	$ -	$ 14,970
Revenues for the year			-	-	-	-	9,192	9,192
Transfers In			30,732	9,509	2,359	2,993	11,078	56,671
Total Available Funds			44,631	10,580	2,359	2,993	20,270	80,833
			Expenditures					
100002	**Governmental and Oversight Activities**							
	General Oversight	27,353	20,053	-	-	-	7,300	27,353
	Transportation Foundation	-	-	-	-	-	-	-
	Legal Expenses	2,344	2,344	-	-	-	-	2,344
	Treasury Oversight	1,056	1,056	-	-	-	-	1,056
100002 Total		30,753	23,453	-	-	-	7,300	30,753
100012	**Prop A and C Audit**							
	Prop A and C Audit	30	15	15	-	-	-	30
100012 Total		30	15	15	-	-	-	30
100050	**Administration Subsidy CFP**							
	General and Administrative Costs	3,873	3,873	-	-	-	-	3,873
100050 Total		3,873	3,873	-	-	-	-	3,873
100055	**Administration – Measure R**							
	Administration – Measure R	43					43	43
100055 Total		43					43	43
100060	**Administration – General Planning**							
	General and Administrative Costs	7,926	7,926	-	-	-	-	7,926
100060 Total		7,926	7,926	-	-	-	-	7,926
400228	**Regional Downtown Connector – Planning**							
	Administration	542	-	-	-	-	542	542
	Professional Services	3,265	-	-	-	-	3,265	3,265
400228 Total		3,807	-	-	-	-	3,807	3,807
400229	**Harbor Subdivision**							
	Administration	315	-	31	-	-	284	315
	Professional Services	1,652	-	165	-	-	1,487	1,652
400229 Total		1,967	-	196	-	-	1,771	1,967
400231	**DMU Technology Feasibility Study**							
	Administration	35	-	35	-	-	-	35
	Professional Services	425	-	425	-	-	-	425
400231 Total		460	-	460	-	-	-	460
400232	**Eastside Extension**							
	Administration	239	-	239	-	-	-	239
	Professional Services	2,439	-	2,439	-	-	-	2,439
	Construction Management	4,617					4,617	4,617
400232 Total		7,295	-	2,678	-	-	4,617	7,295
402130	**Disparity Study in Contracting**							
	LACMTA Funds DBE	345	-	345	-	-	-	345
	Consortium Funds DBE	265		265				265
402130 Total		610	-	610	-	-	-	610
405510	**Other P and P Planning**							
	Call/MOU Tech. Support	216	71	71	74	-	-	216
	Consolidated Audit Services	551	-	-	551	-	-	551
	Triennial Audit Management	49	-	-	49	-	-	49
	Prop A/C Administration	266	133	133	-	-	-	266
	Grants Administration	1,067	-	-	1,067		-	1,067
	TDA Article 3 and 8	171	-	-	171	-	-	171
	TIP Administration	1,234	-	-	-	-	1,234	1,234
	STIP PPM - FY05	1,595	-	-	-	-	1,595	1,595
	Gov't. Coordination/Outreach	595	-	595	-	-	-	595
	Bus System Improvement Plan	206	206	-	-	-	-	206

continued

See accompanying independent auditors' report.

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, 2009
(Amounts expressed in thousands)

			Expenditures					
Project No.	Task Description	Expenditures	Proposition A Admin	Proposition C Admin	TDA Admin	TDA Planning and Programming	Other Sources	Total
	Station Planning/Joint Development	208	-	208	-	-	-	208
	Bike parking Racks and Lockers	153	153	-	-	-	-	153
	Art Program	98	98	-	-	-	-	98
	Public Outreach	19	19	-	-	-	-	19
	General Planning	1,476	1,476	-	-	-	-	1,476
	Increase Customer Awareness Program	1,994	400	1,594	-	-	-	1,994
405510 Total		**9,898**	**2,556**	**2,601**	**1,912**	**-**	**2,829**	**9,898**
405511	**Transit Planning**							
	Rail Program Development	6	-	6	-	-	-	6
	SHORE Program Support	32	32	-	-	-	-	32
	Long Range Plan Update	1,443	-	-	-	-	1,443	1,443
	Smart Shuttle	127	127	-	-	-	-	127
	Municipal Funding and Coordination	429	391	-	38	-	-	429
	Admin NTD Report – Local Cities	215	-	-	215	-	-	215
	Restructuring Study	87	-	87	-	-	-	87
	Bus Service Improvements	45	45	-	-	-	-	45
	Metro Rapid Bus	127	47	80	-	-	-	127
	Bus Service Efficiency and Effectiveness	657	657	-	-	-	-	657
	Transit Planning	822	271	551	-	-	-	822
	Rapid Bus Planning (BRT) Research	6	-	-	-	-	6	6
	Railvolution	47	-	47	-	-	-	47
	ADA Compliance	34	34	-	-	-	-	34
	Research and Development	82	-	-	-	-	82	82
	Metro Support	5	5	-	-	-	-	5
	GIS Work for Planning Studies	571	-	-	-	-	571	571
	Demand and Transportation Modeling	772	332	239	-	-	201	772
405511 Total		**5,507**	**1,941**	**1,010**	**253**	**-**	**2,303**	**5,507**
405518	**Red Line Westside Extension**							
	Administration	1,067	-	-	-	501	566	1,067
	Professional Services	3,791	-	-	-	1,782	2,009	3,791
405518 Total		**4,858**	**-**	**-**	**-**	**2,283**	**2,575**	**4,858**
405548	**Congestion Pricing**							
	Administration	140	97	-	-	-	43	140
	Professional Services	3,962	2,734	-	-	-	1,228	3,962
405548 Total		**4,102**	**2,831**	**-**	**-**	**-**	**1,271**	**4,102**
407002	**Southbay Transit Corridor Demand Study**							
	Professional Services	63	-	63	-	-	-	63
407002 Total		**63**	**-**	**63**	**-**	**-**	**-**	**63**
407004	**I-10 South Master Plan**							
	Professional Services	150	-	150	-	-	-	150
407004 Total		**150**	**-**	**150**	**-**	**-**	**-**	**150**
407007	**South Bay Goods Movement Strategy**							
	Professional Services	237	-	237	-	-	-	237
407007 Total		**237**	**-**	**237**	**-**	**-**	**-**	**237**
407008	**Gateway Congestion Regional Studies**							
	Professional Services	21	-	21	-	-	-	21
407008 Total		**21**	**-**	**21**	**-**	**-**	**-**	**21**
450001	**Energy Conservation Initiative**							
	Professional Services	148	148	-	-	-	-	148
450001 Total		**148**	**148**	**-**	**-**	**-**	**-**	**148**
450002	**Sustainability Design Guide**							
	Professional Services	**30**	**30**					**30**
450002 Total		**30**	**30**					**30**
450003	**Sustainability Environment**							
	Professional Services	**171**	**171**					**171**
450003 Total		**171**	**171**					**171**
450004	**Carbon Emissions & Greenhouse Gas Mgmt.**							
	Professional Services	**61**		**61**				**61**
450004 Total		**61**		**61**				**61**
609911	**Transit Academy/TOPS**							
	TOP	**30**	**30**					**30**
609911 Total		**30**	**30**					**30**
Total Expenditures		**$ 82,040**	**42,974**	**8,102**	**2,165**	**2,283**	**26,516**	**82,040**
FUND BALANCES – END OF YEAR			$ 1,657	$ 2,478	$ 194	$ 710	$ (6,246)	$ (1,207)

See accompanying independent auditors' report.

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.6000
metro.net

Metro®